BluOr Bank

Base Prospectus
2024

PROGRAMME FOR THE OFFERING OF BONDS OF BLUOR BANK AS IN THE AMOUNT OF UP TO EUR 30,000,000 AND ADMISSION THEREOF TO TRADING ON THE BALTIC BOND LIST OF NASDAQ RIGA

This Base Prospectus (the **"Base Prospectus"** or the **"Prospectus"**) was prepared for the programme (the **"Programme"**) for the offering of non-convertible unsecured and unguaranteed subordinated bonds (the **"Bonds"**) of BluOr Bank AS a joint stock company, incorporated in, and operating under the laws of the Republic of Latvia, and registered in the Commercial Register of Latvia maintained by the Enterprise Register under the registration number: 40003551060, legal address: Smilšu iela 6, Riga, LV-1050, Latvia, (the **Company**, the **Issuer**, the **Bank**) in the amount of up to EUR 30,000,000 (the **"Offering"**) and admission thereof (the **"Admission"**) to trading on the Baltic Bond List of AS Nasdaq Riga (**"Nasdaq"** or **"Nasdaq Riga"**).

This Base Prospectus should be read and constructed together with any supplements hereto (if any) and any other documents attached herein and, in relation to any tranche of Bonds issue (the **"Tranche"**), with the Final Terms of the relevant Tranche (the **"Final Terms"**), as applicable. The issue-specific summary shall be annexed to the Final Terms of each of the Tranche and shall be announced in the same order as the Base Prospectus and provided to the Latvian competent authority, the Bank of Latvia (in Latvia: Latvijas Banka, the **"LB"**) together with the Final Terms.

Neither this Base Prospectus nor any Final Terms constitute an offer to sell or a solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Furthermore, the distribution of this Base Prospectus and/or any Final Terms in certain jurisdictions may be restricted by law. Thus, persons in possession of this Base Prospectus and/or any Final Terms are required to inform themselves about and to observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Bonds referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended, or under any securities laws of any state or other jurisdiction of the United States and are not being offered or sold within the United States or to, or for the account or benefit of, US persons (for more information please see Section 1.3 (Use of Prospectus).

The Bonds shall be offered, as specified in the Base Prospectus and the Final Terms, subject to possible cancellation or modification of the Offering and subject to certain other conditions.

This Base Prospectus has been prepared and the Final Terms will be prepared by the Company in accordance with the Regulation (EU) 2017/1129 of the European Parliament and of the Council, as may be amended from time to time (the **"Prospectus Regulation"**), Commission Delegated Regulation (EU) 2019/980, as may be amended from time to time (the **"Delegated Regulation"**) and the Financial Instrument Market Law of the Republic of Latvia, as amended (the **"Financial Instrument Market Law"**). The LB in its capacity as the competent authority in Latvia under the Prospectus Regulation has approved this document as a Base Prospectus and has notified the approval of the Base Prospectus to the Estonian Financial Supervision and Resolution Authority (in Estonian: Finantsinspektsioon; the **"EFSRA"**) and the Bank of Lithuania (in Lithuanian: Lietuvos bankas, the **"Bank of Lithuania"**).

The approval by the LB of this Base Prospectus only means that it is meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the quality of the Bonds that are the subject of this Base Prospectus. Application has also been made to Nasdaq Riga for Bonds issued under the Programme to be admitted to trading on the Baltic Bond List of Nasdaq Riga.

Investors should make their own assessment as to the suitability of investing in the securities. The Bonds are subordinated to all unsubordinated claims against the Company. The subordination of the Bonds means that upon the liquidation or insolvency of the Company, all the claims arising out of the Bonds shall fall due in accordance with the terms of the Bonds and shall be satisfied only after the full satisfaction of all unsubordinated recognized claims against the Company in accordance with the applicable law. Consent of the Bondholders is not necessary for effecting bail-in measures by the LB.

The Base Prospectus has been drawn up as a base prospectus in accordance with Article 8 of the Regulation (EU) 2017/1129.

The information contained herein is current as of the date of this Base Prospectus. Neither the delivery of this Base Prospectus nor the offer, sale or delivery of the Bonds shall, under any circumstances, create any implication that no adverse changes have occurred nor events have happened, which may or could result in an adverse effect on the Company's or its Subsidiaries' (collectively the **"Group"**) business, financial condition or results of the operations and/or the market price of the Bonds. Nothing contained in this Base Prospectus constitutes or shall be relied upon as a promise or representation by the Issuer.

Although the whole text of this document as well as of the Final Terms should be read, the attention of the persons receiving this document is drawn, in particular, to the Section headed Risk Factors contained in Section 3 (Risk factors) of this document. All statements regarding the Company's and the Group's business, financial position and prospects as well as the Offering should be viewed in light of the risk factors set out in Section 3 (Risk factors) of this document.

All the Bonds of the Company (when issued) will be dematerialized bonds and will be registered with Nasdaq CSD, SE (**"Nasdaq CSD"**). When registering the Bonds of different Tranches, Nasdaq CSD will provide different ISIN to Bonds of different Tranches, unless it will be decided by Nasdaq CSD to provide the same ISIN to Bonds of different Tranches for any reason. Bondholders will be able to hold the Bonds through Nasdaq CSD participants including the Bank, such as investment firms and custodian banks operating in any of the Baltic states.

The date of this Base Prospectus is 21 August 2024.

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1. IMPORTANT INFORMATION

1.1. General information

This Base Prospectus has been prepared by the Company in connection with the Offering and the Admission, solely for the purposes of enabling any prospective investor to consider an investment in the Bonds. This Base Prospectus is a prospectus in the form of a single document within the meaning of the Prospectus Regulation and the Delegated Regulation. This Base Prospectus has been prepared in accordance with Article 8 of the Prospectus Regulation, Article 7 and Article 15 of the Delegated Regulation and Annex 6 (Registration document for retail non-equity securities) and Annex 14 (Securities note for retail non-equity securities) of the Delegated Regulation. Each Tranche issued in accordance with the Base Prospectus shall be accompanied by a summary that shall contain the key information set out in the Commission Delegated Regulation (EU) 2019/979.

This Base Prospectus has been approved by the LB, as the competent authority under the Prospectus Regulation and only as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval of this Base Prospectus by the LB should not be considered as an endorsement of the quality of the Bonds that are the subject of this Base Prospectus and investors should make their own assessment as to the suitability of investing in the Bonds.

This Base Prospectus should be read and construed together with any supplement hereto (if any) with any other documents attached herein, in relation to any Tranche of Bonds, with the Final Terms of the relevant Tranche.

The validity of the Base Prospectus will expire 12 months after approval hereof by the LB. The obligation to supplement the Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when the Base Prospectus is no longer valid.

Taking into consideration that this Base Prospectus contains several hyperlinks to websites, it is also noted that information on such websites does not form part of the Base Prospectus and has not been scrutinised or approved by the LB. This shall not apply to hyperlinks to information that is incorporated by reference to this Base Prospectus (please see Section 1.6 (*Information Incorporated by Reference*)).

1.2. Responsibility of this Prospectus

The person responsible for the information given in this Base Prospectus is the Company. The Company accepts responsibility for the fullness and correctness of the information contained in this Base Prospectus as of the date hereof. Having taken all reasonable care to ensure that such is the case, the Company believes that the information contained in this Base Prospectus is, to the best of the Company's knowledge, in accordance with the facts, and contains no omission likely to affect its import.

Dmitrijs Latiševs
Chairperson of the Management Board

Inga Preimane
Member of the Management Board

Vadims Morozs
Member of the Management Board

Without prejudice to the above, no responsibility is accepted by the persons responsible for the information given in this Base Prospectus solely on the basis of the summary of this Base Prospectus, which will be annexed to the Final Terms of each of the Tranche, including any translation thereof, unless such summary is misleading, inaccurate or inconsistent when read together with other parts of the Base Prospectus or it does not provide, when read together with other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in the Bonds.

Neither the Company nor the legal advisors to the Company will accept any responsibility for the information pertaining to the Offering and Admission, the Group or its operations, where such information is disseminated or otherwise made public by third parties either in connection with this Offering and Admission or otherwise.

By participating in the Offering, investors agree that they are relying on their own examination and analysis of this Base Prospectus (including the financial statements of the Group which form an indispensable part of this Base Prospectus) and any information on the Company and on the Group that is available in the public domain. Investors must also acknowledge the risk factors that may affect the outcome of such investment decisions (as presented in Section 3 (*Risk Factors*)).

Any persons in possession of this Base Prospectus should not assume that the information in this Base Prospectus is accurate as of any other date than the date of this Base Prospectus, if not expressly indicated otherwise. The delivery of this Base Prospectus at any time after the conclusion of it will not, under any circumstances, create any implication that there has been no change in the Company's (its Group's) affairs since the date hereof or that the information set forth in this Base Prospectus is correct as of any time since its date. In case material changes in operations of the Issuer occur until the term of validity of this Base Prospectus or until Admission (depending on which of these events will happen earlier), they will be reflected in supplements to the Base Prospectus, which will be subject to approval by the LB and notification to the Bank of Lithuania and the EFSRA. The supplement (if any) will be published in the same manner as the Base Prospectus.

Where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

1.3. Use of Prospectus

This Base Prospectus is prepared solely for the purposes of the Offering of the Bonds and listing and the admission to trading of the Bonds on the Baltic Bond List of Nasdaq Riga.

No public offering of the Bonds is conducted in any jurisdiction other than Latvia, Lithuania and Estonia (where the public offering of the Bonds to institutional and retail investors takes place) therefore the distribution of this Base Prospectus in other countries may be restricted or prohibited by law.

This Base Prospectus may not be used for any other purpose than for making the decision of participating in the Offering or investing in the Bonds. You may not copy, reproduce (other than for private and non-commercial use) or disseminate this Base Prospectus without express written permission from the Company. Persons into whose possession this Base Prospectus or any Final Terms come are required by the Issuer to inform themselves about and to observe any such restrictions.

Prior to making a decision to participate or refrain from participating in the Offering or to conduct any trading activities with the Bonds on Nasdaq Riga the prospective Investors should read this document. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the risks involved. It is forbidden to copy, reproduce (other than for private and non-commercial use) or disseminate this Base Prospectus without express written permission from the Company.

1.4. Availability of the Prospectus

This Base Prospectus will be published by means of a stock exchange release through the information system of Nasdaq Riga. The Base Prospectus is also available in an electronic form on the website of the LB (www.bank.lv) and on the website of the Company (www.bluorbank.lv). Any interested party may request delivery of an electronic copy of the Base Prospectus by the Company without a charge. A paper copy of the Base Prospectus can be obtained at the premises of the Company (address: Smilšu iela 6, Riga, LV-1050, Latvia) by any interested party upon request. Delivery of the Base Prospectus is limited to the jurisdictions in which the Offering to the public is being made.

1.5. Forward-Looking Statement

This Base Prospectus includes forward-looking statements (notably under Sections "Risk Factors", "Business Overview", "Reasons for Offering and Use of Proceeds"). Such forward-looking statements are based on current expectations and projections about future events, which are in turn made on the basis of the best judgment of the Management. Certain statements are based on the beliefs of the Management as well as assumptions made by and information currently available to the Management. Any forward-looking statements included in this Base Prospectus are subject to risks, uncertainties and assumptions about the future operations of the Group, the macro-economic environment and other similar factors.

In particular, such forward-looking statements may be identified by use of words such as "strategy", "expect", "plan", "anticipate", "believe", "will", "continue", "estimate", "intend", "project", "goals", "targets" and other words and expressions of similar meaning. Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements contained in this Base Prospectus whether as a result of such changes, new information, subsequent events or otherwise.

The validity and accuracy of any forward-looking statements are affected by the fact that the Company operates in a highly competitive business. This business is affected by changes in domestic and foreign laws and regulations (including those of the European Union), taxes, developments in competition, economic, strategic, political and social conditions, consumer response to new and existing products and technological developments and other factors. The Company`s actual results may differ materially from the Management's expectations because of the changes in such factors. Other factors and risks could adversely affect the operations, business or financial results of the Company (please see Section 3 (Risk Factors) for a discussion of the risks which are identifiable and deemed material at the date hereof).

1.6. Information Incorporated by Reference

The following information is incorporated in this Base Prospectus by reference in accordance with Article 19 of the Prospectus Regulation:

- the Group`s consolidated and the Bank`s separate audited financial statements for the year ended 31 December 2022 together with the independent auditor's report (https://www.bluorbank.lv/api/file/29703);
- the Group`s consolidated and the Bank`s separate audited financial statements for the year ended 31 December 2023 together with the independent auditor's report (https://www.bluorbank.lv/api/file/30370);
- Articles of Association (they may be accessed in Latvian via the following hyperlink https://www.bluorbank.lv/api/file/2788 and in English via the following hyperlink https://www.bluorbank.lv/api/file/2807).

Reference to the Company's website in this Base Prospectus should not be deemed to incorporate the information on the Company's website by reference.

1.7. Documents on Display

Throughout the period of validity of this Base Prospectus, the aforementioned Audited Financial Statements and Articles of Association may also be inspected at the head office of the Company located at Smilšu iela 6, Riga, LV-1050, Latvia. Any interested party may obtain a copy of these documents without a charge.

To the extent that documents other than those mentioned above (i.e. reports, letters, valuations, statements) are not reflected in this Base Prospectus with reasonable fullness and do not at the sole discretion of the Company constitute business secrets or inside information of the Company, requiring market disclosure, physical inspection of such documents will be arranged at the office of the Company at the request of any interested party and subject to an agreement between the Company and such interested party regarding the means of inspection of the relevant documents.

1.8. Applicable Law

This Base Prospectus has been drawn up by the Company in accordance with and is governed by Latvian law, in particular, the Financial Instrument Market Law, Prospectus Regulation and Delegated Regulation, in particular Annexes 6 and 14 of the Delegated Regulation. The Base Prospectus is comprised of a registration document of the Company drawn up in accordance with Annex 6 of the Delegated Regulation and securities note of the Bonds drawn up in accordance with Annex 14 of the Delegated Regulation.

The Company will, as deemed necessary, supplement the Base Prospectus with updated information pursuant to the Latvian Financial Instrument Market Law.

1.9. Financial Information and Accounting Principles

The Group's consolidated and the Bank's separate financial statements for the year ended 31 December 2022 (Schedule 1) and the Group's consolidated and the Bank's separate financial statements for the year ended 31 December 2023 (Schedule 2) have been prepared in accordance with the International Financial Reporting Standards (**"IFRS"**) as adopted by the European Union (the EU) and audited by PricewaterhouseCoopers SIA, registered in the Commercial Register of Latvia maintained by the Enterprise Register under the registration number: 40003142793, legal address: Rīga, Marijas iela 2A, LV-1050, Latvia (**"PricewaterhouseCoopers SIA"**).

The Bank's auditor is PricewaterhouseCoopers SIA, who has been appointed as the auditor on the basis of the decisions of the General Meeting of the Bank, dated 15 October 2021 and 21 August 2023. PricewaterhouseCoopers SIA is registered as a Company of Certified Auditors with the Latvian Association of Certified Auditors.

Apart from the information taken from the Group's consolidated and the Bank's separate financial statements for the year ended 31 December 2022 and the year ended 31 December 2023, this Base Prospectus contains no other audited information.

1.10. Presentation of Information

Approximation of Numbers. Numerical and quantitative values in this Base Prospectus (e.g. monetary values, percentage values, etc.) are presented with such precision which is deemed by the Company to be sufficient in order to convey adequate and appropriate information on the relevant matter. From time to time, quantitative values have been rounded up to the nearest reasonable decimal or whole value in order to avoid an excessive level of detail. As a result, certain values presented as percentages do not necessarily add up to 100% due to the effects of approximation. Exact numbers may be derived from the Audited Financial Statements to the extent that the relevant information is reflected therein.

Currencies. In this Base Prospectus, financial information is presented in euro (EUR), the official currency of the European Union Member States in the Eurozone.

Date of Information. This Base Prospectus is drawn up based on information that was valid as of the date of the Base Prospectus. Where not expressly indicated otherwise, all information presented in this Base Prospectus (including the consolidated financial information of the Company, the facts concerning its operations and any information on the markets in which it operates) must be understood to refer to the state of affairs as of the aforementioned date. Where information is presented as of a date other than the date of the Base Prospectus, this is identified by specifying the relevant date.

Third-Party Information and Market Information. For portions of this Base Prospectus, certain information may have been sourced from third parties. Such information is accurately reproduced and as far as the Bank is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information has been sourced from third parties, a reference to the respective source has been provided together with such information was presented in this Base Prospectus. Certain information with respect to the markets in which the Company and its Subsidiaries operate is based on the best assessment made by the Management. With respect to the industry in which the Bank and its Subsidiaries are active and certain jurisdictions in which they conduct their operations, reliable market information is often not available or is incomplete. While every reasonable care was taken to provide the best possible assessments of the relevant market situation and the information on the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigation of the relevant markets or employ a professional consultant.

Updates. The Company will update the information contained in this Base Prospectus only to such extent and at such intervals and by such means as required by the applicable law or considered necessary and appropriate by the Management. The Company is under no obligation to update or modify forward-looking statements included in this Base Prospectus (please see Section 1.5 (*Forward-Looking Statement*) above).

Definitions of Terms. In this Base Prospectus, capitalized terms have the meaning ascribed to them in Section 12 (*Glossary*), with the exception of such cases where the context evidently requires to the contrary, where the singular shall include the plural and vice versa. Other terms may be defined elsewhere in the Base Prospectus.

Hyperlinks to Websites. This Base Prospectus contains hyperlinks to websites. The information on the websites does not form part of the Base Prospectus and has not been scrutinised or approved by the LB, except for hyperlinks to information that is incorporated by reference.

1.11. MIFID II Product Governance

It should be noted that the Bonds are governed by the Directive 2014/65/EU (as amended, **"MiFID II"**) meaning that the product manufacturer – the Bank, has to carry out product approval process to determine the target market for the Bonds.

Solely for such purpose the Bank has come to a conclusion that the target market for the Bonds is eligible counterparties, professional clients and retail clients as defined by MiFID II. Furthermore, all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate, however with regard to retail clients only limited distribution channels might be used: investment advice, portfolio management, and non-advised sales, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable.

Any person subsequently offering, selling or recommending the Bonds (a "distributor") should take into consideration the Bank's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels. For the avoidance of doubt, the target market assessment does not constitute an assessment of suitability or appropriateness for the purposes of MiFID II or a recommendation to any investor or a group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Bonds.

2. A GENERAL DESCRIPTION OF THE BOND PROGRAMME

As indicated in this Base Prospectus, it is designated to (i) the Bond issue Programme for the Offering of Bonds of the Company in the amount of up to EUR 30,000,000 and (ii) Admission thereof to trading on the Baltic Bond List of Nasdaq Riga.

Following the requirements of the applicable law and the Articles of Association, the Programme shall be executed based on the decision of the Management and on the decision of the Supervisory Board. The decisions of the Management Board and Supervisory Board by which each Tranche of the Bonds shall be issued shall be specified in the Final Terms.

Under the Programme, the Issuer may issue Bonds up to an aggregate principal amount of EUR 30,000,000. The Bonds shall be issued and offered in Tranches. The terms and conditions of each Tranche shall consist of (i) the General Terms and Conditions of Bonds which are identified in Section 7 (Securities Note) and Section 8 (*Terms and Conditions of the Offering*) and which shall apply to each Tranche and (ii) the Final Terms.

Thus, the Bonds of each of the Tranches will generally be subject to similar main terms, except that the following may differ, as specified in the respective Final Terms of the respective Tranche: the Issue Date, the nominal value of the Bonds, the Issue Price of the Bonds, Maturity Date, Call Date and annual interest rates.

The aggregate principal amount of the Bonds of each of the Tranches shall be specified in the Final Terms. The Issuer may decrease the aggregate principal amount of the Programme and decrease or increase the aggregate principal amount of a Tranche as set out in the Final Terms during the Subscription Period of that Tranche.

The Bonds under the Programme may be issued during the validity term of the Base Prospectus, i.e., 12 months after approval of the Base Prospectus. When this term adjourns and if there is a need to issue any additional bonds by the Issuer, the respective corporate decisions would be taken and a new prospectus would be drafted and provided for approval to the LB.

Each Tranche of the Bonds under the Programme will be of fixed and middle term and may have a maturity between 5 (five) and 10 (ten) years or such other maturity as the Issuer decides, but in any case, not shorter than 60 (sixty) months.

The Bonds under the Programme shall be issued in dematerialized form. According to the Financial Instrument Market Law the book entry and accounting of the dematerialized securities in the Republic of Latvia, which will be admitted to trading on the regulated market (Nasdaq Riga), shall be done by Nasdaq CSD.

The Bonds of the respective Tranche shall be valid from the date of their registration until the date of their redemption and deletion from Nasdaq CSD. No physical certificates will be issued to the investors. Principal and interest accrued will be credited to the Bondholders' accounts through Nasdaq CSD.

Neither the Issuer nor the Bonds shall be assigned with credit ratings as a result of the Offering under the Programme.

For more information regarding the Bonds to be issued under the Programme please see Section 7 (*Securities Note*). For more information regarding the use of the proceeds, received from the issue of the Bonds under the Programme, please see Section 7.2 (*Reasons for the Offering and Use of Proceeds*). For more information regarding the Offering of the Bonds under the Programme please see Section 8 (*Terms and Conditions of Offering*).

3. RISK FACTORS

3.1. Introduction

Prospective investors should be aware that investing in Bonds involves significant risks. Before investing in the Bonds, the prospective investors should carefully review and consider the risk factors presented below and other information contained in this Base Prospectus. If one or more of the risks described below actually materialize, it could, individually or in combination with other circumstances, have a materially adverse impact on the Issuer's operations, in particular on its cash flow, financial position, results of operations and outlook, or the market value of the Bonds and/or the Issuer's ability to perform its payment obligations under the Bonds. As a result, the investors who purchase the Bonds may lose a part or all of their investment.

The Issuer believes that the risk factors described below represent the principal risks inherent in investing in the Bonds. The risk factors are presented in categories and where a risk factor may be categorised in more than one category, such risk factor appears only once and in the most relevant category for such a risk factor. The most material risk factor in a category is presented first under that category, the assessment of the materiality of each risk factor is based on the probability of its occurrence and the expected magnitude of its negative impact, disclosed by rating the relevant risk as low, medium or high. Subsequent risk factors in the same category are not ranked in order of materiality or probability of occurrence.

The risk factors are presented as currently seen by the Issuer based on the information available to it to date and its reasonable opinion. However, the prospective investors should note that the risk factors listed below are not exhaustive. The Issuer's ability to pay interest, principal or other amounts in connection with the Bonds may be affected by other factors or occurrences that currently may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate or which currently, even if potentially possible to anticipate, do not seem material to the Issuer.

The prospective investors should also read the detailed information set out elsewhere in this Base Prospectus. The Base Prospectus contains forward-looking statements which also involve risks and uncertainties (Section 1.5 (*Forward-Looking Statements*)). The Issuer's actual results may differ significantly from those anticipated in the forward-looking statements as a result of various factors, including but not limited to the risks described below and elsewhere in this Base Prospectus.

This Base Prospectus shall not be considered to be investment advice or recommendation for the subscription and/or acquisition of the Bonds. After a careful review of the entire information provided in this Base Prospectus, each prospective investor should take the investment decision regarding the Bonds based on its own independent views or such professional advice as it deems necessary or appropriate.

3.2. Business-specific risk factors

Risks arising from Russia – Ukraine conflict

On 24th February 2022, Russia's army attacked Ukraine and initiated a war on Ukraine's territory. The conflict between Russia and Ukraine affects the global economy via three main channels: financial sanctions, rising inflation and supply-chain disruptions.

The European Union, the United Kingdom, the United States and other countries imposed sanctions on Russia and Belarus in relation to the countries involvement and role in facilitating the invasion of Ukraine. As a result, businesses with significant suppliers, vendors, or customers in Ukraine or Russia or Belarus experience negative effects. Even businesses that do not have direct exposure to Ukraine or Russia or Belarus are affected by the overall economic uncertainty and negative impacts on the global economy and financial markets arising from the war.

While it is difficult to estimate the impact of the conflict and the sanctions, the degree to which business may be affected depends largely on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The Group and the Issuer had no marketable exposures or loans exposure on the assets that were affected by these events, neither did the Group and the Issuer have significant exposures to financial institutions in Russia or Ukraine.

The Group and the Issuer have performed preliminary measures to reduce exposures with potential risks related to the war in Ukraine and sanctions against Russia and Belarus and therefore sees no significant potential losses due to it.

Strategic risk

The Issuer implements its business in accordance with a strategic plan. However, the Issuer may fail to successfully establish or execute the planned business strategy due to a variety of internal or external reasons. All stages of development and implementation of the strategic plan are subject to strategic risk. It includes the setting of wrong or inappropriate strategic goals, the pursuit of wrong strategic decisions, failure in full or in part to achieve the set goals and objectives due to any outside factors or changes in the circumstances.

The specific strategic goals of the Issuer include:

- Growth of the net loans portfolio above 630 million EUR in the next three years, mainly on the local market;
- Sustainably keep the cost of the credit risk below 1.0% level;
- Ensure operating efficiency by holding cost-to-income ratio below 50% starting from the year 2023;
- Continue organic growth on the local market that provides a return on equity above 15%.

Failure by the Issuer to achieve any of the above indicated strategic goals in full or in part may result in lower revenue than anticipated, which may have an adverse material effect on the Issuer's business, prospects, financial condition, results of operations or cash flows. It may affect the Issuer's ability to meet the minimum liquidity or the minimum capital requirements, which may lead to regulatory sanctions.

The Issuer`s strategic risk is mitigated through well-considered business plans and in-depth analysis, as well as engaging highly qualified and properly experienced professionals. However, it may be insufficient to prevent the realization of the strategic risk and occurrence of the indicated losses.

The Issuer assesses the strategic risk to be low.

Counterparty credit risk

Counterparty credit risk is the risk of potential loss, which may arise from the counterparty's default on its obligations towards the Issuer. Credit risk affects cash and cash equivalents held by the Issuer with third parties, in particular, the outstanding loans of the customers, as well as investments in bonds, derivatives and other financial instruments held by financial institutions, and any other receivables of the Issuer.

To mitigate this risk, the Issuer has developed and applied a risk management system corresponding to its business operations. The Issuer has established its own methodologies for assessment of creditworthiness for each type of customer and other business partners such as banks, financial institutions, bond issuers. An extensive credit risk assessment is carried out on each potential customer and business partner of the Issuer prior to initiating the business relationship and continuously during the lifetime of the cooperation. The Issuer maintains a system of limits that assigns the maximum potential exposure for each counterparty based on the individual credit risk assessment. The risk is also reduced by obtaining collaterals on the loans. Nevertheless, such assessments of the client's creditworthiness and the value of collaterals in relation to each loan may not always be precise. Such assessments inherently include assumptions and estimates that may lead to erroneous judgements regarding the expected cashflows of the customers, their ability to repay the loans and depreciation or the true value of the collaterals in relation to the particular loans. The recoverability of the credit provided to customers may be adversely affected by negative changes in the overall economic, political or regulatory environment, decrease in collateral values and other circumstances beyond the control of the Issuer. The Issuer makes provisions for expected credit losses in accordance with the applicable requirements, including the IFRS 9 requirements. However, such provisions are made based on the available information, estimates and assumptions, which by definition are subject to a certain amount of uncertainty. Therefore, there can be no assurance that provisions are sufficient to cover potential losses.

As lending constitutes a great part of the Issuer's business and the loan portfolio constitutes a considerable part of the Issuer's assets, inability or reluctance of the counterparty to comply with its obligations towards the Issuer may have a material adverse effect on the Issuer's cash flow, liquidity, business results or financial position consequently affecting the ability of the Issuer to make the payments arising from the Bonds.

The Issuer assesses the counterparty credit risk to be medium.

Concentration risk

The concentration risk is a part of the counterparty credit risk arising from large exposure to one counterparty, related counterparties, or counterparties representing the same region, the same industry, business sector or otherwise affected by the same risk factors. The financial position of a large group of the debtors of the Issuer may be adversely affected by a single change in the overall economic, political or regulatory environment and other circumstances beyond the control of the Issuer.

A considerable part of the customer base of the Issuer is comprised of small and medium enterprises (SME). In the past 3 (three) years most of the loans issued by the Issuer have been issued to SMEs.

SME credits entail greater risk than lending to larger companies. It is more difficult to properly assess the creditworthiness of SMEs and to calculate and predict their future income. Such assessments and calculations are often less precise than in the case of large companies for several reasons. SMEs are generally less financially stable, their income and cashflows vary irregularly and are particularly susceptible to outside factors.

A major part of the loans issued by the Issuer has been issued to residents of the Baltic states. As well as more than half of the Issuer's bond portfolio consists of the Baltic states' sovereign debt securities.

The concentration risk within the Issuer is reduced by the system of limits regarding customers' business sector, region, type of collateral and loan products.

The realisation of the concentration risk may have a material adverse effect on the Issuer's operations, financial condition and results of operations. If the concentrations are mismanaged, a severely adverse credit situation in a segment where the Issuer has excessive concentration could have a material impact on the Issuer's capital levels and lead to a failure to meet its obligations towards its creditors.

The Issuer assesses the concentration risk to be medium.

Market risk

Market risk arises from the Issuer's trading and investment activities in the financial markets, especially in fixed income securities, foreign exchange and stock markets as well as from borrowing activities. Holding and managing such investments and financial instruments are a part of the Issuer's business. The total amount of the Issuer's investment portfolio exceeds 20% of the total assets of the Issuer and it consists almost completely of fixed income securities, but less than 5% of the total assets are securities that are subject to the market risk, other securities are measured at amortized cost. The main part of the investments in securities (more than 80%) is represented by EU government bonds or other EU issuers investment grade rated bonds with an average duration of less than 3 (three) years, therefore, it bears a low market risk.

Losses may be caused to the Issuer by unfavourable changes in foreign exchange rates, prices of securities or interest rates. There is a risk that different factors outside the Issuer's control may increase the volatility of the financial markets which may adversely affect the market value of the financial instruments held by the Issuer. As a result, the value of certain assets of the Issuer may be reduced or written down affecting the Issuer's financial position and its ability to comply with its obligations to the investors.

In order to mitigate the market risk, conservative limits have been established for the investment portfolio and open foreign currency exposures of the Issuer. Despite the measures taken by the Issuer, the market risk may have a material adverse effect on the Issuer's operations, financial condition and results of operations.

The Issuer assesses the market risk to be low.

Foreign currency risk

Foreign currency risk arises due to foreign exchange rate fluctuations. Devaluation, depreciation or appreciation of a foreign currency may have a significant adverse effect on the value of the Issuer's assets denominated in a foreign currency, in particular, securities and receivables or increase the euro value of the Issuer's foreign currency liabilities. Foreign exchange rates are affected by complex political and economic factors, including relative rates of inflation, interest rate levels, the balance of payments between countries, the extent of any government surplus or deficit, and from the monetary, fiscal and trade policies pursued by the governments of the relevant currencies.

The Issuer’s foreign currency risk management is based on monitoring the risk exposure against the limits established for a single open currency position. Positions in foreign currencies are monitored on a daily basis and the risk management policy is focused on maintaining substantially closed foreign exchange positions. However, there is a risk that the change in foreign exchange rates may exceed the level estimated by the Issuer. Although the Issuer's foreign currency risk management is based on risk policies, limits and internal procedures, it may turn out to be inadequate and therefore, foreign currency risk may have a material adverse effect on the Issuer's operations, financial condition and results of operations.

The Issuer assesses the foreign currency risk to be low.

Interest rate risk

Due to the type of business of the Issuer, its operations are inherently exposed to the interest rate risk. The interest rate risk arises from the fluctuations of the market interest rate over time. Changes in the interest rates may affect the Issuer’s income on loans issued to the customers, the Issuer’s liabilities to its creditors, the income on the securities held by the Issuer as well as the market value of such securities. The interest rates are affected by numerous factors such as changes in the overall economic environment, international political circumstances, level of inflation, fiscal and monetary policies of governments and central banks and other factors which are beyond the control of the Issuer.

As of 31st December 2023, 82% of the total loan portfolio of the Issuer consisted of loans with floating interest rates thus the interest income of the Issuer is directly affected by the market interest rate. The interest income will rise if the market interest rate increases and will decline if the interest rate goes down. Nevertheless, the increase of the interest rate may have a negative effect on the ability of the debtors to repay the loans lowering the overall positive effect of the increase of the investment income on the Issuer’s loan portfolio. As the interest rates on the loans are fixed for the period mostly of 6 (six) months, the changes of the market interest rates will reflect on the profit/loss of the Issuer with a respective delay.

All of the Issuer’s securities are with fixed interest rates. Although the income on such securities will not be directly affected by the interest rate changes, the value of such securities will increase, if the market interest rate goes down and will decrease, if the market interest rate goes up. Such changes may affect the shareholders' equity of the Issuer as the value of the Issuer’s investment portfolio may decrease which will be reflected according to the re-evaluation.

The net interest income of the Issuer comprised of the interest income earned from the lending and crediting operations deducting the income costs paid by the Issuer to its creditors on the interest-bearing liabilities, for the financial year of 2023 was EUR 19 876 thousand. It constituted 53% of the total operational income of the Issuer (Bank standalone). As the interest income constitutes a great part of the total income of the Issuer, any adverse change on the market interest rate may have a material adverse effecton the Issuer’s profitability, results of operations, prospects, cash flows or financial condition.

Despite the fact that the Issuer uses adequate interest rate risk management methods and tools, due to unforeseen fluctuations of the market interest rates the Issuer may experience considerable losses. According to the European Central Bank's survey of professional forecasters, the interest rate on the ECB's main refinancing operations is expected to decrease to 3.29 percent in 2025, but it may be not adequately estimated. As a result, unexpected changes may affect the Issuer’s ability to comply with the obligations towards the investors.

The Issuer assesses the interest rate risk to be low.

Price risk

The Issuer holds positions in different financial instruments, which are subject to fluctuations in market price arising from certain geopolitical, economic and other factors beyond the control of the Issuer. Such factors may cause unforeseen market fluctuations, drop in prices for particular financial instruments or disappearance of an active market for the securities held by the Issuer. As a result, the Issuer may have a material adverse effect on the Company’s liquidity, financial condition and results of operations.

The total amount of assets that are subject to price risk is 4.5% of the total asset value of the balance sheet and consists mostly of fixed income securities and a limited amount of stocks and Exchange Traded Funds.

The Company uses an internal risk limit system that combines various geographical regions, issuer and portfolio limits to manage this risk. However, such an internal risk limit system applied by the Issuer may not be adequate or sufficient to mitigate potential losses arising from adverse changes in the market prices of the financial instruments held by the Issuer.

The Issuer assesses the price risk to be low.

Liquidity risk and dependence on access to funding

Liquidity risk affects the ability of the Issuer to meet its contractual obligations towards its creditors when they actually fall due. The liquidity risk arises from the imbalance between the maturities of assets and liabilities. Due to its business activities, the maturity of the principal assets of the Issuer (loans to its customers) tends to be longer than the maturity of its liabilities (term deposits, current deposit, ECB debt).

The liquidity management and strategy of the Issuer are based on risk policies, resulting in various liquidity risk measures, limits and internal procedures. The Issuer maintains monitoring of different liquidity risk measures on a daily basis including intra-day liquidity management. Moreover, the Issuer has mid-term and long-term liquidity planning procedures in order to reduce the liquidity risk.

As a regulated credit institution, the Issuer is subject to a minimum liquidity coverage ratio requirement. The minimum requirement is set at 100% which means that the credit institution must maintain liquidity that is sufficient to cover 100% of its obligations in a period of 30 days of no additional incoming funds. The Issuer maintains the liquidity coverage ratio level above the minimum requirement. The liquidity coverage ratio of the Issuer (Bank standalone) on 31 December 2023 was 176.7% and 179.8% on 31 December 2022.

The risk policies and internal procedures of the Issuer may, however, not be adequate or sufficient to ensure the Issuer's access to funding resources when needed in order to ensure sufficient liquidity and timely payments to its creditors, including the investors. The failure to obtain sufficient funding for the operations or the increased costs or unfavourable terms of the available financing or refinancing may have a material adverse effect on the Issuer's operations, financial standing, business results and realisation of its planned business strategies.

The Issuer assesses the liquidity risk and dependency on access to funding related risk to be low.

Operational risk

Operational risk is a risk of potential loss caused by the flaws and failures of human behaviour, internal processes and information systems, external risks, cyber risks. The operational risk also embraces the risk of corporate fraud and misconduct.

The failures of human behaviour refer to the actions performed by the employees and managers of the Issuer, customers, business partners, outsourcing contractors and other third parties. It includes incidental mistakes, errors due to lack of knowledge or insufficient experience, as well as wilful misconduct such as fraud, embezzlement, corruption, violation of the rules and regulations and any other fraudulent behaviour. The human error or a deliberate offence may express itself as information, data or documents being lost, destroyed or improperly used, operation of IT systems interrupted, IT system security compromised, confidential information disclosed or improperly used, as well as other forms.

As the Issuer's business strongly relies on the effective functioning of its systems and processes, any operational failures whether caused by a human factor or by system failures may lead to a disruption in the provision of services and have an adverse effect on the Issuer's business, prospects, financial condition, results of operations or cash flows. The Issuer may suffer severe reputational damage.

Such failures may also result in a breach of external regulations, including but not limited to legal acts regulating activities and services of the bank, customer identification and anti-money laundering, data protection, system securities and others. Being a licensed credit institution, each aspect of the Issuer's business is subject to rigorous regulations. Accordingly, any operational error may lead to regulatory investigations, penalties or litigations.

The Issuer manages the operational risk based on an established non-financial risk management policy. According to the internal policies and procedures, the information systems and operations with human participation are monitored constantly in order to identify risks, flaws or fraud, to minimize the potential loss arising therefrom. The procedures and working instructions are regularly reviewed and updated to detect any possible failures more efficiently. However, the risk of operational failures cannot be eliminated altogether. The Issuer may, despite its efforts, fail to mitigate all such risks and incur adverse consequences indicated above.

The Issuer assesses the operational risk to be low.

3.3. Legal and regulatory risk factors

Maintaining Capital Adequacy Ratio

Capital adequacy is the main indicator for the assessment of the solvency of credit institutions. Failure to maintain sufficient capital to absorb the losses from all the risks the Issuer is exposed to may lead to a failure of the institution to meet its obligations towards its creditors. Currently, the capital of banks and investment firms in the EU is subject to the legal framework of CRR/CRD, largely based on the Basel III framework which is an internationally agreed set of measures introduced in response to the financial crisis of 2008. The objective of these legal frameworks is to enhance the financial sector's stability and ensure the ability of the banks to cover potential losses at all times including economic distress situations.

As of the date of the Base Prospectus the Issuer is in compliance with all applicable capital requirements. The Issuer`s capital adequacy ratio at an individual level as of 31 December 2023 is 16.19 % (31 December 2022 19.28% %). For the purposes of supervision, in addition to the various prudential risk ratios calculated on the Issuer's standalone basis, the same ratios should be met on the prudential consolidated basis. Prudential consolidation perimeter includes the Issuer`s parent company BBG AS and its subsidiaries including the Issuer itself and its subsidiaries (the BBG Group). The main business for the BBG AS is a holding company to hold the Issuer's shares, therefore historically there are no large discrepancies between prudential risk ratios calculated on the standalone basis and on the prudential consolidation basis. The BBG Group`s CET1 ratio as of 31 December 2023 is 13.45% (31 December 2022 16.95%) and thetotal capital ratio as of 31 December 2023 is 15.75% (31 December 2022 18.64%). The results are based on theunaudited BBG Group`s numbers.

Nevertheless, both legal frameworks providing for the minimum capital requirements (Basel and CRR/CRD) are constantly updated and amended. Accordingly, the capital requirements established in Latvia and the European Union may change leading to unexpected increased requirements. Such changes may result in the need to increase capital, reduce leverage and risk weighted assets, and may eventually negatively affect the Issuer's business, financial condition, prospects, results of operations or cash flows.

The Issuer assesses the risk of maintaining the capital adequacy ratio as low.

Risk of Regulatory Actions

The Issuer is a credit institution registered in the Republic of Latvia, licensed and regulated under the authority of the LB which carries out supervision over the Issuer.

The main business activity of the Issuer is providing financial services and products which are thoroughly regulated by local laws as well as legal acts of the European Union. Several national and European Union's authorities, including financial supervision, consumer protection, data protection, tax and other authorities regularly perform examinations, inspections and audits of companies acting in the same sector as the Issuer.

Any determination by the authorities that the Issuer has not acted in compliance with all the applicable laws and regulations could have serious legal and reputational consequences for the Issuer, including exposure to fines, criminal and civil penalties and other damages, increased prudential requirements or even lead to business disruption in the respective fields. Any of these consequences may have a material adverse effect on the Issuer operations, financial position and results as well as on the Bonds price and the Issuer's ability to comply with its obligations towards the investors.

The Issuer assesses the risk of regulatory actions as low.

Anti-money Laundering and Sanctions Risk

As a regulated and licensed entity, the Issuer is required to scrupulously adhere to rigorous regulations regarding the prevention of money laundering, terrorism financing and proliferation as well as the implementation of the international sanctions. The Issuer is a subject of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing and the Law on International Sanctions and National Sanctions of the Republic of Latvia.

The Issuer has taken all the steps required by law and applies all the necessary measures and implements the "know your customer" principle in its business operations to reduce the probability of dealing with customers under sanctions or involved in any illegal activity.

The Issuer's Anti-money laundering and combating the financing of terrorism and proliferation (the "AML/CFTP") and prevention of possible violation, circumvention or attempted violation of National, International and OFAC sanctions (the "Sanctions") internal control system consists of all the necessary elements, including clients identification, onboarding process, risk scoring, KYC and KYCB requirements, regular due diligence and enhanced due diligence of clients with a frequency depending on the clients' risk, on-line and offline monitoring transactions and suspicions transaction reporting.

Nevertheless, there is a risk that the measures applied by the Issuer may be insufficient to properly comply with all the relevant Latvian, European Union and international laws and regulations on AML/CFTP, anti-bribery and Sanctions in which case penalties or legal sanctions may be imposed on the Issuer. Such punitive measures may cause financial losses to the Issuer, and the inherent unfavourable publicity in such a case may severely harm the reputation of the Issuer and cause business disruption. Moreover, the failure by the Issuer to implement fully functional AML/CFTP procedures may result in actual participation in crime, corruption, money laundering, terrorism financing or proliferation of illegal weapons, in which case the said consequences may be even harsher. Such consequences could have an adverse effect on the market price of the Bonds and/or the ability of the Issuer to cover the payments related to the Bonds.

The Issuer assesses the AML/CFTP and Sanctions risk as low.

Data protection risk

Data protection risk is the risk of violation of the rights and freedoms of natural persons arising during the process of data processing which could lead to material or non-material damage to the individuals such as discrimination, identity theft, fraud, financial loss.

The Issuer is subject to respective personal data protection acts such as GDPR and Personal Data Processing Law. Due to its business particulars, the Issuer constantly has access to a large volume of personal data of its customers. In order to comply with the AML/CFTP regulations, the Issuer is required to obtain precise and particularly detailed personal information about its customers, including individuals. The Issuer also collects and processes the data of its employees which may exceed the personnel data collected by unregulated companies, especially for the management positions.

The Issuer has a detailed and developed internal data protection policy ensuring compliance with the applicable laws and requirements. The data collected by the Issuer is processed to the minimum extent possible and only to the extent of specified purpose and procedure. The personal data of the customers are protected by high-end technological safeguard measures. All employees connected to the data processing are under confidentiality obligations and all third parties the data is shared with are obliged to use the same safety measurements as the Issuer and are under a contractual confidentiality obligation.

In order to protect personal data from unauthorized access, accidental loss, disclosure or destruction, the Issuer regularly reviews and improves its data protection and information security policy and security measures.

Nevertheless, there is a risk that the measures utilized by the Issuer may not provide sufficient compliance with the regulations of GDPR or the national laws regarding data protection. In such a case, the Issuer may potentially become subject to sanctions or penalties in the amount of up to EUR 10 – 20 million or 2 – 4% of the total worldwide turnover of the Issuer of the preceding financial year depending on the severity of the infringement. Considering also the possibility of a human error, technological failure or system disruption, the Issuer is under the risk of actual data protection breach which may cause litigations, financial loss and reputational damage to the Issuer.

The Issuer assesses the data protection risk as low.

Litigation risk

The Issuer may face the risk of becoming subject to private actions, administrative proceedings, regulatory actions or other litigation initiated by its customers, employees, shareholders, business partners or other third parties.

The outcome of litigation or similar proceedings or actions is difficult to assess or quantify. The Issuer may be required under a court order or settlement agreement to pay considerable amounts, which may exceed any provisions set up for this purpose. These amounts may affect the Issuer`s ability to conduct its business, and the magnitude of the potential losses relating to such actions may remain unknown for substantial periods of time. In addition to these amounts, the legal costs incurred by the Issuer and in some cases of its opponent would also have to be borne. In addition to pecuniary damage, there may be adverse publicity in the case, which could adversely affect the Issuer's reputation, regardless of the outcome of the litigation. The occurrence of any litigation or similar proceedings or actions may have a material adverse effect on the Issuer`s business, financial position, financial performance, results of operations or cash flows.

The Issuer assesses the litigation risk as low.

3.4. Risks factors specific to the Bonds

Risk of unsuitable type of investment

The investment in the Bonds may not be a suitable investment for all investors therefore each potential investor should evaluate the suitability of such investment in the Bonds to their own particular circumstances. Each investor considering investing in the Bonds must have sufficient knowledge and experience to be able to do a proper assessment of the possible consequences of such investment in the Bonds including proper evaluation of the potential risks and likeliness of the expected benefits. The investor must understand in detail all the information provided in this Base Prospectus. The investor must be able to assess and understand what impact the investment in the Bonds will have on his/her overall investment portfolio and how such investment may further affect his/her financial situation and liquidity.

The investor must be prepared and have sufficient financial resources to bear the risks and sustain the possible losses related to the Bonds. Some investors, in particular regulated entities, may be subject to certain restrictions or regulations on investments, therefore each investor should verify whether the investor is permitted to invest in the Bonds.

For each assessment and evaluation indicated in this paragraph, the investor may rely on the opinion and expertise of a third party such as a professional financial adviser or other professional, however, in such a case, the investor bears full responsibility for the choice of such an adviser.

Credit risk

By investing in the Bonds, the investors become creditors of the Issuer, hence they are subject to the credit risk. The Issuer is solely responsible for making the payments arising from the Bonds. However, the Issuer may fail to make such payments to the investors in full or in part in a due and timely manner.

The ability of the Issuer to execute the payments to the investors arising from the Bonds depends on the financial position and the results of operations of the Issuer. The inability of the Issuer to make such payments may be caused or intensified by other risk factors set out in this Base Prospectus or factors not included in the Base Prospectus.

The investors in the Bonds must be aware that the investment in the Bonds is not a bank deposit with the Issuer and the investors will not qualify under the deposit protection scheme and are not guaranteed by the Deposit Guarantee Fund of Latvia.

Price and liquidity risk

The Issuer may execute the call option and redeem all of the outstanding Bonds of a particular Tranche before the Maturity Date according to Section 7.12 (*Maturity and Redemption*) of the Base Prospectus. If such early redemption takes place, there is the risk that the rate of return from the investment into the Bonds may be lower than initially anticipated and the redemption price of the Bonds at the time the call option is executed by the Issuer may be lower than the market price of the Bonds on the secondary market. If the prevailing interest rates in the market at the time of the redemption are lower than the interest on the Bonds, the investors may not be able to reinvest the proceeds from the redeemed Bonds in securities with comparable or higher interest rates than the interest rate on the Bonds redeemed.

Foreign exchange risk

The Bonds are denominated in EUR currency. If the investor measures the payments related to the Bonds in another currency, the investor faces a risk that the actual payments received may be lower than expected due to depreciation of EUR currency against the currency of the reference used by the investor.

Tax regime risks

The payments arising from the Bonds may be subject to taxes or other duties in the country of residence, citizenship, registration, the actual location of the investor or in any other country related to the transaction of the investment in the Bonds. Prior to making the planned investment in the Bonds, each investor must ascertain what tax payments shall apply to the payments related to the Bonds in each of the countries related to the investment transaction in order to properly calculate the actual return from the Bonds. In case the applicable tax rates are not properly calculated, not all applicable taxes and duties are considered or if any adverse changes are introduced in the applicable tax regime, the return on the Bonds actually received by the investor may be lower than anticipated. Neither the Issuer nor any other person is under an obligation to compensate for the increase in taxes to the investors.

Transaction costs/charges

Prior to and upon the execution of the transaction of the investment in the Bonds, the investors may incur a variety of incidental costs related to the investment transaction such as transaction fees and commissions, brokerage fees, commissions and other fees and expenses of third parties involved in the transaction such as banks, brokers, dealers and others. Such costs may significantly reduce the expected proceeds from the investment in the Bonds.

Risk of Investors resolution

According to the Terms and Conditions of the Bonds, some of the terms of the Bonds may be amended with a decision of the investors. A resolution of the investors is approved by the majority of the investors. Upon approval, such a resolution shall be binding on all the investors, including the investors who did not participate in the meeting or who voted against the decision taken. Hence, the investor faces a risk that certain rights in relation to the Bonds may be amended, decreased, or cancelled without its consent or against its will.

Early redemption

The Bonds may be redeemed prior to their Maturity Date on the initiative of the Issuer and subject to the approval of the LB in the events described in Section 7.12 (*Maturity and Redemption*) of this Base Prospectus. If the early redemption is executed, the rate of return from investment in the Bonds may be lower than initially anticipated. The redemption price of the Bonds may be lower than the market price of the Bonds on the secondary market at the time of early redemption. If the prevailing interest rates in the market at the time of the early redemption are lower than the interest on the Bonds, the investors may not be able to reinvest the proceeds from the redeemed Bonds in securities with comparable or higher interest rates than the interest rate on the Bonds redeemed.

The Issuer assesses the early redemption risk to be low.

Subordination risk

The Bonds and all the payments deriving therefrom constitute unsecured and unguaranteed obligations of the Issuer which are subordinated to all unsubordinated claims against the Issuer. In the event of liquidation, bankruptcy, recovery and resolution proceedings, all the claims arising from the Bonds shall be ranked below the unsubordinated claims and shall be satisfied only after all unsubordinated recognised claims against the Issuer are fully satisfied. The claims related to the Bonds shall rank equally (pari passu) without any preference among each other and equally with all unsecured, unguaranteed and subordinated debt of the Issuer. As a result, in case the funds of the Issuer are not sufficient to satisfy all its obligations, the claims of the Bondholders arising from the Bonds may be not satisfied in full.

The Issuer assesses the subordination risk to be low.

No rights of set-off or counterclaim

Bondholders shall not be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of the Bonds. Therefore, such Bondholders will not be entitled (subject to applicable law) to set off the Issuer's obligations under, or in respect of, or in connection to the Bonds against obligations owed by them to the Issuer. Therefore, the Bondholders may be required to participate in separate proceedings in order to recover amounts owned to them under counterclaims and may receive a lower recovery in an insolvency of the Issuer than would be the case if set-off or counterclaim were permitted.

Bail-in risk

If the Issuer experiences serious financial difficulties that may harm the public interest, the LB, the Resolution Authority in Latvia, may apply the bail-in tools with regard to the Bonds. The exercise of the bail-in tool in respect to the Bonds may result in any of the following: (a) the principal amount of the Bonds or the total amount outstanding may be reduced, including to zero; (b) the Bonds may be converted into ordinary shares or other instruments of ownership; (c) the terms of the issue of the Bonds, including but not limited to the terms regarding the repayment, redemption, term of maturity, payments of interest, may be varied. The decision on the exercise of the bail-in tool is at the discretion of the Resolution Authority and cannot be influenced by the Issuer or the Bondholders. In case the resolution occurs, the bail-in tool along with other resolution tools available shall be exploited to the maximum extent before public funding is engaged.

The Issuer assesses the bail-in risk to be low.

No ownership and voting rights

The Bonds are not equity securities, they do not confer any legal or beneficial ownership interest to the Bondholders and do not carry any rights arising from equity securities.

The Bondholders shall not be entitled to receive dividends. The Bonds are a debt instrument and give the Bondholders as debtors the claim rights only to the outstanding payments arising from the Bonds according to the Base Prospectus and the Final Terms of the Bonds.

By Investing in the Bonds, the Bondholders shall not acquire the voting rights in the Shareholders Meetings of the Issuer and will not be able to participate in any way in taking decisions of the Shareholders of the Issuer or to influence such decisions in any way. The Bondholder should be aware that the Shareholders of the Issuer may take decisions that may negatively affect the market price or liquidity of the Bonds.

The Bonds are not convertible to any equity instruments.

Cancellation offering

The Issuer is entitled to change the dates of the opening and closing of a Subscription Period of any of the Tranches, postpone or cancel the Offering of Bonds of any Tranche according to the terms of Section 8.11 (*Cancellation, Suspension or Postponement of the Offering*). The Issuer will apply its best effort to ensure that the Offer of all the Tranches occurs as originally planned, however, the Issuer cannot guarantee that the potential Bondholders who have subscribed for the Bonds of any of the Tranches will actually obtain the Bonds they have subscribed for. Such changes in the dates of the Subscription Period, postponement or cancellation of the Offering of Bonds of any Tranche may negatively affect the investment plan of a particular potential Bondholder.

The Issuer assesses this risk to be low.

4. BLUOR BANK

4.1. General Corporate Information

BluOr Bank AS, a joint-stock company incorporated and existing under the laws of the Republic of Latvia, registered in the Commercial Register of Latvia maintained by the Enterprise Register under the registration number: 40003551060, legal address: Smilšu iela 6, Riga, LV-1050, Latvia, and its LEI code is 54930080G2M7EJ097A27. The contact details of the Company are the following: address Smilšu iela 6, Riga LV-1050, Latvia, phone +371 67031333, e-mail: info@bluorbank.lv.

The Company was registered in the Register of the Enterprises of the Republic on 22 June 2001. The Bank is licensed by the LB to perform all banking operations provided for in the Credit Institution Law and the Articles of Association of the Bank. The Group includes multiple Subsidiaries, which do not operate in the financial and capital markets.

4.2. Statutory Auditors

The Group's consolidated and the Bank's separate financial statements for the year ended 31 December 2022 and for the year ended 31 December 2023 have been prepared in accordance with the IFRS as adopted in the EU and audited by PricewaterhouseCoopers SIA.

According to the Articles of Association, the appointment of statutory auditors is in the competence of the General Meeting, whereas the selection of candidates and making a proposal to the General Meeting is done by the Audit Committee. The General Meeting held on 15 October 2021 and on 21 August 2023 appointed PricewaterhouseCoopers SIA to act as the statutory auditor of the Bank for the financial year 2022 and the financial year 2023 respectively.

4.3. History and Development of the Bank

BluOr Bank AS (*ex BlueOrange Bank*) was founded in 2001 by BBG AS holding owned by four Latvian entrepreneurs Aleksandrs Peškovs, Sergejs Peškovs, Andrejs Kočetkovs and Oļegs Čepuļskis. By that time, they had worked together in international business, trade and logistics for more than 10 years, so the Bank was initially established by entrepreneurs for entrepreneurs. Being business persons themselves, they could understand the needs of other businessmen like no one else.

During more than 20 years the Bank has grown in its reputation as a reliable partner and financially stable organization – the Bank shows high liquidity each year and even during the economic slowdown remained profitable.

The Bank has changed its brand and legal name from AS BlueOrange Bank to BluOr Bank AS in March 2022. Changes are introduced with the aim of emphasizing the status of the Bank and strengthening its position in the Latvian and Baltic markets, as well as in other countries, by unifying the brand and legal name of the Bank.

The below table indicated dates and events that mark the development of the Bank and its activities.

Year	Development
2001	AS Akciju Komercbanka Baltikums was established. The Bank became a member of the SWIFT system.
2002	The Bank launched Shipping Finance and Trade Finance services. The Bank became a member of MasterCard.
2003	Foundation of insurance company AAS Baltikums and asset management company Baltikums Asset Management. Launched Pension and Investment funds management services.
2004	The Bank launched Investment Banking services. The Bank entered the capital market and issued a debut bond issue.
2005	The Bank launched Private Banking and Corporate Banking services.
2006	The Bank`s profits exceed LVL 1 million.

2008	The Bank exited the pension funds management business and sold its stake in Baltikums Asset Management.
2011	The Bank changed its name to Baltikums Bank. The Bank acquired the status of an international bank and opened representative offices in 5 other countries.
2012	The Bank became a member of VISA.
2013	The Bank introduced the Card Management System (CMS).
2014	The Bank joined the SEPA payments network as a direct member. The Bank established a charitable foundation – Baltikums foundation.
2015	The Bank introduced Mobile Banking services. The Bank launched a new issue of the Bank`s subordinated bonds amounting to EUR 20 million. The Bank received the Riga Stock Exchange Award for contribution to the development of the Latvian corporate bond market and the expansion of investment opportunities for private and institutional investors. The Bank is included in the TOP 101 Most Valuable Latvian Companies list. The Bank launched e-commerce services. The Bank sold its stake in the insurance company Baltikums AAS to the Austrian insurance company Vienna Insurance Group AG.
2017	The Bank announced the rebranding. BlueOrange new brand was presented. The Bank implemented a new website, new mobile app. The Bank opened a new Client Service Centre on Jekaba iela 2. The Bank partnered with Raisin GMBH and started offering deposit acceptance services in Europe.
2018	The Bank Installed the first ATMs for contactless cards in Latvia. The Bank became the first online bank in Latvia to provide customers with the opportunity to open an account remotely. The Bank became a member of Nasdaq Riga and Nasdaq Vilnius Stock Exchanges. The Bank started offering services of the largest safe deposit box storage in the Baltics. The Bank redeemed EUR 10 million of subordinated bonds ahead of the schedule.
2019	The Bank implemented a new business strategy - a bank for corporate clients. The Bank partnered with Deposit Solution and expanded its deposit products offering in Europe.
2020	The Bank launched new lending programs for corporate clients. The Bank joined the European Instant Payment system. The Bank became a Primary Dealer in Lithuanian Government Securities. The Bank issued a hybrid instrument Additional Tier 1 Temporary Write-Down notes.
2021	The Bank started to offer online onboarding and account opening services for legal and private individuals from EEA, Switzerland and the United Kingdom.
2022	The Bank changes its brand and legal name to BluOr Bank AS in March 2022. The Bank issued non-convertible unsecured and unguaranteed subordinated bonds which were admitted for trading on the Baltic Bond List of Nasdaq Riga Stock Exchange.
2023	The Bank issued a hybrid instrument Additional Tier 1 Temporary Write-Down notes within tranche No1 of BluOr Bank additional tier 1 temporary write-down notes 2023.
2024	The Bank issued a hybrid instrument Additional Tier 1 Temporary Write-Down notes within BluOr Bank AS issue "ADDITIONAL TIER 1 TEMPORARY WRITE-DOWN NOTES 2024".

4.4. Structure of the Group

The Bank is the parent company of the Group. The Group structure as of the date of this Base Prospectus is reflected in the table below. The voting interests held, directly or indirectly, by the Bank in each of these subsidiaries corresponds directly to its ownership interest.

Subsidiaries	Ownership share	Address and Country of incorporation	Industry
SIA BlueOrange International	100%	Smilšu iela 6, Riga, Latvia	Real estate development
SIA Zapdvina Development	100%	Kr. Valdemāra iela 149, Riga, Latvia	Real estate development
UAB Kamaly Development	100%	Klaipedos m. sav. Klaipedos m., Karklu g. 12, Lithuania	Management of collaterals overtaken by the Bank
AS Pils Pakalpojumi	100%	Smilšu iela, Riga, Latvia	Real estate development
SIA Jēkaba 2	100%	Jēkaba iela 2, Riga, Latvia	Real estate development
Pulkarne Entity SIA	100%	Kr. Valdemara 149-405, Riga, Latvia	Real estate development

The activities of the Subsidiaries are mainly related to real estate management and development. The Bank is not dependent upon any other Subsidiaries within the Group.

4.5. Major Shareholders

As of the date of the Base Prospectus, the Bank share capital is EUR 44'493'513.40, divided into 31'781'081 shares with nominal value of EUR 1.40, the shareholders holding directly over 5% of all shares in the Bank are the following:

Name of shareholder	Number of shares	Proportion
AS "BBG"	31`781`081	100%

BBG AS is the holding company of its subsidiaries with limited operations of its own.

As of the date of the Base Prospectus, the shareholders holding indirectly over 5% of all shares in the Bank are the following:

Name of shareholder	Indirectly held shares and votes	Proportion
Aleksandrs Peškovs	3`365`661	10.59%
Sergejs Peškovs	7`642`457	24.05%
Aleksejs Peškovs	3`171`739	9.98%
Ļubova Peškova	3`171`739	9.98%
Jeļizaveta Peškova	3`171`739	9.98%
Olga Peškova	3`147`235	9.90%
Nataļja Peškova	2`091`186	6.58%
Andrejs Kočetkovs	2`310`932	7.27%
Oļegs Čepuļskis	3`009`662	9.47%

BBG AS has six shareholders – Mr Aleksandrs Peškovs (7.63%), Mr Sergejs Peškovs (7.63%), SIA "Alexander Peshkov Family Holdings" (32.90%), SIA "Sergey Peshkov Holdings" (32.90%), SIA "Andrey Kochetkov Holdings" (9.47%), SIA "Oleg Chepulsky Holdings" (9.47%).

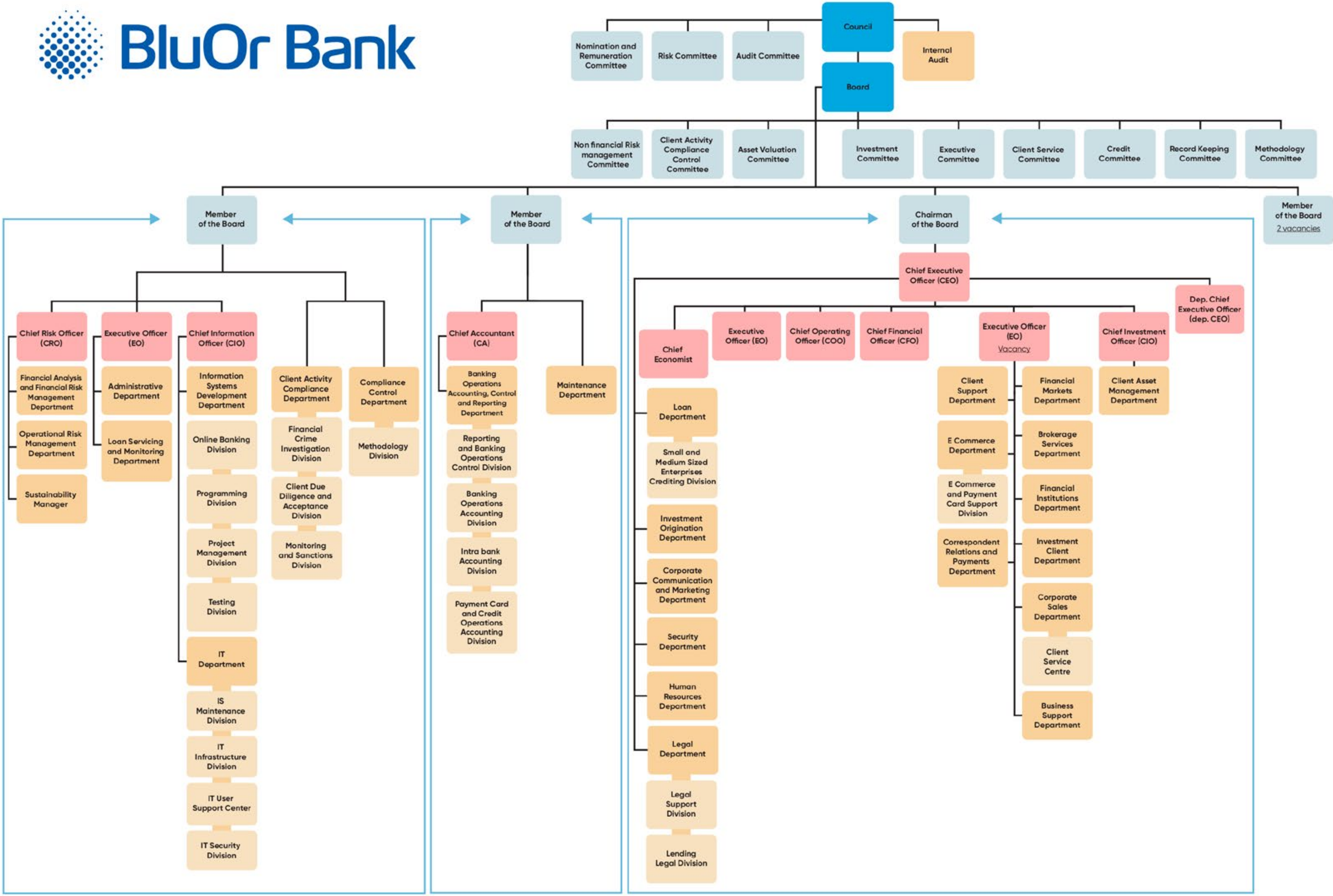
SIA "Alexander Peshkov Family Holdings", SIA "Sergey Peshkov Holdings", SIA "Andrey Kochetkov Holdings", SIA "Oleg Chepulsky Holdings" shareholders are natural persons, and any such natural person indirectly holding more than 5% is indicated in the table above.

To the knowledge of the Management Board, the Shareholders of the Bank have not entered into a shareholders' agreement in relation to the shareholdings in the Bank and exercise their rights as shareholders independently. The Management is not aware of any person directly or indirectly controlling the Bank, nor of any arrangements or circumstances, which may at a subsequent date result in a change in control over the Bank.

4.6. Corporate Governance

The Bank has three-tier management. The Management Board is responsible for the day-to-day management of the Bank's operations and is authorized to represent the Bank based on the law and the Articles of Association. The Supervisory Board of the Bank is responsible for the strategic planning of the business activities of the Bank and for supervising the activities of the Management Board. The highest governing body of the Bank is the General Meeting of shareholders.

The detailed organizational structure of the Bank:



Council
Internal Audit
Nomination and Remuneration Committee
Risk Committee
Audit Committee
Board
Non financial Risk management Committee
Client Activity Compliance Control Committee
Asset Valuation Committee
Investment Committee
Executive Committee
Client Service Committee
Credit Committee
Record Keeping Committee
Methodology Committee
Member of the Board
Member of the Board
Chairman of the Board
Member of the Board
2 vacancies
Chief Risk Officer (CRO)
Financial Analysis and Financial Risk Management Department
Operational Risk Management Department
Sustainability Manager
Executive Officer (EO)
Administrative Department
Loan Servicing and Monitoring Department
Chief Information Officer (CIO)
Information Systems Development Department
Online Banking Division
Programming Division
Project Management Division
Testing Division
IT Department
IS Maintenance Division
IT Infrastructure Division
IT User Support Center
IT Security Division
Client Activity Compliance Department
Financial Crime Investigation Division
Client Due Diligence and Acceptance Division
Monitoring and Sanctions Division
Compliance Control Department
Methodology Division
Chief Accountant (CA)
Banking Operations Accounting, Control and Reporting Department
Reporting and Banking Operations Control Division
Banking Operations Accounting Division
Intra bank Accounting Division
Payment Card and Credit Operations Accounting Division
Maintenance Department
Chief Executive Officer (CEO)
Dep. Chief Executive Officer (dep. CEO)
Chief Economist
Loan Department
Small and Medium Sized Enterprises Crediting Division
Investment Origination Department
Corporate Communication and Marketing Department
Security Department
Human Resources Department
Legal Department
Legal Support Division
Lending Legal Division
Executive Officer (EO)
Chief Operating Officer (COO)
Chief Financial Officer (CFO)
Executive Officer (EO)
Vacancy
Client Support Department
E Commerce Department
E Commerce and Payment Card Support Division
Correspondent Relations and Payments Department
Financial Markets Department
Brokerage Services Department
Financial Institutions Department
Investment Client Department
Corporate Sales Department
Client Service Centre
Business Support Department
Chief Investment Officer (CIO)
Client Asset Management Department

4.6.1. Supervisory Board

The Supervisory Board is primarily responsible for the strategic planning of the business activities of the Bank and supervising the activities of the Management Board. The Supervisory Board is elected by and accountable to the shareholders of the Bank.

The Supervisory Board meets at least quarterly. The number of members of the Supervisory Board is determined by the Bank's Articles of Association and currently stands at five members. The members of the Supervisory Board are elected by the General Meeting of shareholders for a term of five years. The members of the Supervisory Board elect the chairperson and deputy chairperson from among their members. The business address of the members of the Supervisory Board of the company is the Bank's head office, Smilšu iela 6, Riga LV-1050, Latvia.

As of the date of this Base Prospectus, the Supervisory Board of the Bank is composed of the following members: Mr Aleksandrs Peškovs, Chairman of the Supervisory Board, Mr Sergejs Peškovs, Deputy Chairman of the Supervisory Board, Mr Andrejs Kočetkovs, Member of the Supervisory Board, Nataļja Zolova, Member of the Supervisory Board, Regina Lubgane, Member of the Supervisory Board.

Aleksandrs Peškovs, Chairman of the Supervisory Board of the Bank. Education – graduated from the Leningrad High Marine Engineering College by the name of admiral S.O.Makarov and a post-graduate economic degree from the Central Marine Research & Design Institute (Saint-Petersburg, Russia). During his professional career, Mr Aleksandrs Peškovs has worked in the Latvian Shipping Company and held different positions in insurance, financial and tanker departments. In 1991 he started his own private business and served as a CEO in various private companies in the transportation, shipping, financial and commodities trading sectors (Timwell Trading SIA, Aquachart Inc, Compass Tranzit Group and other companies). From 1998 Mr Aleksandrs Peškovs served as the President/Chairman of the Board of insurance company AAS Baltikums (until 2007), later in 2007, he served as the Chairman of the Supervisory Board (until 2015), after reorganization in 2017 the company name is InterRisk Vienna Insurance Group AAS.

He has been engaged in the Group since its establishment in 2001 and was one of the founders thereof. Mr Aleksandrs Peškovs served as a Member of the Board until 2006, Chairman of the Board (2006-2014), Deputy Chairman of the Supervisory Board (2014- until present) of BBG AS.

In 2006 Mr Aleksands Peškovs co-founded Bilderlings Wealth SIA and serves as the Chairman of the Board (2006-2012, 2017 – until present). He is also a member of the Board of Bilderlings holdings SIA.

Sergejs Peškovs, Deputy Chairman of the Supervisory Board of the Bank. Mr Sergejs Peškovs graduated from Leningrad High Marine Engineering College by the name of admiral S.O.Makarov and Moscow All-Unio Academy of Foreign Trade. During his professional career, Mr Sergejs Peškovs has worked in the Latvian Shipping Company (1981-1993) and in Riga Shipping Agency SIA (1993-1997). From 1997 until 2010 Mr Sergejs Peškovs served as a Member of the Management Board and co-founded various companies in shipping, commodities trading, finance and insurance sectors, including the position of a Member of the Supervisory Board (1997-2001) and Member of the Management Board (2004-2009) of Kompass Grupa, AS.

From 1999 Mr Sergejs Peškovs served as the Chairman of the Supervisory Board of insurance company AAS Baltikums (until 2007), later in 2007, he served as the Deputy Chairman of the Supervisory Board (until 2015), after reorganization in 2017 the company name is InterRisk Vienna Insurance Group AAS.

He has been engaged in the Group since its establishment in 2001 and was one of the founders thereof. He served as a Member of the Board until 2003 and the Chairman of the Supervisory Board of BBG AS starting from 2003 until the present.

Andrejs Kočetkovs, Member of the Supervisory Board of the Bank. Mr Andrejs Kočetkovs graduated from the Leningrad High Maritime Engineering College by the name of Admiral S.O. Makarov in 1982. During his professional career, Mr Andrejs Kočetkovs has worked in Riga Shipping Agency SIA in the position of the Director. From 2000 until 2010, Mr Andrejs Kočetkovs served as a Member of the Board of several companies in shipping, commodities (Kompass Grupa AS - Chairman of the Board (2000-2008), SIA Compass Transit – a Member of the Board (2009-2019), SIA Kompass Tranzits - President (2000-2003), a Member of the Board (2003-until present)). From 2007-2010 Mr Andrejs Kočetkovs served as the Deputy Chairman of the Supervisory Board of insurance company AAS Baltikums.

Mr Andrejs Kočetkovs has been engaged in the Group since its establishment in 2001 and was one of the founders thereof. He served as the Chairman and Member of the Board of BBG AS during 2000-2014, currently serves as the Chairman of the Board (from 2014).

Nataļja Zolova, Member of the Supervisory Board of the Bank. Mrs. Nataļja Zolova graduated from the Faculty of Economics and Management at Riga Aviation University in 1999. She obtained a Bachelor's Degree in Social Sciences in Economics from the University of Latvia in 2001 and a Master's Degree in Social Sciences in Economics from the same university in 2003. During her professional career, Mrs. Zolova worked in several Latvian banks from 2006 to 2018 in the field of internal audit. From 2018 until 2022, she served as the Head of Internal Audit at BluOr Bank AS. Mrs. Zolova's mandate as the Supervisory Board Member of BluOr Bank was registered on August 25, 2022.

Regina Lubgane, Member of the Supervisory Board of the Bank. Mrs. Regina Lubgane graduated from the Riga Medical Institute in 1979 and Riga Polytechnic College in 1984. Regina Lubgane is a distinguished professional with more than 20 years of experience in finance and insurance, and 12 years of experience in management positions, including serving as a board member in insurance companies. She has extensive experience in risk assessment and the development of internal control systems. Regina Lubgane's mandate as a member of the BluOr Bank Supervisory Board was registered on June 17, 2024.

4.6.2. Management Board

The Management Board is responsible for the Bank's day-to-day management (except functions reserved to the General Meeting of Shareholders and the Supervisory Board of the Company). According to the Bank's Articles of Association and applicable Latvian law, the members of the Management Board are appointed for a three-year period by the Supervisory Board of the Bank and are also dismissed by the Supervisory Board of the Bank. The number of members of the Management Board is determined by the Bank's Articles of Association and currently stands at five members. The scope of authority of each member of the Management Board is defined by the Supervisory Board. The Supervisory Board of the Bank elects a chairperson of the Management Board from among its members.

The business address of each of the members of the Management Board is the Bank's head office, Smilšu iela 6, Riga, LV-1050, Latvia. The Management Board meets at least bi-weekly, or as frequently as otherwise required. As of the date of this Base Prospectus, the Bank has three members of the Management Board – Mr Dmitrijs Latiševs (Chairman of the Management Board, the authority remains valid until 21 January 2027), Mrs Inga Preimane (the authority remains valid until 21 January 2027) and Mr Vadims Morozs (the authority remains valid until 21 June 2025).

Dmitrijs Latiševs, Chief Executive Officer, the Chairman of the Management Board and Executive Committee. Mr Dmitrijs Latiševs is a banking industry expert and a top-level executive. He has held executive positions at Baltijas Tranzitu Banka and Parex Bank. Since 2011 he has been the Bank's CEO. His professional experience is matched by his in-depth knowledge in finance and strategy. Mr Latiševs holds a Master's Degree in Finance and Lending from the University of Latvia.

Inga Preimane, a Member of the Management Board. Ms Inga Preimane has over 30 years of experience in the banking industry. She is a highly qualified manager for financial risk and compliance, internal audit functions, and a member of two worldwide professional associations – IIA (Institute of Internal Auditors) and ACAMS (Association of Certified Anti-Money Laundering Specialists), with a CAMS certificate. Ms Preimane has a Master's degree in economics from the Riga Technical University.

Vadims Morozs, a Member of the Management Board. Mr Vadims Morozs has more than 22 years of experience in the banking sector. Mr Vadims Morozs has been working with the BluOr Bank team in the capacity of a chief accountant since 2016. A number of complex accounting projects have been carried out under his leadership and the effectiveness of important accounting processes has been improved. Mr Morozs is responsible for the general management and control of the Bank's accounting.

4.6.3. Key Committees

Audit committee

The Audit Committee is formed by the Supervisory Board of the Bank and it is an advisory body to the Supervisory Board in the fields of audit activities, effectiveness of the internal control and risk management system. The Audit Committee is composed of three members.

Role and duties

The Audit Committee is formed for the purpose of ensuring the protection of the Shareholders' interests in the preparation and audit of annual reports, the effectiveness of the Banks' internal control system, risk management process as far as the reliability and objectivity of the annual report are concerned. The Audit Committee is responsible for ensuring the selection process of the Bank's candidates for sworn auditors and for supervising the compliance of the Bank's sworn auditor with the independence and objectivity requirements specified in the laws and regulations.

Executive Committee

The Executive Committee is a corporate governance body formed by the Management Board of the Bank. The Executive Committee is composed of eight members.

Role and duties

The Executive Committee is formed with the purpose of dealing with daily tasks of business development and control to increase the competitiveness and efficiency of the Bank's products and services in the market.

The Executive Committee develops proposals on business development plans to be presented for evaluation by the Management Board and implements the day-to-day business development management issues of the Bank's operations, and controls the implementation of the Bank's projects related to the Bank's business development management and approves completed projects.

The Executive Committee follows up on the Banks' budget performance at the operational level, evaluates proposals for the need for outsourcing, as well as evaluates proposals for the launch of new products and the establishment of working groups and ensures the monitoring of the new products after their implementation.

Credit Committee

The Credit Committee is a corporate governance body formed by the Management Board of The Bank. The Credit Committee is composed of six members.

Role and duties

The Credit Committee is formed for the purpose of management of the Banks' loan portfolio to ensure the achievement of the loan portfolio development goals set out in the Bank's strategy. The Credit Committee manages the Bank's loan portfolio, monitors the quality of the loan portfolio, its structure and compliance with limits.

The Credit Committee makes decisions on credit projects, covenants and conditions of the financing of the Banks' clients. The Credit Committee approves the list of competent appraisers for carrying out the valuations of the collateral, including real estate, vessels and property.

Investment Committee

The Investment Committee is a corporate governance body formed by the Management Board of the Bank. The Investment Committee is composed of seven members.

Role and duties

The Investment Committee ensures management of the Bank's assets and liabilities in accordance with the Bank's strategy and policies and taking into account regulatory requirements, risks and income targets, as well as determines the Bank's investment strategy.

The Investment Committee sets and controls Banks' balance sheet, off-balance sheet items and portfolio limits of the Bank. The Investment Committee provides liquidity management, control and forecasts its possible development. The Investment Committee is responsible for a balanced term structure of assets and liabilities, ensures long-term liquidity of the Bank.

The Investment Committee oversees the Bank's financial risk management. It evaluates the results of financial risk stress testing (and reverse stress testing) and decides on the necessary measures to ensure strong capital adequacy.

Asset Valuation Committee

The Asset Valuation Committee is a corporate governance body formed by the Management Board of the Bank. The Asset Valuation Committee is composed of five members.

Role and duties

The Asset Valuation Committee analyses, evaluates and classifies the Bank's assets and off-balance sheet liabilities, which have credit risk, and makes decisions about provisions for possible impairment losses.

Methodology Committee

The Methodology Committee is a corporate governance body formed by the Management Board of the Bank. The Methodology Committee is composed of six members.

Role and duties

The Methodology Committee organises and coordinates the development of normative and methodological documents necessary for the creation and improvement of the internal control system at the Bank. The Methodology Committee in accordance with the authorization specified by the Management Board makes decisions regarding the approval and regular revision of policies and procedures. The Bank's internal documents (e.g. strategies, policies, regulations and plans) that are within the competence of the Management Board or the Supervisory Board shall be submitted by the Methodology Committee to the Management Board or the Supervisory Board for final approval.

Risk Committee

The Risk Committee is a supervisory body within the Bank's organizational structure that operates independently. The Risk Committee is composed of three members.

Role and duties

Its goal is to advise and support the Supervisory Board regarding the current and future risk strategy of the Bank and the Group, including changes to it, taking into account changes in the nature of the Bank's and the Group's operations and external factors. The Risk Committee also helps the Supervisory Board monitor the implementation of this strategy.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a supervisory body within the Bank's organizational structure, which operates independently and aims to develop proposals for the selection and re-election criteria for Supervisory Board members, Board members, Head of Internal Audit, and other senior executives' positions. The Nomination and Remuneration Committee is composed of three members.

Role and duties

Nomination and Remuneration Committee participates in the selection and evaluation of Supervisory Board members, Board members, Head of Internal Audit, positions, and candidates for positions on the BBG AS Board, ensuring diversity within the Supervisory Board, Board, and BBG AS Board, reviews issues related to the Bank's personnel and compensation policies, establishment of compensation systems, and their monitoring, monitors the effectiveness of the suitability policy for officials and its implementation, develops proposals for determining the remuneration of Supervisory Board members, Board members, Head of Internal Audit, positions, and other senior executives.

4.6.4. Remuneration Policy

The Remuneration Policy of the Company is designed to achieve the operational goals set out in the Bank's strategy by attracting and retaining highly qualified and experienced personnel, ensuring the continuous and sustainable operation of the Bank by providing reliable and secure financial services to customers.

The Supervisory Board of the Bank ensures that the Remuneration Policy and practice do not restrict the Bank's ability to strengthen its own capital, which is consistent with prudent and effective risk management. The Management Board of the Bank is responsible for observing the key principles of the Remuneration Policy established by the Supervisory Board of the Bank, developing the appropriate remuneration system and related documents. The Human Resources Department of the Bank monitors compliance with the established key principles of the Remuneration Policy on a daily basis.

The key principles of the Bank's Remuneration Policy include quality criteria for evaluating individual performance. The components of the Bank's remuneration consist of fixed and variable elements of remuneration.

Remuneration of employees and officials is proportionate to the risks involved and motivates to achieve sustainable results by promoting prudent and effective risk management and is set to ensure the long-term development of the Bank's business, attract highly qualified specialists, retain existing staff and stimulate their professional growth. The variable part of the remuneration is granted based on performance results, matching them with the values of the Bank.

When determining the elements of the variable part of remuneration, the Bank shall ensure that they do not include incentives that would cause the respective employees or officials to give preference to their own interests or the interests of the Bank. Given that the variable part of remuneration in monetary form can be considerable and especially high, the Bank uses the algorithm for determining the variable part of a significant remuneration in accordance with the requirements of the law of the Republic of Latvia, observing that the fixed and variable part of the remuneration of employees involved in the provision of investment services is based not only on quantitative commercial criteria but should also include the relevant qualitative criteria that reflect compliance with the applicable rules, fair treatment of customers and quality of services provided to customers.

In accordance with the Remuneration Policy, the Bank applies the deferred system for determining and paying the variable part of the remuneration for employees whose role has an impact on the risk profile. The total amount of remuneration and benefits paid to the members of the Supervisory Board and Management Board of the Bank during the financial year 2022 amounted to EUR 869 000 (including applicable taxes) and for the financial year 2023 – EUR 978 000 (including applicable taxes).

4.7. Conflict of Interest

There are no conflicts of interest or potential conflicts of interest between any duties owed by the members of the Supervisory Board of the Bank or the Management Board to the Bank and their private interests and/or other duties other than the management loans indicated below or as described in the Section 4.8 (*Shares Held by the Management of the Bank*).

Management Loans. As of 31 December 2023, there was EUR 5.484 million in loans and in other financial commitments in place between the Bank and members of the Management Board and of the Supervisory Board of the Bank, their close relatives and companies in which they have a controlling interest.

4.8. Shares Held by the Management of the Bank

Share ownership. As of the date of this Base Prospectus, the members of the Supervisory Board and their related persons hold the following number of shares representing the indicated proportion in the share capital of the Bank either directly or indirectly:

Name	Ownership (%)		Proportion
	Held by member	Held by Related Persons[1]	
Mr. Aleksandrs Peškovs	10.59%	29.94%	40.53%
Mr. Sergejs Peškovs	24.05%	16.48%	40.53%
Mr. Andrejs Kočetkovs	7.27%	2.20%	9.47%

It should be noted that the majority of the shares - 81.06% are indirectly held by Sergejs Peškovs and

Aleksandrs Peškovs (related persons themselves) and their related persons.

As of the date of this Base Prospectus, none of the Management Board members hold shares in the Bank.

[1] *For the purposes of clarity in this table Sergejs Peškovs and Aleksandrs Peškovs are assumed as persons that are not related.*

5. BUSINESS OVERVIEW

5.1. Principal Activities

The Bank is a Latvian licensed credit institution. The Bank provides a wide range of banking products to private individuals and corporate clients. The Bank offers all classical banking services: accepts deposits, issues loans, makes money transfers, provides documentary operations, exchanges currencies for its clients, issues and processes debit and credit cards, provides brokerage and asset management services, is engaged in trade finance, in investing and trading in securities.

The Bank`s strategy focused on corporate banking along with financing and servicing small and medium-sized enterprises.

As of 31 December 2023, the total loan portfolio of the Bank on a consolidated basis stood at EUR 398.6 million and the total amount of deposits was EUR 800.6 million. As of 31 December 2023 the share of loans to corporate in the total portfolio of loans was more than 94.

5.2. Principal markets

As of the date of this Base Prospectus, the Bank operates in six geographic markets – Latvia, Germany, Austria, Ireland, Spain and the Netherlands. The Bank operates in Latvia with a strong focus on providing banking services to small and medium-sized enterprises.

The Bank cooperates with deposit platforms and actively receives deposits from the following deposit markets: Germany, Austria, Ireland, Spain and the Netherlands. The Bank does not conduct any other services in these markets.

Latvian Banking Market

According to the data published by the LB, as of 31 December 2023, there were 9 credit institutions in Latvia and 4 branches of foreign credit institutions operating in the Latvian banking market. The Latvian Banking sector is highly consolidated with the dominance of the credit institutions belonging to the large banking groups (Swedbank, SEB, Luminor Bank, OP Corporate Bank). The largest three banks (AS Swedbank, AS SEB Banka, AS Citadele Banka) together with Luminor Bank AS Latvijas filiāle hold more than 80% of the combined market share in assets. The Scandinavian-owned banks currently dominate the Latvian banking sector.[2] The Bank operates in a highly competitive Latvian Banking sector environment and this has a significant material impact on the Bank`s financial results and leads to increased competition for main banking products and services.

Total assets of the Latvian banking sector stood at EUR 28.3 billion as of 31 December 2023. Total assets of the Latvian banking sector continue to grow during the year. An increase in the asset volume was driven by a number of factors. The decrease in economic activity and in consumption contributed to a rapid increase in deposits of domestic non-financial corporations and households.

The Bank is the sixth-largest bank in Latvia with EUR 912 million in assets as of 31 December 2023. The number of deposits held by non-bank customers increased significantly during the last two years. As of 31 December 2023 the total volume of deposits of the credit institutions operating in the Latvian market stood at EUR 23.2 billion.[3]

[2] *Data available in the LB webpage – Statistics – Statistical data - Supervisory statistics, available: https://www.bank.lv/en/statistics/stat-data/supervisory-statistics [viewed at 26.06.2024.]*
[3] *Data available in the LB webpage – Statistics – Statistical data - Supervisory statistics, available: https://www.bank.lv/en/statistics/stat-data/supervisory-statistics [viewed at 26.06.2024.]*

European Deposit Markets[4]

The Bank uses European deposit markets as markets where it, along with the Latvian market, offers deposit products. As of December 2023, the total size of the European deposit market was EUR 8'760 billion. The Bank accepts public deposits from Germany, Austria, the Netherlands, Spain and Ireland.

German deposit market size is EUR 5'930 billion and the interest rate for deposits was -4.5% as of December 2023.

Austrian deposit market size is EUR 480.18 billion and the interest rate for deposits was 4.5% as of December 2023.

Dutch deposit market size is EUR 1'159 billion and the interest rate for deposits was 4.5% as of December 2023.

Spanish deposit market size is EUR 1'340 billion and the interest rate for deposits was 4.5% as of December 2023.

Irish deposit market size is EUR 304 billion and the interest rate for deposits was 4.5% as of December 2023.

The Bank offers interest rates on deposits that are higher than average in most of the markets. Higher interest rates together with an online deposit solution offer a significant advantage over rates and deposit products from local traditional financial institutions.

5.3. Competitive positions and key strengths

The Bank is the sixth-largest bank in Latvia with EUR 912 million in assets as of 31 December 2023. The Bank provides a wide range of banking products to private individuals and corporate clients. According to the Bank's strategy, the main business segment is corporate banking with a focus on small and medium-sized companies (SME). The Bank was the sixth-largest bank in Latvia term.

The Bank's strategy for the next three years is to strengthen its position in the corporate banking segment. The Bank has set a goal to improve the main performance indicators of the Bank, to increase the loan portfolio to at least EUR 630 million and decrease the financing cost. Strategic partnership with Fintech companies and deposit platforms allows to receive deposits from foreign European deposit markets. The access to European deposit markets ensures an efficient and relatively cheap source of stable and long-term funding that allows the Bank to keep a high net interest margin and ensures scalability in the future. By achieving these results, the Management believes that the Bank could achieve a cost-to-income ratio below 50% and ensure organic growth on the local market that provides a return on equity above 15%.

The Management believes that the Bank has strengthened its main competitive advantages that naturally correspond to the Bank's strategy:

- experience in large corporate project financing, trade finance and shipping finance;
- experience in providing complementary services, such as payments, investments, hedging, currency conversion and documentary operations to corporate clients;
- experience in corporate finance that allows flexible structuring of financing deals via bond issue or syndicated loans;
- access to stable and relatively cheap long-term funding sources from the European deposit markets that provides an easy and efficient way to scale up the funding base.

The Bank's product prices are from the average-high segment that is justified with an individual approach, personal contacts and flexible terms.

The Bank believes its online banking service is a strong growth factor in the Bank's further development.

[4] *Data obtained from Euro Area Statistics webpage, available: https://www.euro-area-statistics.org/ [viewed at 26.06.2024] and Statistical Data Warehouse of the ECB webpage, available: https://sdw.ecb.europa.eu/ [viewed at 26.06.2024]*

5.4. Employees

As of the date of the Base Prospectus the Bank employs 240 persons.

5.5. Investments

The Bank has made no significant investment since the date of the last published financial statements (Audited Financial Statement for the year ended 31 December 2023). The Audited Financial Statements for the year ended 31 December 2023 are incorporated into this Base Prospectus.

5.6. Material Contracts

Neither the Bank nor any Subsidiary has entered into a material contract other than contracts entered into in the ordinary course of business, which could result in any Group member being under an obligation or an entitlement that is material to the Bank's ability to meet its obligations to the Bondholders in respect of the Bonds being issued.

The following is a summary of each agreement (not being an agreement entered into in the ordinary course of business), which has been entered into by the Bank or any of its subsidiaries, which contains any provision under which the Bank or any of its subsidiaries has any obligation or entitlement, which is relevant to the Bank as at the date hereof.

MasterCard Licence Agreement

On 30 June 2002, MasterCard International Incorporated, the "MasterCard", and the Bank entered into a Principal licence agreement under which MasterCard granted the Bank non-assignable, non-exclusive licence to use the MasterCard Marks and rights to provide certain services related to the operation of payment cards: issuing services, acquiring services etc.

Visa Europe Agreement

On 28 December 2012, Visa Europe Limited and the Bank entered into a membership deed, under which Visa Europe granted the Bank rights to use the Visa Licensed Marks and the Licensed Intellectual Property in connection with participation in the Visa System and receive certain services under the Visa Europe system.

Worldline Agreement

On 3 February 2014 and on 30 December 2003, WorldLine Latvia SIA (formerly – First Data Latvia) and the Bank entered into certain agreements under which WorldLine Latvia provides solutions related to the operation of payment cards: acquiring processing services, payment terminal services.

Deposit Platforms Agreements

Raisin Agreements

On 5 October 2017, Raisin GmbH, "Raisin" (presently Raisin DS GmbH), MHB-Bank AG, "MHB" (presently Raisin Bank AG), and the Bank entered into a service agreement under which Raisin provides access to its internet platforms (e.g. www.weltsparen.de/, www.weltsparen.at/, www.raisin.es/ and others) that enable retail customers to access deposit offerings of the Bank. The Raisin conducts marketing activities to attract customers to the internet platforms and to deposit offers of the Bank. The Bank has agreed to pay certain service fees, which are determined in the agreement.

Deposit Solutions Agreements

On 19 March 2019, Deposit Solutions GmbH, "DS" (presently Raisin DS GmbH) and the Bank entered into a distribution agreement, and on 10 May 2019, DS, Max Heinr. Sutor OHG, "Sutor bank", and the Bank entered into a deposit account agreement. Under these agreements, DS provides access to its internet platforms (e.g. www.zinspilot.de/ and others) that enable retail customers to access deposit offerings of the Bank. DS conducts marketing activities to attract customers to the internet platforms and to deposit offers of the Bank. The Bank has agreed to pay certain services fees, which are determined in the agreements.

On 25 June 2021, the DS and the Raisin announced the completion of their merger, forming Raisin DS GmbH. As of the date of the Base Prospectus, the existing agreements with the DS and the Raisin remain in force and have not been affected by the merger.

Deposit Platforms Agreements Check24 Finanzservice GmbH

On 26 April 2022, Check24 Finanzservice GmbH, "CHECK24" (presently Vergleichsportal Geldanlage GmbH) and the Bank entered into a service agreement under which CHECK24 provides access to its internet platforms (https://geldanlage.check24.de) that enable retail customers to access deposit offerings of the Bank.

DSW Agreement

On 05 September 2001, DSW SIA and the Bank entered into an agreement under which DSW agreed to supply the Bank with the WALL core banking software system and documentation and to grant a licence to use such systems and related documentation. The Bank has agreed to pay certain licence and service fees, which are determined in the agreement. The agreement is concluded for an indefinite period and is in force until terminated in accordance with its terms.

NetEconomy Agreement

On 22 March 2017, NETECONOMY B.V. and the Bank entered into a Software Licence and Services Agreement under which the Bank uses Financial Crime Risk Management (FCRM) software. FCRM is an adaptive, comprehensive solution that ensures transaction monitoring to reduce the risk of money laundering, keep operational costs in check and ensure regulatory compliance. Under the agreement, the Bank has been granted the right to use FCRM software for internal business purposes. The Bank has agreed to pay certain licence and service fees, which are determined in the agreement.

S.W.I.F.T. Agreement

On 12 November 2001, S.W.I.F.T. SC and the Bank entered into an agreement, which allows to install the SWIFT Alliance software and to connect to Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T.) network, that allows the Bank to send and receive financial messages, providing worldwide payments and other financial services to the clients.

Bloomberg Finance Agreement

On 25 July 2005, Bloomberg Finance LP and the Bank entered into Bloomberg Electronic Trading and Order Routing Services Agreement under which Bloomberg provides access to Bloomberg Terminal, offers multi-asset order and execution management solutions and informational services. The Bank has agreed to pay certain services fees, which are determined by the agreement.

Subordinated Deposits Agreements

The Bank has concluded a number of subordinated deposit agreements with its customers and has received subordinated debt in order to strengthen and increase long term capital. As of 31 December 2023, the Bank had subordinated deposits of EUR 2 611 thousand.

5.7. Description of Expected Financing of the Issuer Activities

The Issuer expects to finance its business activities using the usual sources of funding: term deposits from the retail customers and other institutions, current account balances from servicing corporate and retail customers and Issuer`s equity. These sources of funding are supplemented by net proceeds of the Bonds and other debt securities. The Issuer plans to continue working on further diversification of its funding base, however the sources are expected to remain stable.

6. FINANCIAL AND TREND INFORMATION

6.1. Financial Statements

Consolidated financial information of the Company (balance sheet, profit and loss statements, and other important metrics) is provided in the tables below. Audited Financial Statements are incorporated by reference into this Base Prospectus (they may also be found on the Issuer's website www.bluorbank.lv and www.nasdaqbaltic.com). Unless otherwise stated, the information of this Section below should be read in conjunction with and is qualified in its entirety by reference to such financial statements and related notes.

The tables below set forth the key financial information as at the end of each of the financial years ended 31 December 2021, 31 December 2022 and 31 December 2023, which has been extracted or derived from the Audited Financial Statements included in this Base Prospectus respectively.

6.2. Selected Historical Financial Information

The Group`s Consolidated statement of profit and loss and other comprehensive income:

(in thousands of euros)	**2021 Audited**	**2022 Audited**	**2023 Audited**
Interest income	24 591	22 847	37 062
Interest expenses	-6 851	-5 258	-11 523
Net interest income	**17 740**	**17 589**	**25 539**
Fee and commission income	7 298	10 372	12 607
Fee and commission expenses	- 1 989	-1 930	-1 743
Net fee and commission	**5 309**	**8 442**	**10 864**
Net profit from trading and revaluation of financial instruments	1 437	-1 705	-217
Net foreign exchange income	1 889	1 172	61
Other operating income	1 070	942	1 670
Total operating income	**27 445**	26 440	37 917
Administrative expenses	-13 935	-13 700	-16 200
Other operating expenses	-1 895	-1 683	-1 879
Credit loss allowances	-2 188	-890	-2 081
Net impairment reversal	7	97	-
Total operating expenses	**-18 011**	-16 176	**-20 160**
Profit before taxation	**9 434**	10 264	**17 757**
Corporate income tax	-9	-12	-4 060
Profit for the year	**9 425**	10 252	**13 697**

The Group`s Consolidated statement of financial position:

(in thousands of euros)	31.12.2021 Audited	31.12.2022 Audited	31.12.2023 Audited
Assets			
Cash and demand deposits with central banks	270 118	120 527	338 024
Loans and receivables from banks	34 444	25 306	24 778
Trading financial assets	1 601	-	3
Investment securities	185 208	162 968	97 835
Loans and receivables	344 178	308 310	398 564
Investments in associates	827	827	827
Investment property	2 691	2 830	2 934
Property and equipment	25 944	24 610	23 549
Intangible assets	352	256	267
Prepayments and accrued income	1 975	1 661	854
Other assets	7 663	10 089	9 494
Corporate income tax receivable	2	-	3
Total assets	875 003	668 540	908 276
Liabilities and Equity			
Due to credit institutions on demand	2 958	6 623	4 407
Financial liabilities carried at amortized cost	712 842	581 695	814 212
Deferred income and accrued expenses	1 376	1 112	2 263
Provisions	92	129	298
Other liabilities	915	3 120	2 004
Total liabilities	799 865	592 679	826 954
Shareholders` Equity			
Share capital	44 493	44 493	44 493
Statutory reserves	24	24	24
Revaluation reserve – financial assets at fair value through other comprehensive income	-121	-2 144	-1 371
Other reserves	-3 413	-3 413	-3 412
Retained earnings	34 155	36 901	41 588
Total equity	75 138	75 861	81 322
Total equity and liabilities	875 003	668 540	908 276
Contingent liabilities and commitments	40 740	59 124	99 963

6.3. Key Ratios and Indicators

Capital Adequacy Calculation (the Bank):

	31.12.2021	31.12.2022	31.12.2023
Share capital	**44 493**	**44 493**	**44 493**
Statutory reserves	24	24	24
Retained earnings for the previous periods	**27 649**	29 915	31 377
Profit for the reporting period	9 766	10 462	12 566
Changes on application of IFRS 9	1 110	554	-
Dividends declared	-	-5 000	-7 000
Revaluation reserve – financial assets	-128	-4 545	-3 771
Intangible assets	-351	-256	-267
Insufficient coverage for non-performing exposures	-2	-	-5
Other deductions	-42	-26	-21
Reduction of Tier 1 capital (Pillar 2 adjustments)	-244	-297	-364
Additional Tier 1	**1 100**	**1 100**	**6 060**
Total Tier 1	**80 972**	**76 424**	**83 092**
Subordinated debt	321	6 361	6 743
Tier 2 capital	321	**6 361**	**6 743**
Equity	**81 293**	**82 785**	**89 835**
Banking portfolio	443 303	409 723	500 840
Operating risk	42 482	45 554	56 935
Total risk exposure amount loan adjustment	-	16	-
Total risk weighted assets	**488 856**	**455 293**	**557 775**
Total capital as a percentage of risk weighted assets (total capital ratio)	**16.63%**	**18.18%**	**16.11%**
Total tier 1 capital expressed as a percentage of risk-weighted assets (“tier 1 capital ratio”)	**16.56%**	**16.79%**	**14.90%**

Ratios:

	31.12.2021	31.12.2022	31.12.2023
Return on equity (ROE)	13.3%	13.2%	14,7%
Return on total assets (ROA)	1.2%	1.3%	1,7%

The above table includes key regulatory ratios as reported to the competent authorities and calculated in accordance with the CRR and CRDIV and other laws and regulations and certain data, which the Company considers to constitute alternative performance measures (the APMs) for the purposes of the European Securities Markets Authority's (**"ESMA"**) Guidelines on Alternative Performance Measures. These APMs are not audited and defined by, or presented in accordance with, IFRS and should not be considered as alternatives to any measures of performance under IFRS or as measures of the Group's liquidity. The Company's use and method of calculation of APMs may vary from other company's use and calculation of such measures.

The table below provides a list of ratios calculation methodology, and the main rationale for using it.

APM	Formula	Rationale for using APMs
Return on Equity (ROE)	Net Profit / Total Average Equity (beginning of the year plus end of the year divided by two)	The ratio shows the percentage return the Bank earns from equity. The higher the ROE ratio, the better the financial performance of the Bank. ROE shows the overall efficiency of how the Company uses its own funds.
Return on total assets (ROA)	Net profit / Total Average Assets (beginning of the year plus end of the year divided by two)	The ratio shows the percentage return the Bank earns from assets. The higher the ROA ratio, the better the financial performance of the Bank. ROA shows the efficiency of how the Company allocates its assets.
Net interest margin (NIM)	Net Interest Income (excluding impairments) / Average Interest-Bearing assets (beginning of the year plus end of the year divided by two)	The NIM ratio is a measure of the profitability of the Bank. The positive and the higher the ratio, the better the financial performance of the Bank. NIM is important to monitor the balance between funding costs and return from the assets. Interest-Bearing assets – Loans and receivables, Investment securities, Trading financial assets.
Impairment losses to loan portfolio	Non-Performing Loan Portfolio (gross value) / Total Loan Portfolio (gross value)	The ratio indicates how much of the total loan portfolio is considered as non-performing. The ratio shows the quality of the loan portfolio of the Bank. The lower the ratio, the better the financial performance of the Bank.
Cost/ income ratio (CIR)	Administrative expenses including depreciation / Net Operating Income	The ratio indicates the amount of cost used to earn one euro of income. The CIR ratio is a measure of operating efficiency of the Bank. The lower the CIR ratio, the more efficient the Bank is in generating income.
Equity to total assets	Total Equity / Total Assets	The ratio shows how much of the Bank`s assets are financed by shareholders. The ratio indicates of how financially stable the Bank is. The higher the ratio, the less leveraged the Bank is.

6.4. Audited Financial Statements

Please refer to Section 1.9 (*Financial Information and Accounting Principles*) regarding the information, related to the audit of the Audited Financial Statements and other information of the Base Prospectus.

6.5. Qualifications and emphasis of matter

There was no qualification or emphasis of the matter in the auditor's report on the Group's consolidated and the Bank's separate financial statements for the year ended 31 December 2022 and 31 December 2023.

6.6. Legal and Arbitration Proceedings

As of the date of this Base Prospectus, there are no legal or administrative proceedings to which a Group company has been a party to (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Base Prospectus which may have, or have had, significant effects on the Group's financial position or profitability.

UAB Dognus raised a claim against the Bank in Lithuania. At the moment, the Bank's legal position in the ongoing legal proceedings can be assessed as positive and its positions have been strengthened as a result of the decisions made by several courts. What remains unchanged is that even in the worst case scenario (if the claim of UAB Dognus will be heared by the court), the Bank could not suffer losses in any case, because the type of claim (actio pauliana) presented by UAB Dognus provides for restitution, i.e. restoration of the previous status of all persons. In this case, this would mean not only the Bank's obligation to repay the loan repayment payments received, but also the Bank's return to the status of a secured creditor. Considering that the original collateral (goods) no longer exists, the Bank's claims would be secured by the court's decision with the Bank's own refunded funds. In general, the claim of UAB Dognus is still assessed as insufficiently substantiated from the legal point of view, and the worst case scenario (i.e. a court decision on restitution) is also assessed as unlikely.

In the course of its everyday business operations, the Bank is a party to several legal and arbitration proceedings. In general, the Bank acts as a plaintiff in the court proceedings seeking to recover debts from defaulted borrowers and other customers of the Bank.

Management is unaware of any other significant actual, pending or likely claims against the Bank and its subsidiaries.

6.7. Significant Change in the Issuer's Financial Position

The shareholders of the Company at the Extraordinary General Meeting of the shareholders held on 27 may 2024 have approved the resolution (№ 05/2024) to distribute part of the profit for the period till 31 December 2023. The shareholders of the Company decided to pay dividends of EUR 9`000`000 to the Company`s shareholders.

There have been no other significant changes in the financial or trading position of the Company since 31 December 2023.

There has been no material adverse change in the prospects of the Group since 31 December 2023.

6.8. Profit Forecasts or Estimates

The Issuer is not providing financial forecasts or estimates in the Base Prospectus.

6.9. Regulatory Disclosures

After listing its bonds (ISIN No. LV0000802569) on the regulated market Nasdaq Riga on June 2, 2022, the Company ensures the disclosure of regulated information in accordance with the requirements of the Market Abuse Regulation. Disclosure of regulated information is ensured through LB's Official Mandatory Information Centralized Storage System (https://csri.investinfo.lv/lv/), the regulated market Nasdaq Riga website (https://nasdaqbaltic.com/), and the Company's homepage (https://www.bluorbank.lv/en/investors).

The Company has ensured the disclosure of regulated information by publishing the Company's internal information, financial reports, and other mandatory disclosure information on these websites.

During the last 12 months, the Company published information on these websites about the decision of the Company's shareholders' meeting to organize the Bank's subordinated bond issue, Interim report for the six months period of 2023 with Independent Auditor's Report, unaudited results for the third quarter of 2023, changes in the membership structure of the BluOr Bank Management Board, issue results of tranche No1 un No2 of BluOr Bank additional tier 1 temporary write-down notes 2023 (ISIN code: LV0000802775), information about the date of publication of financial statements for 2023, information about extension of the term of office of the members of the Board of Executives, Annual Report 2023 with the sworn auditor's opinion and the corporate governance statement for 2023, the decision of the Company's shareholders' meeting to organize the Bank's AT1 bond issue, issue results of BluOr Bank additional tier 1 temporary write-down notes 2024 (ISIN code: LV0000803062), Changes in the membership structure of the BluOr Bank Supervisory Board, announcement of the date of publication of the financial report for the first half of 2024.

7. SECURITIES NOTE

This Section 7 (Securities Note) provides an overview of general terms and conditions of the Bonds (the **"General Terms and Conditions of the Bonds"**), which together with the applicable Final Terms, constitute the terms and conditions of each Tranche (the **"Terms of the Bonds"**). The General Terms and Conditions of the Bonds shall apply to each Tranche. Specific terms and conditions specified in the applicable Final Terms may be different in respect of each individual Tranche. In order to identify each Tranche, the Final Terms (as defined below) shall stipulate a serial number of a respective Tranche.

The shareholders of the Company has at the General Meeting of the shareholders held on 12 August 2024 authorised the issuance, public offering and listing of the Bonds (resolution No. 06/2024) and authorisedthe Management Board of the Company to approve the general terms and conditions of the Bonds, theBase Prospectus, the Final Terms and any of the documents thereto, as well as any amendments andsupplements thereof.

Management Board of the Company has approved the Base Prospectus at its meeting on 21 August 2024(resolution No. 37/2024).

Each Final Terms issued in respect of each issue of Bonds shall be approved by a separate resolution of the Management Board of the Company.

7.1. Interest of Natural and Legal Persons Involved in the Offering

According to the knowledge of the Management, save for any fees payable to Sales Agent if any, there are no personal interests of the persons involved in the Offering material to the Offering. The Management is unaware of any conflicts of interest related to the Offering.

7.2. Reasons for the Offering and Use of the Proceeds

This Base Prospectus is designated to (i) the Bonds issue Programme for the Offering of the Bonds of the Company in the amount of up to EUR 30’000’000 and (ii) Admission thereof to trading on the Baltic Bond List of Nasdaq Riga.

The primary purpose of the Offering is to strengthen the capital structure of the Company to retain a strong capital base in light of a growing risk-weighted asset base. The proceeds from the Offering will be entirely used for strengthening the Tier 2 regulative capital base. Conservative capital buffers are needed in advance to support the general corporate purposes, further growth, strengthen the market position of the Company, finance launch of new products and increase the business volumes of the Company.

In 2023 the risk-weighted assets of the Company have increased by nearly 22% from EUR 455 million to EUR 557 million and have plans to grow risk-weighted assets to more than EUR 600 million in the next years, mainly by increasing loans portfolio. According to the EU legislation applicable to credit institutions, the increase in risk-weighted assets needs to be covered by regulative capital. Therefore, the Company is looking to engage additional capital in the amount of up to EUR 30’000’000. If in respect of a separate Tranche of the Bonds, there is another identified use of the proceeds, then as indicated above, this will be stated in the relevant Final Terms.

The total amount of costs related to the Offering is estimated to be up to EUR 300 000, which will be deducted from the proceeds of the Offering before using the proceeds as described above.

7.3. Type and Class of Bonds

The Bonds are freely transferable non-convertible unsecured and unguaranteed subordinated bonds denominated in EUR with the nominal value of EUR 1'000. The Bonds represent an unsecured debt obligation of the Company towards the Bondholder.

7.4. Currency and Nominal Value

The Bonds will be issued in euro (EUR). The nominal value (face value) of each Bond shall be specified in the Final Terms, but it shall amount to at least EUR 1'000.

7.5. Form and Registration

The Bonds are dematerialized debt securities in a bearer form and registered with Nasdaq CSD in a book-entry form with the securities settlement system governed by Latvian law (the **"Latvian SSS"**).

Each Tranche will be assigned a separate ISIN (International Security Identification Number) code, which will be different from the ISIN code of the other Tranches. Investors may hold Bonds through Nasdaq CSD participants including the Issuer participating in the Latvian SSS. Before commencement of the Offering of the Tranche, Nasdaq CSD, upon request of the Bank, will assign to the respective Tranche an ISIN code. The ISIN code of the respective Tranche will be specified in the Final Terms.

7.6. Ranking and Subordination

The Bonds are subordinated within the meaning of the Latvian Credit Institutions Law to all unsubordinated claims against the Company. For the avoidance of doubt, the Bonds are not subordinated to the claims, which are subordinated to the Bonds or which rank pari passu with the Bonds. By subscribing to the Bonds, the investors unconditionally and irrecoverably agree to the subordination of claims arising from the Bonds. The subordination of the Bonds means that upon the liquidation or insolvency of the Company, all the claims arising from the Bonds shall fall due in accordance with the Terms of the Bonds and shall be satisfied only after the full satisfaction of all unsubordinated recognised claims against the Company in accordance with the applicable law. Therefore, upon the liquidation or insolvency of the Company, the Bondholders are not entitled to any payments due under the Terms of the Bonds until the full and due satisfaction of all the unsubordinated claims against the Company. As long as there are no liquidation or insolvency proceedings initiated against the Company, all claims arising from the Bonds shall be satisfied in accordance with the Terms of the Bonds and the applicable law.

7.7. Security

The Bonds constitute unsecured, unguaranteed and subordinated obligations of the Company ranking *pari passu* without any preference among themselves.

7.8. Ratings

The Bonds have not been rated by any credit agencies.

7.9. Applicable Law and Dispute Resolution

Each Issue of the Bonds shall be governed by the laws of the Republic of Latvia.

Any disputes relating to or arising from the Issue will be settled solely by the courts of the Republic of Latvia of competent jurisdiction. Claims arising from the Bonds shall expire in accordance with the statutory terms of Latvian law.

7.10. Delivery

The Company organises the registration of the Bonds in Nasdaq CSD and their deletion from Nasdaq CSD upon their redemption. Only persons who have securities accounts (whether directly or via a nominee structure) with Nasdaq CSD can subscribe for or purchase the Bonds..

7.11. Transferability

There are no restrictions on the transfer of the Bonds as they are described in the applicable Latvian law. However, any Bondholder wishing to transfer the Bonds must ensure that any offering related to such transfer would not be qualified as an offering requiring the publication of a prospectus in the meaning of the applicable law. Ensuring that any offering of the Bonds does not require publication of a prospectus under the applicable law is the obligation and liability of the Bondholder.

The Bonds can be transferred from one securities account to another by the registrar of Nasdaq CSD by way of debiting the first securities account and crediting the other securities account in the amount of the corresponding number of securities. Ownership of a Bond is deemed to have changed in respect of the Company as from the moment a relevant entry is made in Nasdaq CSD, i.e. when a Bond is transferred to the securities account of the respective Bondholder.

7.12. Maturity and Redemption

Each Tranche of the Bonds shall have a maturity between 5 and 10 years starting from the Issue Date. The Bonds shall be repaid in full at their nominal value on the maturity date, which will be specified in the Final Terms (the **"Maturity Date"**), or on the early redemption date.

The Company is further entitled to redeem the Bonds prematurely if there is a change in the regulative classification of the Bonds resulting in the Bonds being, in the opinion of the Company, excluded from the classification as own funds of a credit institution or if there is a significant change in the taxation regime applicable in respect of the Bonds, provided that the Company was not in a position to foresee such changes upon the issue of the Bonds.

Upon the occurrence of a Tax Event, but subject to having obtained the relevant Competent Authority's permission if such permission is then required under the Applicable Banking Regulations, the Company may, at its option, having given not less than 30 days' notice to the Bondholders in accordance with Section 7.26 (Notices) (which notice shall be irrevocable) redeem all (but not some only) of the outstanding Bonds at any time at a redemption amount equal to their Outstanding Principal Amount together with interest (if any) accrued up to but excluding the date of redemption.

Upon the occurrence of a Capital Event, but subject to having obtained the relevant Competent Authority's permission, if such permission is then required under the Applicable Banking Regulations, the Company may, at its option, having given not less than 30 days' notice to the Bondholders in accordance with Section 7.26 (Notices) (which notice shall be irrevocable) at any time redeem all (but not some only) of the outstanding Bonds at a redemption amount equal to their Outstanding Principal Amount, together with interest (if any) accrued up to but excluding the date of redemption.

At any time after the lapse of 5 years from the Issue Date in accordance with the Final Terms the Company may, at its option, having given not less than 30 days' notice to the Bondholders in accordance with Section 7.26 (Notices) (which notice shall be irrevocable) at any time redeem all (but not some only) of the outstanding Bonds of the relevant Tranche at a redemption amount equal to their Outstanding Principal Amount, together with interest (if any) accrued up to but excluding the date of redemption (**"Call Option"**).

The Bonds may be redeemed prematurely by the Company on the above-described grounds only if the LB has granted its consent to the early redemption. The LB may grant its consent for the early redemption of the Bonds after the lapse of 5 years from the Issue Date only if the conditions of Article 78(1) of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (the **"CRR"**) are met. The LB may grant its consent for the early redemption of the Bonds before lapse of 5 years from the Issue Date only if the conditions of Article 78(4) of the CRR are met.

The Bondholders are not entitled to claim early redemption of the Bonds under any circumstances.

All Bonds redeemed in accordance with this Section 7.12 will be cancelled and may not be reissued or resold. References in this paragraph to the purchase of the Bonds by the Company shall not include the purchase of the Bonds in the ordinary course of business of dealing in securities as a market-maker or the purchase of the Bonds otherwise than as a beneficial owner.

7.13. Purchases

The Company and its subsidiaries may at any time, if in accordance with the Applicable Banking Regulations, purchase the Bonds for the purpose of market-making at any price and any such purchases shall be subject to the prior permission of the Competent Authority in accordance with the CRR and Commission Delegated Regulation No 241/2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council of 7 January 2014 with regard to regulatory technical standards for own funds requirements for institutions, and any other Applicable Banking Regulations (if such permission is then required under the Applicable Banking Regulations).

7.14. Interest

The Bonds carry an annual coupon interest, which shall be specified in the Final Terms. The annual coupon interest of every Tranche shall be the same for each and every year until the Maturity Date (as defined below) or the Early Redemption Date (as defined below), as the case may be.

The interest is paid quarterly on the dates specified in the Final Terms (the **"Interest Payment Dates"**). The interest on the Bonds shall be calculated based on a 30-day calendar month and a 360-day calendar year (30/360).

Interest on the Bonds shall be paid through Nasdaq CSD in accordance with the applicable rules of Nasdaq CSD. The Bondholders' list eligible to receive the interest on the Bonds will be fixed at the end of the 5th (fifth) Business Day immediately preceding the Interest Payment Date.

Should any Interest Payment Date fall on a date that is not a Business Day, the payment of the interest due will be postponed to the next Business Day. The postponement of the payment date shall not have an impact on the amount payable.

7.15. Payments

Payments of amounts (principal, including the Final Redemption) due on the Bonds will be made to the persons who were registered as the Bondholders at the close of business on the Business Day preceding the due date for such payment. Payment of amounts due on the Final Redemption of the Bonds will be made simultaneously with deletion of the Bonds, or, if so, required by the Company, against delivery of the Bonds to the Company. If the due date for payment of the Final Redemption amount of the Bonds is not a Business Day, the Bondholder thereof will not be entitled to payment thereof until the next following Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Terms.

If the Company fails to transfer any amount payable to a Bondholder in connection with the Bond by the due date, the Company undertakes to pay delay interest to the Bondholder on the outstanding amount as from the payment deadline until actual payment at the rate specified in the Final Terms.

7.16. Underwriting

None of The Bonds will be underwritten.

7.17. Issue Date

The issue date of each Tranche (the "**Issue Date**") shall be specified in the Final Terms.

7.18. Rights Attached to the Bonds

The rights attached to the Bonds have been established by the Terms of the Bonds, which are included in this Base Prospectus as Section 7 (Securities Note). The main rights of Bondholders arising from the Bonds and the Terms of the Bonds are the right to the redemption of the Bonds on the Maturity Date and the right to receive payment of interest subject to the conditions and limitations of these rights as described in the Terms of the Bonds.

In addition to the right to the redemption of the Bonds and the right to receive payment of interest, upon a delay in making any payments due under the Terms of the Bonds, the Bondholders are entitled to a delay interest per each day in delay. The rights arising from the Bonds can be exercised by the Bondholders in accordance with the Terms of the Bonds and the applicable law.

No Bondholder shall be entitled to exercise any right of set-off against moneys owed by the Company in respect of such Bonds.

According to the Terms of the Bonds, any dispute between the Company and a Bondholder shall be solved by amicable negotiations and if the amicable negotiations have no outcome during a reasonable period of time, the dispute shall be settled by Latvian courts.

7.19. Taxation

Should any amounts payable in cash (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Bonds be subject to withholding or deduction of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Republic of Latvia or any political subdivision thereof or any authority or agency therein or thereof having the power to tax, the Company shall be entitled to withhold or deduct the respective taxes or duties. For the avoidance of doubt, any such withholdings or deductions shall be made by the Company on the account of the Bondholder with the Company having no obligation to compensate the withheld or deducted tax amounts to the Bondholder.

If an applicable treaty for the avoidance of double taxation sets forth lower withholding rates than those otherwise applicable to the interest payment under Latvian domestic law, the respective Bondholder shall be requested to provide the documents necessary for the application of the respective treaty (including, but not limited to, residence certificate issued or attested by the tax authority of the residence state of the Bondholder) at least 15 (fifteen) days prior to the payment. If such documents are not presented to the Company, the Company shall be entitled to withhold tax at the rates set forth by the Latvian law.

Any reference in this Section 7 (*Securities Note*) to interest in respect of the Bonds shall be deemed also to refer to any additional amounts, which may be payable under this Section or any undertaking given in addition thereto or in substitution therefor. For the avoidance of doubt, no additional amounts shall be payable by the Company in respect of payments of the principal under the Bonds.

7.20. Further Issues

The Company may from time to time, without the consent of and notice to the Bondholders, create and issue further bonds. Thus, this Section shall not limit the Company's right to issue any other bonds.

7.21. Limitation Period

Claims against the Company in respect of the Bonds will expire in accordance with the statutory terms of Latvian law.

7.22. Publication of the Final Terms

The Final Terms of each Tranche will be approved by the Management Board of the Company. Before the Offering of the respective Tranche commences, the initial Final Terms:

- will be submitted to the LB, who will forward them to the EFSRA and the Bank of Lithuania; and
- will be published on the Bank's website www.bluorbank.lv.

The Final Terms containing information about the established aggregate principal amount of the respective Tranche and definitive amount of the Bonds to be issued, as well as the final Offering Period, Annual Interest Rate, Issue Price, Issue Date, Maturity Date and Interest Payment Dates will be published on the Bank's website www.bluorbank.lv and submitted to the LB after allotment of the Bonds to the investors.

7.23. Admission to Listing and Trading

The Bank shall submit an application for admitting each Tranche to listing and trading on the official bond list (Baltic Bond List) of Nasdaq Riga AS, registration number: 40003167049, legal address: Vaļņu 1, Riga, LV-1050, Latvia (the **"Nasdaq Riga"**) according to the requirements of Nasdaq Riga. In each case, the Bank will take appropriate actions to ensure that the relevant Tranche is admitted to listing and trading on the official bond list (Baltic Bond List) of Nasdaq Riga as soon as practically possible however in each case such time period shall not exceed 3 (three) months after the Issue Date of the respective Tranche.

Unless the context requires otherwise, references in this Base Prospectus to the Bonds being "listed" (and all related references) shall mean that such Bonds have been listed and admitted to trading on the Baltic Bond List of Nasdaq Riga as may be specified in the applicable Final Terms.

The Bank shall use its best efforts to ensure that the respective Tranche remains listed in the official bond list (Baltic Bond List) of Nasdaq Riga or if such listing is not possible to obtain or maintain, listed or traded on another regulated market. The Bank shall, following a listing or admission to trading, take all reasonable actions on its part required as a result of such listing or trading of the respective Tranche. The Bank will cover all costs, which are related to the admission of the respective Tranche to the relevant regulated market.

7.24. Estimated Expenses Charged to the Investors

Investors shall bear all costs and fees charged by the respective credit institution or investment brokerage firms through which they submit their Subscription Orders, including but not limited to expenses, which are related to the opening of securities accounts with the credit institutions or investment brokerage firms, as well as commissions, which are charged by the credit institutions or investment brokerage firm in relation to the execution of the investor's purchase or selling orders of the Bonds, the holding of the Bonds or any other operations in relation to the Bonds. The Bank shall have no obligation whatsoever to compensate the Bondholders for any such expenses.

7.25. Agent

As the Company plays the Agent`s role itself, i.e. there is no mediator between the Company and the Bondholders during registration of the Bonds as well as subscription for the Bonds, interest and redemption payments, etc., the Bondholders acknowledge that they have no additional claims against the Company and the Company has no additional obligations, other than those provided in the General Terms and Conditions of the Bonds, arising solely from the fact that the Company plays the Agent`s role itself.

The Company might at its own discretion for any Tranche conclude an agreement with the Sales Agent which might carry out some operations on behalf of the Company. In each case, the Sales Agent or agents would be a bank or an investment firm. In case of using the Sales agent, the Company shall reimburse the relevant Sales Agent fees and costs for the services provided by it to the Company, however, the Company is not liable for any claims that might arise between the relevant sales agent and potential bondholders or the Bondholders. For the avoidance of doubt, this Base Prospectus does not in any way regulate the legal relationship between the potential bondholders and the relevant Sales Agent.

7.26. Notices

The Bondholders shall be advised on matters relating to the Bonds by a notice published in English and Latvian on the Company's website at www.bluorbank.lv as well as on www.nasdaqbaltic.com. Any such notice shall be deemed to have been received by the Bondholders when published in the manner specified in this Section.

Notices to the Company will be deemed to be validly given if delivered to Smilšu 6, LV-1050, Riga, Latvia or it delivered by e-mail to info@bluorbank.lv (or at such other addresses as may have been notified to the Bondholders in accordance with this Section or via the Company's website) and will be deemed to have been validly given at the opening of business on the next day on which the Company's principal office is open for business.

7.27. Acknowledgement of Bail-in Powers

Notwithstanding and to the exclusion of any other term of the Bonds or any other agreements, arrangements or understanding between the Company and any Bondholder (which, for the purposes of this Section, includes each holder of a beneficial interest in the Bonds), by its acquisition of the Bonds, each Bondholder acknowledges and accepts that any liability arising under the Bonds may be subject to the exercise of Bail-in Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

(a) the effect of the exercise of any Bail-in Powers by the Relevant Resolution Authority, the exercise of which (without limitation) may include and result in any of the following, or a combination thereof:

   a. the reduction of all, or a portion, of the Relevant Amounts in respect of the Bonds;

   b. the conversion of all, or a portion, of the Relevant Amounts in respect of the Bonds into shares, other securities or other obligations of the Company or another person, and the issue to or conferral on the Bondholder of such shares, securities or obligations, including by means of an amendment, modification or variation of the Terms;

   c. the cancellation of the Bonds or the Relevant Amounts in respect of the Bonds;

   d. the amendment or alteration of the amount of interest payable on the Bonds, or the date on which interest becomes payable, including by suspending payment for a temporary period; and

(b) the variation of the Terms, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Bail-in Powers by the Relevant Resolution Authority.

7.28. Bondholders Meeting

The decisions of the Bondholders (including decisions on amendments to these Terms and Conditions or the Final Terms of the relevant Tranche or granting of consent or waiver) shall be passed at a meeting of the Bondholders (**"Bondholders' Meeting"**). The Bondholders Meeting might be held in person, electronically by submitting votes in a written form at the choice of the Issuer.

The right to convene the Bondholders' Meeting shall be vested in the Issuer. As a general rule, the Bondholders' Meetings are convened by the Issuer giving not less than 30 days' notice to the Bondholders in accordance with Section 7.26 (Notices). Such notice shall include (i) relevant request for a decision; (ii) reasoning for such a request; (iii) a form for replying to the request; (iv) the stipulated time period within which the Bondholder must reply to the request and a manner of a reply; (v) requirements for the powers of attorney; (vi) a statement that if the Bondholder does not reply to the request in the stipulated time period, then it shall be deemed that the Bondholder has voted against or in favour of the relevant request.

Only those who were registered as the Bondholders by the end of the 13th (thirteenth) Business Day prior to convening the Bondholders' Meeting can take part in a Bondholders' Meeting. The Bondholders' Meeting has a quorum, if at least 2 or more Bondholders representing at least 50 per cent or one Bondholder holding 100 per cent of the principal amount of the Bond of the relevant Tranche outstanding are present in the Bondholders' Meeting or provide replies in the written form. Decisions in the Bondholders' Meeting are adopted by a simple majority.

A matter decided at the Bondholders' Meeting is binding on all Bondholders of the Bonds of the relevant Tranche, irrespective of whether they were present at the Bondholders' Meeting. Decisions made at the Bondholders' Meeting are deemed to have been received by the Bondholders of the Bonds of the relevant Tranche at the time they have been entered in the account maintained by Nasdaq CSD, or notified to the Bondholders in accordance with 7.26 (Notices), provided that a failure to do so shall not invalidate any decision made or the voting result achieved. In addition, the Bondholders are obliged to notify subsequent transferees of the Bonds of the resolutions of the Bondholders' Meeting.

The Bonds, the Final Terms of the relevant Tranche and this Base Prospectus may be amended by the Issuer without the consent of the Bondholders to correct a manifest error or to comply with mandatory provisions of the applicable law. In addition, the Issuer shall have a right to amend the technical procedures relating to the Bonds in respect of payments or other similar matters without the consent of the Bondholders, if such amendments are not prejudicial to the interests of the Bondholders.

The Bonds held by or for the account of the Company or any of its Subsidiaries for their own account will not carry the right to vote at the Bondholders' Meetings and will not be taken into account in determining how many Bonds are outstanding for the purposes of the Terms of the Bonds. For the avoidance of doubt when determining whether the Bondholders' Meeting has a quorum the Bonds owned by the Group are excluded.

All expenses in relation to the convening and holding the Bondholders' Meetings shall be covered by the Issuer.

7.29. Representation of the Bondholders

The rights of the Bondholders to establish and/or authorize an organization/person to represent the interests of all or a part of the Bondholders are not contemplated notwithstanding the provisions of Section 7.28 (**"Bondholders Meeting"**), however, such rights are not restricted. The Bondholders should cover all costs and fees of such representative(s) by themselves.

8. TERMS AND CONDITIONS OF THE OFFERING

8.1. General Description

The Issuer may issue Bonds up to an aggregate principal amount of EUR 30’000’000. The Bonds shall be issued and offered in tranches (the **“Tranches”**, individually the **“Tranche”**). The terms and conditions of each Tranche shall consist of (i) the General Terms and Conditions of the Bonds which are identified in Section 7 (*Securities Note*) and Section 8 (*Terms and Conditions of Offering*) and to each Tranche accordingly (ii) the Final Terms.

Thus, the Bonds of each of the Tranches will generally be subject to similar main terms, except that the following may differ, as specified in the respective Final Terms of the respective Tranche: the Issue Date, the nominal value of the Bonds, the Issue Price of the Bonds, Maturity Date, Call Date and annual interest rates.

The aggregate principal amount of the Bonds of each of the Tranches shall be specified in the Final Terms. The Issuer may decrease and increase the aggregate principal amount of a Tranche as set out in the Final Terms during the Subscription Period of that Tranche.

The Bonds will be offered for subscription for a minimum investment amount (the **“Minimum Investment Amount”**), which will be specified in the Final Terms.

8.2. General Structure of the Offering

This Programme consists of: (i) a public offering(s) to retail investors and Institutional investors in the Republic of Latvia, in the Republic of Lithuania and in the Republic of Estonia, and/or (ii) private placement(s) (offering(s)) to Institutional investors and retail investors in certain Member States of the EEA and to other selected investors in each case pursuant to an exemption under Article 1 of the Prospectus Regulation.

For the purpose of the public offering, only such prospective investors will be eligible to participate in the Offering who at or by the time of placing their orders (before the end of the Subscription Period) have opened securities accounts with entities of their choice, which are licensed to provide such services within the territory of the Republic of Latvia, of the Republic of Lithuania or of the Republic of Estonia.

The Offering is not addressed to investors who are Russian or Belarusian nationals or natural person residing in Russia or Belarus. The latter shall not apply to nationals of a Member States of the European Union or natural persons holding a temporary or permanent residence permit in a Member State of the European Union. The Offering is also not addressed to investors that is a legal person, entity or body established in Russia or Belarus[5].

Thus, according to the information, provided above, the Offering of each of the Tranche shall be structured in the following order:

(a) the Subscriptions as to the acquisition of the Bonds of the respective Tranche shall be received from the investors, described in this Base Prospectus and in the Final Terms of the respective Tranche;

(b) based on the decision of the Management Board the Bonds shall be finally allocated to the investors;

(c) the Bonds shall be registered with Nasdaq CSD and distributed to the investors;

(d) Listing application will be submitted to Nasdaq Riga for listing and trading the Bonds on the Baltic Bond List.

[5] *The prohibitions imposed in accordance with Article 5e and 5f of Regulation (EU) No. 833/2014 (as amended by Council Regulation (EU) No. 2022/328 and 2022/394) and Article 1x and 1y of Regulation (EC) No. 765/2006 (as amended by Council Regulation (EU) No 2022/398)*

The Offering of each of the Tranche may be done through an auction facilitated by Nasdaq Riga (the **"Auction"**) in accordance with specific rules of the Bond Subscription Process for the relevant Tranche and via Nasdaq CSD Latvian SSS participants located in Estonia.

8.3. Subscription procedure

The subscription period for each respective Tranche (the **"Subscription Period"**) will be specified in the Final Terms if any additional information shall be provided. The persons wishing to subscribe and purchase the Bonds shall submit their orders to acquire the Bonds (the **"Subscription Orders"** or **"Subscriptions"**) at any time during the Subscription Period.

At the time of placing the Subscription Orders, the investors shall be required to make a binding instruction for depositing the Bonds in a securities account maintained in their name and opened with the Issuer or entities of their choice, which are licensed to provide such services.

By placing a Subscription Order, each investor will be deemed to have read this Base Prospectus, the Company's Articles of Association and accepted their content, as well as have read the Final Terms of the respective Tranche and its Summary, consented to be allotted a lower number of Bonds than the number specified in such an investor's Subscription Order or to not being allotted any Bonds at all, pursuant to the terms and conditions of the Offering.

While submitting the Subscription Order the investor authorizes Nasdaq CSD, Nasdaq Riga, the Issuer and the Sales Agent to process, forward and exchange information on the identity of the investor and the contents of respective investor's Subscription Order before, during and after the Offering Period.

An investor will be allowed to submit a Subscription Order either personally or via a representative whom the investor has authorized (in the form required by law) to submit the Subscription Order. More detailed information concerning the identification of investors, including requirements concerning documents submitted and the rules for acting through authorized representatives, can be obtained by investors from the entities accepting Subscription Orders.

An investor must ensure that all information contained in the Subscription Order is correct, complete and legible. The Issuer reserves the right to reject any Subscription Order that is incomplete, incorrect, unclear or ineligible or that has not been completed and submitted and/or has not been supported by the necessary additional documents, requested by the Issuer, during the Subscription Period and in accordance with all requirements set out in the terms and conditions of the Offering.

Any consequences of form of a Subscription Order for the Bonds being incorrectly filled out will be borne by the investor.

8.4. Place of Subscription

The Subscriptions shall be made on a Subscription Order, which will be available on the websites of the Issuer and at the address (-es) indicated in the Final Terms and/or in accordance with specific rules of the Bond Subscription Process of Nasdaq Riga or Nasdaq CSD Latvian SSS participants located in Estonia in case their technical means shall be used for the Subscription.

For the purposes of public offering, the Subscription Orders may be submitted through any financial institutions that are licensed to provide such services within the territory of the Republic of Latvia, of the Republic of Lithuania or of the Republic of Estonia or directly to the Issuer or to the Sales Agent. In the case of Auction, the Issuer in the Final Terms might be prescribed that Subscription Orders may only be submitted through financial institutions that are members of Nasdaq Riga. In the case of Subscription via Nasdaq CSD Latvian SSS participants located in Estonia, the Issuer in the Final Terms might be prescribed that Subscription Orders may only be submitted through financial institutions that are participants of the Nasdaq CSD Latvian SSS participants located in Estonia.

The total amount of the Bonds to be acquired and indicated in each Subscription Order shall be for at least Minimum Investment Amount. The procedure of submission of the Subscription Orders will be specified in the Final Terms if any additional information shall be provided.

All Subscription Orders shall be binding commitments to acquire the allotted Bonds, with the exceptions stated below. The Subscription Orders shall not be considered valid and shall not be processed in case the purchase amount indicated in the Subscription Orders is less than the Minimum Investment Amount or the Subscription Orders were received after the Subscription Period. The Issuer has no obligation to inform the investors about the fact that their Subscription Orders are invalid.

Firms managing securities portfolios on a discretionary basis will have to place subscription orders for the Bonds by submitting the Subscription Order form along with a list of investors on whose behalf the Subscription Order is placed. The list must include details required to be included in the Subscription Order form with respect to each investor listed and must be signed by the persons authorised to represent the entity.

8.5. Private Placement Subscription Procedure

In respect of private placement of the Bonds investors wishing to purchase the Bonds may become investment services clients of the Issuer and submit their Subscription Order directly to the Issuer. Other investors may submit Subscription Orders through a credit institution, investment firm or other financial intermediaries (the **"Institutional investor"**) that are licensed to provide such services from which the investor receives investment services. Institutional investor submits its own Subscription Orders or Subscription Orders received from the investors to the Issuer or agent if any. The Issuer may receive the Subscription Orders only from the Institutional investors who are eligible counterparty of the Issuer.

The Institutional investors will also be entitled to place multiple Subscription Orders.

The Institutional investors should contact the Issuer for information on detailed rules governing the placement of Subscription Orders, in particular the documents required if an order is placed by a statutory representative, proxy or any other person acting on behalf of an investor.

8.6. Withdrawal of the Subscription Orders

Subscription Orders for the Bonds of the respective Tranche may be withdrawn (and new orders placed) at any time until the end of the Subscription Period of the respective Tranche. An investor will be liable for the payment of all fees and costs charged by the institution, used by the investor for the Subscription of the Bonds in connection with the withdrawal or amendment of the Subscription Order.

Furthermore, a Subscription for the Bonds may also be withdrawn when after the start of the Offering, a supplement is made public concerning an event or circumstances occurring before the allotment of the Bonds, of which the Issuer became aware before the allotment. The investor who has made a Subscription before the publication of the supplement may withdraw such Subscription by submitting a written statement to the institution where the subscription was made, within 2 (two) Business Days as from the date of the publication of the supplement.

The above right of investors to withdraw their Subscriptions shall only apply to the relevant Tranche and not to any other Tranches of the Bonds under this Base Prospectus.

The repayments will be made (or the blocked funds will be released) in accordance with the Subscription Order within 3 (three) Business Days after making the statement on the Subscription cancellation.

8.7. Pricing

The nominal value and Issue Price shall be determined by the Issuer and shall be announced prior to commencement of the Subscription Period. The nominal value of the Bond shall be at least EUR 1'000. The final nominal value and Issue Price of the respective Tranche Bonds will be determined by the Issuer taking into account market demand for the Bonds of the respective Tranche and general market conditions at the time of the respective Tranche.

8.8. No Assignment or Transfer

The rights arising out of this Base Prospectus in relation to the Subscription for the Bonds (including, without limitation, rights arising from any Subscription Orders or any acceptance thereof) are not assignable, tradable or transferable in any way and any assigned or transferred rights will not be recognised by the Company and will not be binding on the Company.

8.9. Procedure and date for payment for the Bonds

By submitting a Subscription Order, each investor shall authorise and instruct the institution operating the investor's cash account connected to the investor´s securities account to immediately block the whole subscription amount on the investor's cash account until the payment for the allotted Bonds is completed or until the funds are released in accordance with this Base Prospectus. The subscription amount to be blocked will be equal to the Offer Price multiplied by the amount of the Bonds, the respective investor wishes to subscribe for. An investor may submit a Subscription Order only when there are sufficient funds on the cash account. If the blocked funds are insufficient, the Subscription Order will be deemed null and void to the extent funds are insufficient.

The investors who have not been allotted any Bonds or whose Subscriptions have been reduced will receive reimbursements of the payment made upon placing the Subscription Order (or the blocked funds will be released) in accordance with instructions provided by each such investor, as required under the procedures applicable in the investment firm or credit institution with which the Subscription Order was placed. The reimbursement will take place (or the blocked funds will be released) within 10 (ten) Business Days as from the end of the Subscription Period or from the date of the publication of the supplement to this Base Prospectus on the cancellation of the Offering. The payments shall be returned (or the blocked funds will be released) without any reimbursement for costs incurred by the investors in the course of subscribing for the Bonds and shall be net of all transfer expenses and without interest.

In respect of private placement of the Bonds the Institutional Investor shall consent to the obligation to ensure the subscription amount on the settlement date on the Delivery Versus Payment terms in accordance with Nasdaq CSD rules.

Payments for the Bonds are interest free.

8.10. Allotment

On the next 3 Business Days following the end of the Subscription Period or about that date the Issuer will decide whether to proceed with the Offering of the Bonds of a Tranche or cancel the Offering of the respective Tranche.

In case the Offering of the Bonds of a Tranche is cancelled, the Issuer will publish an announcement on its website as well as submit this information to the LB.

In case the Issuer decides to proceed with the Offering of the Bonds of a Tranche the following actions shall be taken on the next 3 Business Days following the Subscription Period or about that date:

(a) Allotment of the Bonds to the investors.

The Issuer will establish the exact amount of the Bonds to be allotted with respect to each Subscription Order.

As a general principle, if the total number of the Bonds subscribed for is equal to or less than the number of the Bonds and the Issuer decides to proceed with the Offering of the respective Tranche of Bonds, the Bonds will be allotted based on the Subscription Orders placed.

In case the total number of the Bonds subscribed for is higher than the number of the Bonds and the Issuer decides to proceed with the Offering the Issuer shall allocate the Bonds in accordance with the procedure specified in the Final Terms of particular Tranche.

If any additional provisions would be applied to the allocation of the separate Tranche Bonds, these will be specified in the Final Terms for the Offering of the relevant Tranche.

The Issuer will not be obliged to allocate any Bonds to any investors participating in the Offering. Furthermore, there will be no target minimum individual allotment to the investors.

(b) Confirmations

After completion of the allotment, the Investor shall receive a notification about partial or full satisfaction or rejection of the Subscription Order submitted by the investor and the number of Bonds allotted to the investor if any.

(c) Information about the Results of the Offering

Information about the results of the Offering of each Tranche (amount of the Bonds issued and an aggregate principal amount of the respective Tranche) shall be published on the Issuer's website www.bluorbank.lv as well as at www.nasdaqbaltic.com.

8.11. Cancellation, Suspension or Postponement of the Offering

The Issuer may cancel the Offering of the Bonds of any Tranche at any time prior to the Settlement Date without disclosing any reason for doing so. The Issuer may also change the dates of opening and closing of the Subscription Period, or decide that the Offering of any of the Tranches will be postponed and that new dates of the Offering will be provided by the Issuer later. The Issuer shall inform the Stock Exchange about extension of the dates of closing of the Subscription Period at least 2 (two) Business Days before the start of the Subscription Period.

The Issuer may cancel the Offering if the Issuer considers it impracticable or inadvisable to proceed with the Offering. Such reasons include, but are not limited to: (i) suspension or material limitation of trading in securities; (ii) sudden and material adverse change in the economic or political situation in Latvia or worldwide; (iii) a material loss or interference with the Issuer's or its Subsidiaries business, or (iv) any material change or development in or affecting the general affairs, management, financial position, shareholders' equity or results of the Issuer's operations or the operations of the Subsidiaries. In such an event, Subscriptions for the Bonds that have been made will be disregarded, and any Subscription payments made will be returned (or the blocked funds will be released) without interest or any other compensation.

If the Offering is suspended, the Issuer may decide that the Subscriptions made and payments made (or the blocking of funds) will be deemed to remain valid, however, for no longer than 7 (seven) Business Days. In such a case, the investors will be allowed to withdraw Subscriptions made by submitting a relevant statement to that effect within 2 (two) Business Days after the report on the suspension is announced.

Any decision on cancellation, suspension, postponement or changes of the dates of the Offering will be published in a manner compliant with applicable regulations, as well as market practices in Latvia.

8.12. Settlement and Delivery

The settlement of the Offering will be carried out by Nasdaq CSD. The Bonds allocated to investors will be transferred to their securities accounts through the "delivery versus payment" method pursuant to the applicable rules of Nasdaq CSD simultaneously with the transfer of payment for such Bonds. The title to the Bonds will pass to the relevant investors when the Bonds are transferred to their securities accounts. If an investor has submitted several Subscription Orders through several securities accounts, the Bonds allocated to such an investor will be transferred to all such securities accounts proportionally to the number of the Bonds indicated in the Subscription Orders submitted for each account, rounded up or down as necessary. The settlement will take place on the Issue Date. All paid up Bonds shall be treated as issued.

If an investor has opened a securities accounts with the Issuer and is acting through the Issuer in respect to the purchase of the Bonds, the settlement for the Bonds will be performed in accordance with the terms and conditions of the agreements concluded between the Issuer and such investor.

8.13. Listing and Admission to Trading

The Issuer shall submit an application to list and admit to trading each Tranche of the Bonds on Nasdaq Riga Baltic Bond List.

The decision as to the listing and admission of Bonds to trading on Nasdaq Riga shall be adopted by the Board of Nasdaq Riga. The Company shall take all the measures, established in Nasdaq rules, needed that the Bonds would be admitted to trading on Nasdaq Riga as soon as practicably possible.

The Issuer expects that the Bonds of the respective Tranche shall be admitted to trading on Nasdaq Riga within 3 (three) months as from placement thereof to the investors at the latest. Disregarding this, the Issuer will put its best endeavours so that these terms would be as short as practicable possible.

The Issuer shall also put its best efforts to ensure that the Bonds remain listed on the Nasdaq Riga. The Issuer shall, following a listing or Admission to trading, take all reasonable actions on its part required as a result of such listing or trading of the Bonds.

The Issuer will cover all costs, which are related to the Listing of the Bonds on Nasdaq Riga.

The Issuer does not intend to apply for admission of the Bonds (or part thereof) to trading on other regulated markets or equivalent markets.

9. FORM OF THE FINAL TERMS

The following form will be used for defining the Final Terms.

Table __ Form of the Final Terms

Final Terms dated [___]
BluOr Bank AS

Issue of EUR [___] Tranche No. [___] of Bonds due [___]
under the Programme for the Issuance of Bonds
in the total amount of up to EUR 30,000,000

The terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions set forth in the Base Prospectus of the offering Programme of non-convertible unsecured and unguaranteed subordinated bonds (the **"Bonds"**) of BluOr Bank AS in the total amount of up to EUR 30,000,000 and admission thereof to trading on the Baltic Bond List of Nasdaq Riga, dated [___] 2024 [as supplemented by supplement(s) to it dated [___] and [___]] (the "Base Prospectus"), which constitutes a base prospectus for the purposes of Regulation 2017/1129 as may be amended from time to time (the "Prospectus Regulation").

This document constitutes the Final Terms of Tranche No. [___] of the Bonds described herein for the purposes of Article 8(4) of the Prospectus Regulation and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the Offering of the Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. However, a Tranche (issue) specific summary of the Bonds is annexed to these Final Terms.

The Base Prospectus has been published on the Issuer's website www.bluorbank.lv, as well as on www.nasdaqbaltic.com.

1.	Issuer:	BluOr Bank AS
2.	Currency:	EUR
3.	Tranche number:	[___]
4.	ISIN Code:	[___]/[Temporary ISIN Code: [___].

5.	Aggregate principal amount:	EUR [___] [in addition to [___]. [The Issuer may decrease and increase the aggregate principal amount of the Tranche during the Subscription Period of the Tranche. The final aggregate principal amount of the Tranche will be specified in the notification regarding allotment of Bonds to the investors, which will be published on the websites of the Company after allotment thereof to the investors.]
6.	Number of Bonds	[___]
7.	Nominal amount of the Bond:	EUR [___]
8.	Expected Issue Date:	[___]
9.	Decision by which the Bonds of this Tranche are issued:	[___]
10.	Annual Interest Rate:	[___]
11.	Interest Payment Dates:	[___]
12.	Maturity Date:	[___]
13.	Minimum Investment Amount:	[___]
14.	Issue Price of the Bond:	EUR [___]
15.	Subscription Period:	[___]
16.	Procedure for submission of the Subscription Orders:	[If any additional information will be provided with regards to the respective Tranche of Bonds.]
17.	Procedure for allotment of the Bonds and settlement:	[If any additional information will be provided with regards to the respective Tranche of Bonds.]
18.	Sales Agent	[If for any reason the Agent of the respective Tranche of Bonds is different than indicated in the Base Prospectus, this is to be included in the Final Terms.]

These Final Terms have been approved by the Bank's Management Board at its meeting on [date] [month] [year] [and will be updated after allotment of the Bonds to the investors, as well as published on the Banks' website www.bluorbank.lv and submitted to the LB] / [and have been updated on [date] [month] [year] after allotment of the Bonds to the investors].

Riga [___]

Annex – Issue Specific Summary

Management Board of BluOr Bank AS:

10. ADDITIONAL INFORMATION

Documents Available

Throughout the period of validity of this Base Prospectus, the documents, indicated in Section 1.6. Information Incorporated by Reference will be available to the investors.

11. TAXATION

The following is a general summary of certain tax considerations in the Republic of Latvia, the Republic of Lithuania and the Republic of Estonia in relation to the Bonds. It is not exhaustive and does not purport to be a complete analysis of all tax consequences relating to the Bonds. Only the essential regulations of income taxation are described.

The Issuer emphasizes that the specific tax consequences shall depend on each specific case. The Bondholders shall note the tax legislation of their member state and of the Issuer's country of incorporation (Latvia) may have an impact on the income received from the Bonds.

This section is made in accordance with existing regulatory enactments in force in the Republic of Latvia, Republic of Estonia and Republic of Lithuania at the time of the Base Prospectus. The Bondholders should note that the regulatory enactments may be amended in future as well as competent authorities might adopt regulatory enactments with retroactive effect meaning that the regulatory enactment would govern historical tax relationships. This section does not take into account or discuss the tax implications of any country other than the Republic of Latvia, the Republic of Lithuania and the Republic of Estonia.

The information provided in this Section is not to be treated as legal or tax advice; and prospective investors are advised to consult their own tax advisors as to the tax consequences of the subscription, ownership and disposal of the Bonds applicable to their particular circumstances.

11.1. Republic of Latvia

This Sub-section is meant to give an overview of the tax regime applicable to the Bondholders in relation to the Republic of Latvia. The Republic of Latvia has concluded tax conventions on the avoidance of double taxation with many countries, under which more favourable tax treatment could be possible. Therefore, if the Republic of Latvia has a valid tax convention with the country of the potential non-resident investor, it would be advisable to also read its provisions.

11.1.1. Natural persons

For tax purposes, an individual shall be considered a resident of the Republic of Latvia if it permanently resides in the Republic of Latvia, or it stays in the Republic of Latvia for more than 183 days within any 12-month period, or it is a citizen of the Republic of Latvia employed abroad by the government of the Republic of Latvia government.

In a case, if an individual has close personal and economical relationships also with other countries, a tax treaty concluded between the Republic of Latvia and this country has to be taken into consideration as the relevant tax treaty might hold specific provisions to determine a country of tax residence for the individual.

In accordance with the regulatory enactments (Law "On Personal Income Tax") interest income from the Bonds for individuals that are residents of the Republic of Latvia are subject to a 20% tax withheld by the Issuer at the time of disbursement (except for the interest disbursed into an investment account). Income from the sale of the Bonds is subject to a 20% tax, but in this case, the tax is paid by the individual directly.

In regards to individuals that are not residents of the Republic of Latvia in accordance with the regulatory enactments (Law "On Personal Income Tax"), interest from publicly traded Bonds, as well as income from the sale of publicly traded Bonds shall not be taxed in the Republic of Latvia unless the recipient is in a low-tax or in a tax-free country or territory from the list published in the official gazette "Latvijas Vēstnesis", then taxation is determined in accordance with the regulatory enactments (Law "On Personal Income Tax" or Corporate Income Tax Law).

11.1.2. Legal persons

For tax purposes, a legal person is considered to be a resident of the Republic of Latvia if it has been established and registered or had it must be established and registered in the Republic of Latvia in accordance with the legislation of the Republic of Latvia. This applies to also to permanent establishments of foreign companies in the Republic of Latvia.

In accordance with the regulatory enactments (Corporate Income Tax Law) payments for Bonds in public circulation, received by legal persons that are residents of the Republic of Latvia are not subject to withholding tax. Corporate income tax shall be paid at the time of profit distribution. The corporate income tax rate applicable to gross distributable earnings is 20%.

Interest income on the Bonds, as well as gains from the sale of the Bonds of a permanent establishment of a legal person, is to be regarded as taxable income and is taxed at the time of the distribution of the profits.

In accordance with the regulatory enactments (Corporate Income Tax Law), interest income on the Bonds, as well as gains from the sale of the Bonds of legal persons that are not residents of the Republic of Latvia is not taxable in the Republic of Latvia unless the recipient is in a low tax or in a tax-free country or territory in a low-tax or in a tax-free country or territory from the list published in the official gazette "Latvijas Vēstnesis", then taxation is determined in accordance with the regulatory enactments (Law "On Personal Income Tax" or Corporate Income Tax Law).

11.2. Republic of Lithuania

This Sub-section is meant to give an overview of the tax regime applicable to the Bondholders in relation to the Republic of Lithuania. The Republic of Lithuania has concluded tax conventions on the avoidance of double taxation with many countries, under which more favourable tax treatment could be possible. Therefore, if the Republic of Lithuania has a valid tax convention with the country of the potential non-resident investor, it would be advisable to also read its provisions.

11.2.1. Natural persons

For tax purposes, an individual shall be considered a resident of the Republic of Lithuania if it permanently resides in the Republic of Lithuania, or its personal, social or economic interests are located in the Republic of Lithuania, it stays in the Republic of Lithuania for more than 183 days within relevant tax period or at least 280 days in two consecutive tax periods and at least 90 days in one of these tax periods, who is a citizen of the Republic of Lithuania and who does not meet any of the aforesaid criteria but for whom remuneration for the work carried out abroad is paid or costs of living abroad are covered by the Republic of Lithuania or any of the municipalities thereof.

In a case, if an individual has close personal and economical relationships also with other countries, a tax treaty concluded between the Republic of Lithuania and this country has to be taken into consideration as the relevant tax treaty might hold specific provisions to determine a country of tax residence for the individual.

Interest from the Bonds and capital gain from the disposal of the Bonds earned by an individual that is resident of the Republic of Lithuania is subject to personal income tax at progressive tax rates of 15%, which applies on income not exceeding the established threshold, and 20%, which applies on income exceeding the threshold.

The threshold is equal to 120 state average monthly salaries (as established by the Parliament of the Republic of Lithuania on a yearly basis). This threshold applies to the total annual worldwide income of an individual other than employment and employment related income, dividends, management board and supervisory board member's remuneration, income from individual entrepreneurship, income received under copyright contracts from a person related to the individual through employment or similar relations, income received under civil service agreements by directors of small partnerships who are not the members thereof.

11.2.2. Legal persons

For tax purposes, a legal person is considered to be a resident of the Republic of Lithuania if it has been established and registered in the Republic of Lithuania in accordance with the legislation of the Republic of Lithuania.

Interest income on the Bonds, as well as gains from the sale of the Bonds of a permanent establishment of a legal person that is not resident of the Republic of Lithuania, is to be regarded as a taxable income and is taxed the same as for the legal person that is a resident of the Republic of Lithuania.

Interest from the Bonds and gains from the sale of the Bonds earned by legal persons that is resident of the Republic of Lithuania is to be included in the taxable income of an entity and profit of such entity is to be taxed by corporate income tax at the rate of 15% (unless a reduced 0% or 5% corporate income tax applies to a small enterprise under the regulatory enactments (Law on Corporate Income Tax of the Republic of Lithuania)) under the general taxation rules applicable.

11.3. Republic of Estonia

This Sub-section is meant to give an overview of the tax regime applicable to the Bondholders in relation to the Republic of Estonia. The Republic of Estonia has concluded tax conventions on the avoidance of double taxation with many countries, under which more favourable tax treatment could be possible. Therefore, if the Republic of Estonia has a valid tax convention with the country of the potential non-resident investor, it would be advisable to also read its provisions.

11.3.1. Natural persons

For tax purposes, an individual shall be considered a resident of the Republic of Estonia if it permanently resides in the Republic of Estonia, or it stays in the Republic of Estonia for at least 183 days within any 12-month period.

In a case, if an individual has close personal and economical relationships also with other countries, a tax treaty concluded between the Republic of Estonia and this country has to be taken into consideration as the relevant tax treaty might hold specific provisions to determine a country of tax residence for the individual.

Interest from the Bonds and capital gain from the disposal of the Bonds earned by an individual that is a resident of the Republic of Estonia is subject to personal income tax at a flat tax rate of 20%, including a tax on interests and capital gains. Beginning January 1, 2025, the income tax rate will be 22%. The increased income tax rate will apply to income earned from January 1, 2025.

11.3.2. Legal persons

For tax purposes, legal persons that are residents of the Republic of Estonia and permanent establishments of legal persons that are not residents of the Republic of Estonia are subject to corporate income tax upon distributing of profits meaning that the legal person that is resident of the Republic of Estonia and the legal person that is not resident of the Republic of Estonia acting through its permanent establishment registered in Estonia carrying out profit distribution has to pay income tax of the amounts distributed.

The corporate income tax rate applicable to gross distributable earnings is 20%. Beginning January 1, 2025, the corporate income tax rate will be 22%.

Interest income on the Bonds, as well as gains from the sale of the Bonds of a permanent establishment of a legal person, is to be regarded as a taxable income and is taxed at the time of the distribution of the profits.

12. GLOSSARY

In this Base Prospectus, the definitions will have the meaning indicated below, unless the context of the Base Prospectus requires otherwise. Definitions are listed in alphabetical order and the list is limited to the definitions which are considered to be of most importance. Other definitions may be used elsewhere in the Base Prospectus.

Term	Definition
Admission	means the admission of the Bonds to trading on the Baltic Bond List of Nasdaq Riga
Agent	means BluOr Bank AS a joint stock company, incorporated in, and operating under the laws of the Republic of Latvia, and registered with the Commercial Register of Latvia under the registration number: 40003551060, legal address: Smilšu iela 6, Riga, LV-1050, Latvia
Allotment Date	means the date on which the Bonds of each separate Tranche will be allocated to the investors
Applicable Banking Regulations	means at any time the laws, regulations, delegated or implementing acts, regulatory or implementing technical standards, rules, requirements, guidelines and policies relating to capital adequacy and/or minimum requirement for own funds and eligible liabilities and/or loss absorbing capacity then in effect in Latvia including, without limitation to the generality of the foregoing, CRD, the SRM Regulation, BRRD, the Creditor Hierarchy Directive and those regulations, requirements, guidelines and policies relating to capital adequacy and/or minimum requirement for own funds and eligible liability and/or loss absorbing capacity and any other regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Competent Authority, the Resolution Authority or any other national or European Union authority from time to time, and then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer)
Articles of Association	means the Articles of Association of the Company effective as at the date of this Base Prospectus
Audited Financial Statements	the Group's consolidated and Bank`s separate financial statements for the year ended 31 December 2022 and for the year ended 31 December 2023
Bail-in and Loss Absorption Powers	means any loss absorption, write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, the SRM Regulation, or any laws, regulations, rules or requirements in effect in the Republic of Latvia, relating to (i) the transposition of the BRRD and (ii) the instruments, rules and standards created thereunder, as applicable, pursuant to which any obligation of the Issuer (or any affiliate of the Issuer) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person (or suspended for a temporary period)
Bail-in Powers	means any loss absorption, write-down, conversion, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules and requirements in effect in the Republic of Latvia, relating to the: (i) transposition of the BRRD (including but not limited to the Law on the Recovery and Resolution of the Credit Institutions and Investment Firms) as amended from time to time and (ii) regulations, rules and standards created thereunder, pursuant to which any obligation of the Company can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Company or any other person
Bank of Lithuania	means the Bank of Lithuania (in Lithuanian: Lietuvos bankas) with its office in Vilnius, Lithuania. The Lithuanian financial supervision authority
Basel	means the Basel Framework prescribed by the Basel Committee on Banking Supervision as amended and implemented in the European Union
Bondholders	means holders of the Bonds of the respective Tranche, issued by Company and acquired by the investors based on this Base Prospectus
Bondholders' Meeting	means the Meeting of the Bondholders of the Company of each of the Bond Tranche

Bonds	means the Bonds of the Company in the aggregate amount of up to EUR 30,000,000 to be issued by the Company and offered to the investors during the Offering under the terms and conditions of this Base Prospectus and subject to Final Terms. The Bonds may be issued and offered in different Tranches, and the Final Terms will be announced to each of the relevant Tranche
BRRD	means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing the framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time
Business Day	means any day on which TARGET2 is open for the settlement of payments in euro
Capital Event	means the determination by the Company, after consultation with the Competent Authority, that the Outstanding Principal Amount of the Bonds ceases or would be likely to cease to be included in whole or in any part, or count in whole or in any part, towards the Tier2 Capital of the Company in the essence or CRR
Company, the Issuer, the Bank or BluOr Bank	means BluOr Bank AS a joint stock company, incorporated in, and operating under the laws of the Republic of Latvia, and registered with the Commercial Register of Latvia under the registration number: 40003551060, legal address: Smilšu iela 6, Riga, LV-1050, Latvia
Competent Authority	means any authority having primary responsibility for the prudential supervision of the Issuer at the relevant time. As at the date of this Base Prospectus, the Competent Authority is the LB
CRD	means the legislative package consisting of the Directive 2013/36/EU, as the same may be amended or replaced from time to time, including without limitation as amended by Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019, the CRR and any regulatory capital rules or regulations, or other requirements, which are applicable to the Issuer and which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Issuer (on a solo or consolidated basis, as the case may be) to the extent required by the CRD Directive or the CRR, including for the avoidance of doubt any regulatory technical standards released by the European Banking Authority (or any successor or replacement thereof)
Creditor Hierarchy Directive	means the Directive (EU) 2017/2399 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy
CRR	means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012
Delegated Regulation	means Commission Delegated Regulation (EU) 2019/979 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/30
EFSA	means the Estonian Financial Supervision and Resolution Authority (in Estonian: Finantsinspektsioon) with its office in Tallin, Estonia. The Estonian financial supervision and resolution authority
ESMA	means the European Securities Markets Authority
EUR	means the official currency of Eurozone countries, the euro
LB	means the Bank of Latvia (in Latvian: Latvijas Banka) with its office in Riga, Latvia
Final Redemption	means the redemption of all remaining outstanding Bonds of particular Tranche
Final Terms	means the final terms of the relevant Tranche of the Bonds
Financial Instrument Market Law	means the Financial Instrument Market Law of the Republic of Latvia adopted on 20 November 2003, announced at the State Journal “Latvijas Vēstnesis” on 11 December 2003, entered into force on 1 January 2004, as amended or replaced from time to time

GDPR	means Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC, as amended or replaced from time to time
General Terms and Conditions of the Bonds	means general terms and conditions of the Bonds
Group	means the Company and all its Subsidiaries
IA or PricewaterhouseCoopers SIA	means PricewaterhouseCoopers SIA a limited liability company, incorporated in, and operating under the laws of the Republic of Latvia, and registered with the Commercial Register of Latvia under the registration number: 40003142793, legal address: Riga, Marijas iela 2A, LV-1050, Latvia
IFRS	means the International Financial Reporting Standards
Institutional investor	credit institution, investment firm or other financial intermediary, acting as a principal or an agent on behalf of their clients
Interest Payment Dates	has the meaning given in the relevant Final Terms
Issue Date	has the meaning given in the relevant Final Terms
Latvian SSS	means the securities settlement system governed by Latvian law
Management	means the Management Board and the Supervisory Board of the Company
Management Board	means the Management Board of the Company
Maturity Date	has the meaning given in the relevant Final Terms
MiFID II	means the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU as amended
Minimum Investment Amount	has the meaning given in the relevant Final Terms
Nasdaq CSD	means Nasdaq CSD SE, registered in the Latvian Commercial Register under registration number 40003242879, having its registered address at Valnu iela 1, LV-1050, Riga, Latvia, acting as the operator of the Latvian SSS
Nasdaq Riga	means Nasdaq Riga AS, registered in the Latvian Commercial Register under registration number: 40003167049, having its registered address at Valnu iela 1, LV-1050, Riga, Latvia
Offer Price	means the final price per each Bond
Offering or Programme	means the offering programme of the Bonds based on this Base Prospectus and each Final Terms, prepared and announced in compliance with this Base Prospectus
Offering Period or Subscription Period	means the period within which investors will have the opportunity to submit Subscription Order in respect to each Tranche
Personal Data Processing Law	means the Personal Data Processing Law of the Republic of Latvia adopted on 21 June 2018, announced at the State Journal “Latvijas Vēstnesis” on 4 July 2018, entered into force on 5 July 2018, as amended or replaced from time to time
Prospectus or Base Prospectus	means this document, prepared for the purpose of the Offering and the Admission, including its annexes, information incorporated by reference and supplements, if any
Prospectus Regulation	means Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC
Relevant Amounts	means the outstanding principal amount of the Bonds, together with any accrued but unpaid interest and additional amounts due on the Bonds. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority

Remuneration policy	means the remuneration policy of the Company
Resolution Authority	means the resolution authority with the ability to exercise any Bail-in and Loss Absorption Powers in relation to the Issuer and/or the Group
Sales Agent	shall mean the sales agent assigned by the Company from time to time for the purpose of offering the Bonds and which is indicated in the respective Final Terms, if any
Settlement Date	the date of settlement of payments by the Bondholders for the Bonds of the respective Tranche
Shareholder	means akciju sabiedrība "BBG" a joint stock company, incorporated in, and operating under the laws of the Republic of Latvia, and registered with the Commercial Register of Latvia under the registration number: 40003234829, legal address: Smilšu iela 6, Riga, LV-1050, Latvia, established for the sole purpose hold the shares of the Company
SRM Regulation	means Regulation (EU) No 806/2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as amended or replaced from time to time
Subscription Order or Subscriptions	means the orders of the investors to subscribe and acquire the Bonds
Summary	means the summary of this Base Prospectus, which will be annexed to the Final Terms of each of the Tranche
Supervisory Board	means the Supervisory Board of the Company
Tax Event	means: (i) any amendment to, or change in, the laws or treaties (or any regulations thereunder) of the Taxing Jurisdiction affecting taxation; (ii) any governmental action in the Taxing Jurisdiction; or (iii) any amendment to, or change in, the official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in the Taxing Jurisdiction, irrespective of the manner in which such amendment, change, action, pronouncement, interpretation or decision is made known, which amendment or change is effective or such governmental action, pronouncement, interpretation or decision is announced, on or after the Issue Date of the Bonds and as a result of which: (i) the Company is, or will be, subject to additional taxes, duties or other governmental charges with respect to the Bonds or is not, or will not be, entitled to claim a deduction in respect of payments in respect of the Bonds in computing its taxation liabilities (or the value of such deduction would be materially reduced); or (ii) the treatment of any of the Company's items of income or expense with respect to the Bonds as reflected on the tax returns (including estimated returns) filed (or to be filed) by the Company will not be respected by a taxing authority, which subjects the Company to additional taxes, duties or other governmental charges.
Taxing Jurisdiction	means the Republic of Latvia or any political subdivision thereof or any authority or agency therein or thereof having power to tax or any other jurisdiction or any political subdivision thereof or any authority or agency therein or thereof, having power to tax in which the Company is treated as having a permanent establishment, under the income tax laws of such jurisdiction
Terms of the Bonds	means the General Terms and Conditions of the Bonds together with the applicable Final Terms

13. INDEX OF SCHEDULES

Schedule 1 - the Group’s consolidated and Bank`s separate financial statements for the year ended 31 December 2022.

Schedule 2 - the Group’s consolidated and Bank`s separate financial statements for the year ended 31 December 2023.

BANK

BluOr Bank AS
Smilšu iela 6, Riga, LV-1050, Latvia

AUDITOR

PricewaterhouseCoopers SIA,
Kr. Valdemāra iela 21-21, Riga, LV-1010

BluOr Bank

BluOr Bank AS

Group's Consolidated and Bank's Separate Annual Report for the year ended 31 December 2022

This is a translation in pdf format without the European Single Electronic Format (ESEF) markups of the digitally signed original which was prepared in Latvian and submitted in machine-readable .xhtml format to the Nasdaq Riga Stock Exchange (link: https://nasdaqbaltic.com/)

CONTENT

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, on 14 September 2017 and on 22 March 2022 – license No. 06.01.05.002/543 at the license register of the Latvijas Banka. 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. Those were set up to manage repossessed collaterals and real estate property.

BluOr Bank strengthens its strategic positioning in the provision of services to Latvian enterprises

In 2022, significant geopolitical upheavals occurred throughout Europe, and in particular in the countries neighbouring Latvia, bringing major changes in business and overall market situation. In the first half of the year, the Bank made significant adjustments in risk management and planning, and continued to strengthen its strategic positioning in providing services to Latvian enterprises. The Bank successfully completed the reporting period, in accordance with the planned indicators for the most important areas of the Bank's activities.

As the audited data show, the Bank completed 2022 with a profit of EUR 10.5 million, which is 7% more than in 2021. Net operating income of the Bank during the reporting period amounted to EUR 26 million. The amount of the Bank's equity capital is EUR 80.3 million. Total assets of the Bank at the end of the year were EUR 685 million.

The Bank's liquidity at the end of 2022 was 72%. Other key indicators of the Bank's financial performance are also successful: return on equity (ROE) – 13.2% and return on assets (ROA) – 1.3%.

Given the fact that maintaining the pace of lending is an important tool for stimulating the national economy, BluOr Bank, in accordance with its business strategy, continued to provide financing to Latvian companies as a priority in 2022, as evidenced by its lending indicators. In 2022, the Bank signed new loan agreements worth EUR 104 million, thereby contributing to the development of specific industries, the development of new export markets and the use of new business opportunities for the Latvian economy during a difficult period. Under the loan agreements, the Bank will gradually increase its financial support for projects aimed at green energy and reducing environmental impact. The total loan portfolio and unused loan facilities at the end of the reporting period were EUR 365 million.

Considering the role of small and medium-sized enterprises (SMEs) in stabilising and growing the Latvian economy, for the third year now, the Bank has been implementing the funds availability program for this business segment. Lending to SMEs in 2022 accounted for 86% of the total volume of loans issued by the Bank. Among them, several projects were implemented in successful cooperation with the state-owned development finance institution ALTUM.

The Bank has been purposefully improving financial services for legal entities. As a result, there was a steady growth in the number of the Bank's clients – Latvian legal entities: a 28% increase in the reporting period. At the end of 2022, 98% of the total client base accounted for clients from Latvia, the Baltic States and European Union.

In order to make financial services even more accessible and convenient, the Bank continues to develop the latest technologies, focusing on providing services also online. During the reporting period, both Baltic and European Union companies used the opportunity to remotely open business accounts with improved identification functions. Also, clients actively used the opportunity to make term deposits remotely.

By issuing subordinated bonds in May last year, BluOr Bank raised more than EUR 4.8 million in financial resources. Raising additional capital is one of the preconditions for further growth of the Bank, which, in turn, allows to successfully, on the most favourable terms, provide wider financial support to companies whose business development is the major driving force for the entire economy.

On June 2, 2022, the Bank's bonds were included in the Nasdaq Riga Baltic Bond List. The listing of the Bank's bonds on the stock exchange confirms the Bank's stability, growth and successful implementation of its strategic tasks, as evidenced by the high confidence of investors, including a significant number of individuals. The Bank's management continues to see a significant potential for strengthening the capital of BluOr Bank in future through stock exchange opportunities and investment instruments.

Developing a range of services for both large corporate clients and medium and small enterprises, the Bank began to provide factoring services in the reporting period, contributing to the continuity and faster business development of its clients.

The Bank continues to develop the latest technologies. Since May 2022, it has been providing its clients with a new modern and technological solution Blue KEY. It is a convenient technological tool for client interaction with the Bank and a reliable replacement for the usual code calculators.

In order to provide even more convenient and extensive payment options for both buyers and e-merchants, as well as considering the growing popularity of Revolut bank in Latvia, BluOr Bank has expanded online payment options for its clients: from December 2022, e-merchants can accept direct payments from Revolut bank accounts, and buyers can pay for purchases using their current account at any of the five banks – Swedbank, SEB, Citadele, Luminor, and Revolut.

Following the wishes of clients and the latest trends in the development of website design, during the reporting period, the Bank switched to a more modern Internet Bank design, which at the same time provides more convenient functionality and allows using the Internet Bank on any device.

In order to emphasize the status of the Bank and strengthen its positioning in the Latvian and Baltic markets, as well as in other countries, the Bank has unified its brand and legal name, and has started using a new brand, BluOr Bank, since March 2022, and changed its name to BluOr Bank AS. The development of the Bank's brand follows the latest global trends towards simplicity and conciseness in the digital environment.

The Bank consistently maintains a high priority status on all issues of risk management and compliance, for which additional internal resources were allocated in the reporting period.

For the second year in a row, the Bank has been ranked among institutions in Latvia that meet the status of "other systemically important financial institutions" in the financial sector under the Credit Institution Law. This means that the Bank demonstrates stable upward growth through its purposeful work and contribution to the Latvian financial market. This status also imposes additional requirements, introduction of stricter norms and criteria, which is a necessary factor for the future development of the Bank.

In 2023, in line with the business strategy, BluOr Bank will continue to focus on entrepreneurs and the provision of services that contribute to the modernisation of Latvian enterprises, acquisition of new export markets, paying special attention to projects aimed at the development of environmentally friendly materials, recycling and other solutions, following the common objective in the context of European climate change and energy efficiency.

As at issuance of the annual report the Board proposes to distribute part of the profit amounting to EUR 5 million as dividends and the rest to keep as retained earnings to strengthen the capital position of the Group.

Corporate Governance Statement can be found on the Bank's website in the section "information disclosure" (https://www.bluorbank.lv/en/compliance).

On behalf of the Bank,

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

This document has been signed in electronic form with a secure electronic signature and contains a time-stamp

Council and Board of the Bank

Council as of 31 December 2022

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

Board as of 31 December 2022

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
Igors Petrovs	Member of the Board	31 May 2018
Dmitrijs Feldmans	Member of the Board	13 June 2019
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

This document has been signed in electronic form with a secure electronic signature and contains a time-stamp

Statement of the Management's responsibility

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

The Group's consolidated and the Bank's separate financial statements are prepared in accordance with International Financial Reporting Standards 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 financial statements.

The Group's consolidated and the Bank's separate financial statements on pages 8 to 97 are prepared in accordance with the source documents and present fairly the financial position of the Group as at 31 December 2022 and the consolidated results of its operations and cash flows for the year then ended, as well as the financial position of the Bank as at 31 December 2022 and the results of its operations and cash flows for the year ended 31 December 2022.

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, regulations of the Finance and Capital Market Commission 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

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The Group's Consolidated and the Bank's Separate Income Statements

	Note	2022		2021	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest income		22 847	22 847	24 591	24 591
From those income at effective interest rate		*22 629*	*22 629*	*24 448*	*24 448*
Interest expenses		(5 258)	(5 589)	(6 851)	(7 197)
Net interest income	6	**17 589**	**17 258**	**17 740**	**17 394**
Fee and commission income		10 372	10 373	7 298	7 299
Fee and commission expense		(1 930)	(1 930)	(1 989)	(1 989)
Net fee and commission income	7	**8 442**	**8 443**	**5 309**	**5 310**
Net (loss) / profit from trading and revaluation of financial instruments	8	(1 705)	(1 705)	1 437	1 437
Net foreign exchange trading and revaluation income	9	1 172	1 172	1 889	1 889
Other operating income	10	942	870	1 070	1 006
Total operating income		**26 440**	**26 038**	**27 445**	**27 036**
Administrative expenses	11	(13 700)	(12 990)	(13 935)	(13 198)
Other operating expenses	12	(1 683)	(1 684)	(1 895)	(1 876)
Credit loss allowances	18,19,20	(890)	(890)	(2 188)	(2 187)
Net impairment reversal	13	97	-	7	-
Total operating expenses		**(16 176)**	**(15 564)**	**(18 011)**	**(17 261)**
Profit before taxation		**10 264**	**10 474**	**9 434**	**9 775**
Corporate income tax	14	(12)	(12)	(9)	(9)
Profit for the year		**10 252**	**10 462**	**9 425**	**9 766**

The accompanying notes on pages 15 to 97 form an integral part of these financial statements.

The Council and the Board of the Bank approved the issue of these financial statements as presented from page 8 to 97 on 17 March 2023. The financial statements are signed on behalf of the Council and the Board of the Bank by:

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

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The Group's Consolidated and the Bank's Separate Statements of Other Comprehensive Income

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Profit for the year	**10 252**	**10 462**	**9 425**	**9 766**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Foreign exchange revaluation reserve	(6)	-	(1)	-
Revaluation reserve – financial assets at fair value through other comprehensive income (debt instruments)	(1 911)	(1 911)	(339)	(339)
Total items that may be reclassified to profit or loss	**(1 917)**	**(1 911)**	**(340)**	**(339)**
Items that will not be reclassified to profit or loss				
Revaluation reserve – financial assets at fair value through other comprehensive income (equity instruments)	(112)	(112)	(253)	(253)
Total items that will not be reclassified to profit or loss	**(112)**	**(112)**	**(253)**	**(253)**
Other comprehensive (loss)/income	**(2 029)**	**(2 023)**	**(593)**	**(592)**
Total comprehensive income	**8 223**	**8 439**	**8 832**	**9 174**

The accompanying notes on pages 15 to 97 form an integral part of these financial statements.

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The Group's Consolidated and the Bank's Separate Statements of Financial Position

Assets	Note	2022		2021	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash and demand deposits with central bank	15	120 527	120 527	270 118	270 118
Loans and receivables from credit institutions	16	25 306	25 292	34 444	34 426
Demand deposits with credit institutions		*25 306*	*25 292*	*34 303*	*34 285*
Term deposits with credit institutions				*141*	*141*
Trading financial assets		3	3	1 601	1 601
Non fixed income securities	*17*	-	-	*1 524*	*1 524*
Derivatives	*32*	*3*	*3*	*77*	*77*
Investment securities	18,20	162 968	162 968	185 208	185 208
Fixed income securities		*162 630*	*162 630*	*184 339*	*184 339*
Non fixed income securities		*338*	*338*	*869*	*869*
Loans and receivables	19	308 310	308 310	344 178	344 179
Investments in associates	21	827	-	827	-
Investments in subsidiary undertakings	21	-	30 266	-	31 256
Investment property	22	2 830	1 614	2 691	1 388
Property and equipment	23	24 610	3 438	25 944	3 809
Right-of-use assets	23	-	9 924	-	10 587
Intangible assets	24	256	256	352	351
Non-current assets classified as held for sale	22	11 150	11 150	-	-
Prepayments and accrued income	25	1 661	1 657	1 975	1 972
Other assets	26	10 089	10 054	7 663	7 646
Corporate income tax receivable		3	3	2	2
Total assets		**668 540**	**685 462**	**875 003**	**892 543**

The Group's Consolidated and the Bank's Separate Statements of Financial Position

Liabilities and Equity	Note	2022		2021	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Due to central bank	28	-	-	81 681	81 681
Due to credit institutions on demand	27	6 623	6 623	2 958	2 958
Derivatives	32	-	-	1	1
Financial liabilities carried at amortized cost		581 695	583 711	712 842	715 148
Deposits	*29*	*573 707*	*575 723*	*710 282*	*712 588*
Deposits (subordinated)	*29*	*1 984*	*1 984*	*1 147*	*1 147*
Additional Tier 1 Debt securities (subordinated)	*30*	*1 122*	*1 122*	*1 122*	*1 122*
Debt securities (subordinated)	*30*	*4 882*	*4 882*	*291*	*291*
Lease liabilities	23	-	10 476	-	11 025
Deferred income and accrued expenses		1 112	1 107	1 376	1 364
Provisions		129	130	92	92
Other liabilities	31	3 120	3 065	915	863
Total liabilities		**592 679**	**605 112**	**799 865**	**813 132**
Shareholders' equity					
Share capital	33	44 493	44 493	44 493	44 493
Statutory reserves	33	24	24	24	24
Revaluation reserve – financial assets at fair value through other comprehensive income		(2 144)	(2 144)	(121)	(121)
Other reserves	33	(3 413)	(2 400)	(3 413)	(2 400)
Retained earnings		36 901	40 377	34 155	37 415
Total equity attributable to equity holders of the Bank		**75 861**	**80 350**	**75 138**	**79 411**
Total equity and liabilities		**668 540**	**685 462**	**875 003**	**892 543**
Contingent liabilities and commitments	35	59 124	59 127	40 740	40 743

The accompanying notes on pages 15 to 97 form an integral part of these financial statements.

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Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

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The Group's Consolidated Statement of Changes in the Shareholders' Equity

	Note	Share capital EUR`000	Statutory reserves EUR`000	Revaluation reserve – FVOCI EUR`000	Other reserves EUR'000	Retained earnings EUR`000	Total equity attributable to equity holders of the parent EUR`000	Total equity EUR`000
Balance as at 31 December 2020		**39 493**	**24**	**471**	**(3 412)**	**29 730**	**66 306**	**66 306**
Increase in share capital		5 000	-	-	-	-	**5 000**	**5 000**
Dividends paid		-	-	-	-	(5 000)	**(5 000)**	**(5 000)**
Other comprehensive income for the year:		-	-	(592)	(1)	-	**(593)**	**(593)**
Revaluation reserve – financial assets		-	-	(592)	-	-	**(592)**	**(592)**
Foreign exchange revaluation reserve		-	-	-	(1)	-	**(1)**	**(1)**
Profit for the year		-	-	-	-	9 425	9 425	9 425
Total comprehensive income for the year		-	-	**(592)**	**(1)**	**9 425**	**8 832**	**8 832**
Balance as at 31 December 2021		**44 493**	**24**	**(121)**	**(3 413)**	**34 155**	**75 138**	**75 138**
Dividends paid		-	-	-	-	(7 500)	**(7 500)**	**(7 500)**
Other comprehensive income for the year:		-	-	(2 023)	-	(6)	**(2 029)**	**(2 029)**
Revaluation reserve – financial assets		-	-	(2 023)	-	-	**(2 023)**	**(2 023)**
Foreign exchange revaluation reserve		-	-	-	-	(6)	**(6)**	**(6)**
Profit for the year		-	-	-	-	10 252	**10 252**	**10 252**
Total comprehensive income for the year		**-**	**-**	**(2 023)**	**-**	**10 246**	**8 223**	**8 223**
Balance as at 31 December 2022		**44 493**	**24**	**(2 144)**	**(3 413)**	**36 901**	**75 861**	**75 861**

The accompanying notes on pages 15 to 97 form an integral part of these financial statements.

The Council and the Board of the Bank approve the issue of these financial statements as presented from page 8 to 97 on 17 March 2023. The financial statements are signed on behalf of the Council and the Board of the Bank by:

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The Bank's Separate 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 2020		**39 493**	**24**	**(2 400)**	**471**	**32 649**	**70 237**
Increase in share capital		5 000	-	-	-	-	**5 000**
Dividends paid		-	-	-	-	(5 000)	**(5 000)**
Other comprehensive income for the year:		**-**	**-**	**-**	**(592)**	**-**	**(592)**
Revaluation reserve –financial assets		-	-	-	(592)	-	**(592)**
Profit for the year		-	-	-	-	9 766	**9 766**
Total comprehensive income for the year		**-**	**-**	**-**	**(592)**	**9 766**	**9 174**
Balance at 31 December 2021		**44 493**	**24**	**(2 400)**	**(121)**	**37 415**	**79 411**
Dividends paid		-	-	-	-	(7 500)	**(7 500)**
Other comprehensive income for the year:		-	-	-	(2 023)	-	**(2 023)**
Revaluation reserve – financial assets		-	-	-	(2 023)	-	**(2 023)**
Profit for the year		-	-	-	-	10 462	**10 462**
Total comprehensive income for the year		**-**	**-**	**-**	**(2 023)**	**10 462**	**8 439**
Balance as at 31 December 2022		**44 493**	**24**	**(2 400)**	**(2 144)**	**40 377**	**80 350**

The accompanying notes on pages 15 to 97 form an integral part of these financial statements.

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The Group's Consolidated and the Bank's Separate Statements of Cash Flows

		2022		2021	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash flow from operating activities					
Profit before taxation		**10 264**	**10 474**	**9 434**	**9 775**
Amortisation of intangible assets		189	189	275	275
Depreciation of property, equipment and right-of-use assets		1 356	1 056	1 432	1 131
Revaluation of financial assets		(2 023)	(2 023)	(592)	(592)
Interest income		(22 847)	(22 847)	(24 591)	(24 591)
Interest expense		5 258	5 589	7 197	7 197
Impairment of assets		890	890	2 181	2 187
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations		**(6 913)**	**(6 672)**	**(4 664)**	**(4 618)**
(Increase) in loans and receivables		24 573	24 574	(43 662)	(43 669)
(Increase) in term deposits with credit institutions		(8 366)	(8 366)	-	-
Decrease/(increase) in investment securities		20 449	20 449	39 448	39 448
Decrease/(increase) in trading financial assets		1 598	1 598	1 238	1 238
Decrease/(increase) in prepayments and accrued income		314	315	601	601
(Increase)/ decrease in other assets		(2 658)	(2 635)	(816)	(820)
(Decrease)/increase in due to central banks		(81 681)	(81 681)	6 781	6 781
Increase in deposits and due to banks		(135 485)	(135 775)	166 899	167 439
Decrease in held-for-trading financial liabilities		(1)	(1)	(79)	(79)
Interest received		23 893	23 893	24 943	24 943
Interest paid		(5 511)	(5 842)	(7 969)	(7 969)
Increase/(decrease) in other liabilities and current tax liabilities		2 242	2 240	62	248
Increase/(decrease) in deferred income and accrued expenses		(264)	(257)	(1)	2
Net cash from operating activities before tax		**(167 810)**	**(168 160)**	**182 781**	**183 545**
Corporate income tax paid		(12)	(12)	(9)	(9)
Net cash from operating activities		**(167 822)**	**(168 172)**	**182 772**	**183 536**
Cash flows from investment activities					
Purchase of fixed and intangible assets		(116)	(116)	(143)	(143)
Disposal of investment property		87	-	60	-
Capital increase in investment in subsidiaries	21	-	(10)	-	(157)
Capital decrease in investment in subsidiaries	21	-	1 000	-	-
Net cash (used in) investing activities		**(29)**	**874**	**(83)**	**(300)**
Cash flows from financing activities					
Lease liabilities repaid on right-of-use asset		-	(549)	-	(532)
Bonds (repaid)		(264)	(264)	(10 605)	(10 605)
Bonds issued		4 855	4 855	700	700
Share capital increase		-	-	5 000	5 000
Dividends (paid)	33	(7 500)	(7 500)	(5 000)	(5 000)
Net cash (used in) financing activities		**(2 909)**	**(3 458)**	**(9 905)**	**(10 437)**
Net changes in cash and cash equivalents		**(170 760)**	**(170 756)**	**172 784**	**172 799**
Cash and cash equivalents at the beginning of the reporting year		**301 463**	**301 445**	**128 679**	**128 646**
Cash and cash equivalents at the end of the reporting year	34	**130 703**	**130 689**	**301 463**	**301 445**

The accompanying notes on pages 15 to 97 form an integral part of these financial statements.

The Council and the Board of the Bank approved the issue of these financial statements as presented from page 8 to 97 on 17 March 2023. The financial statements are signed on behalf of the Council and the Board of the Bank by:

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

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Notes to the Group's Consolidated and the Bank's Separate 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, none of the ultimate beneficial owners controls the Group as at 31 December 2022. 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 company. Those entities form the Group and are shown in the following table:

Name of the company	Country of incorporation, address	Line of business	Holding 31.12.2022 %	Holding 31.12.2021 %
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	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 collaterals overtaken by the bank	100	100
AS Pils Pakalpojumi	Smilšu iela 6, Riga, Latvia	Real estate development	100	100
Foxtran Management Ltd	Suite 102, Blake Building, Corner Eyre & Huston Str., Belize	Management of collaterals overtaken by the bank	100	100
SIA Jēkaba 2	Jēkaba iela 2, Riga, Latvia	Real estate development	100	100
Darzciems Entity SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	100	100
Mazirbe Estate SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	100	100
Lielie Zaķi SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	100	100
Pulkarne Entity SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	100	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 (%) 31.12.2022	Holding (%) 31.12.2021
AS Termo biznesa Centrs	Kr. Valdemāra iela 149, Riga, Latvia	Real estate development	26.15	26.15

2. BASIS OF PREPARATION

(1) Statement of Compliance

The financial statements of the Bank and the Group ("financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and regulations of the Financial and Capital Market Commission of the Republic of Latvia ('FCMC') in force as at 31 December 2022.

The Group's consolidated and the Bank's separate financial statements were authorized for issue by the Board on 17 March 2023. Shareholders have the power to reject the financial statements prepared and issued by the management and the right to request that new financial statements are issued.

(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.

(3) Basis of measurement

The Group's consolidated financial statements and the Bank's separate financial statements are prepared on the historical cost basis, except for the following:

- financial instruments at fair value through profit or loss are stated at fair value;
- derivative financial instruments are stated at fair value;
- financial instruments at fair value through other comprehensive income (FVOCI) are valued at fair value;
- repossessed collaterals are recognised at lower of its carrying amount and fair value less cost to sell.

3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of these Group's Consolidated and the Bank's Separate Financial Statements. The accounting principles have been consistently applied, except for the changes in accounting policies.

(1) Basis for consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Investments in subsidiaries are carried in the Bank's separate financial statements at cost less impairment, if any.

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured by the Group at fair value when control is lost.

(iii) Interest in equity-accounted investees

The Group's interests in equity accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for in the Group's consolidated financial statements using the equity method. The Bank ensures the appropriate adjustments are made in the associate's financial information to align the accounting policies with those used by the Group before equity method of accounting is applied. They are initially recognised at cost, including transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI in equity-accounted investees, until the date on which significant influence or joint control ceases.

Investments in associates are carried in the Bank's separate financial statements at cost less impairment, if any.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Group's unified accounting policy

In the preparation of the consolidated financial statements, the financial statements of those Group entities that use different accounting policies are adjusted to conform with the Group's accounting policy.

(2) Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of the Group companies at the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in the income statement.

The exchange rates for the most significant currencies as set by the European Central Bank at reporting date are as follows:

	31 December 2022	31 December 2021
USD	1.0666	1.1326

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into EUR at exchange rates set by the European Central Bank at the reporting date. The income and expenses of foreign operations are translated into the functional currency at the exchange rates of transaction dates.

Foreign currency differences are recognized in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income and accumulated in the translation reserve.

(3) Financial instruments

a) Classification

Financial instruments are classified into the following categories:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

— It is held within a business model whose objective is to hold assets to collect contractual cash flows, and
— Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income (FVOCI) only if it meets both of the following conditions and is not designated as at FVTPL:

— It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
— Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at fair value through profit or loss (FVTPL). IFRS 9 also allows entities to irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

On initial recognition, an equity instrument other than held for trading, may be irrevocably designated as FVOCI, with no subsequent reclassification of profit or losses to the income statement.

Financial liabilities carried at amortised cost represent financial liabilities of the Group and the Bank other than financial instruments designated at fair value through profit or loss. This category includes investment securities, deposits and balances due to credit institutions, customer deposits, issued debt securities and other financial liabilities.

Financial liabilities carried at amortized cost are initially measured at fair value less directly attributable transaction costs and are subsequently remeasured to amortized cost using the effective interest rate.

Due from other credit institutions

Demand deposits with central banks, and placements with credit institutions are classified as financial assets measured at amortised cost, provided that the following criteria are met:

- they are held within the business model, which aim is achieved by collecting contractual cash flows ("Held to collect" business model);
- their contractual cash flows represent solely payments of principal and interest on outstanding principal
- the Group does not designate them on initial recognition to fair value through profit or loss measurement category.

Business model assessment

The Group and the Bankmade an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information that is considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Bank's and the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's and the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Solely payments of principal and interest (SPPI) assessment

Classification for debt instruments is driven by the group business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect cash flows and sells assets it may be classified as FVOCI.

Making SPPI assessment, the Group and the Bank 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 risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

b) Recognition

The Group and the Bank initially recognize loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the settlement date.

c) Measurement

A financial asset or financial liability is initially measured at fair value plus transaction costs that are directly attributable to acquisition of the financial asset or liability, in the case of a financial asset or liability other than measured at fair value through profit or loss.

Subsequent to initial recognition, all financial assets and liabilities measured at fair value through profit or loss and all financial assets measured at FVOCI are measured at fair value.

All financial liabilities other than those measured at fair value through profit or loss and financial assets other than those measured at FVTPL or FVOCI are measured at amortized cost using the effective interest rate method.

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial asset classified as at fair value through profit or loss is recognised in profit or loss;
- a gain or loss on debt securities classified as at fair value through other comprehensive income is recognised in fair value reserve through other comprehensive income (except for impairment losses and foreign exchange gains or losses on monetary assets) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to debt securities classified as at fair value through other comprehensive income is recognised as earned in profit or loss (net interest income) calculated using the effective interest method.
- equity investments classified at fair value through other comprehensive income are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised including the instances where the terms change substantially or impaired.

d) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method, minus any reduction for impairment.

The effective interest rate is a method of calculating the amortized cost of a financial asset or liability, which is based on the recognition of interest income and expenses over a specific period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the management estimates cash flows considering all contractual terms of the financial instrument but does not consider future losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

e) Derecognition

A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) **is derecognised** when:

- the rights to receive cash flows from the asset have expired; or
- the Group and the Bank have transferred the rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Group and the Bank either (a) have transferred substantially all the risks and rewards of the asset, or (b) have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Bank has transferred the rights to receive cash flows from an asset or has entered into a pass-through arrangement and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's and the Bank's continuing involvement is the amount of the transferred asset that the Group and the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's and the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group and the Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group and the Bank may write-off financial assets that are still subject to enforcement activity when the Group and the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – modification. The Group and the Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group and the Bank assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially (if cash flows differs more than 10%) affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group and the Bank derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group and the Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group and the Bank compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group and the Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When the contractual cash flows of a financial assets are substantially modified, such a modification is treated as a derecognition of the original assets and the recognition of a new financial asset, and the difference in respective carrying amounts is recognised in the income statement. In the case of financial asset modification, which does not lead to derecognition, the Group and the Bank recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or when 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, and the difference in the respective carrying amounts is recognised in the income statement.

f) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group and the Bank have a legal right to set off the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the trading activity.

(4) Identification and measurement of impairment of financial assets

Identification and measurement of impairment:

The Group and the Bank recognize an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts.

IFRS 9 requires a loss allowance to be recognized at an amount equal to either 12-month expected credit losses (ECLs) or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date.

The Group and the Bank recognize loss allowances at an amount equal to lifetime ECLs (Stage 2 and Stage 3 instruments), except financial instruments for which credit risk has not increased significantly since initial recognition, for which the amount recognized will be the 12-month ECLs (Stage 1 instruments).

Accordingly, the Bank and the Group have established a policy to perform an assessment at the end of each reporting period as to whether a given asset's credit risk has increased significantly since initial recognition. When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank and the Group consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's and the Group's historical experience and forward-looking information. The Bank and the Group primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing the remaining lifetime probability of default (PD) as at the reporting date, with the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Significant assets are tested for impairment on an individual basis, while for insignificant assets a collective assessment is performed. The collective assessment is based on probabilities of default (PD) obtained from the statistical data for the different type of loans and borrowers, adjusted by several macro factors in order to include forward-looking information. For the individual assessment the Bank and the Group estimate ECLs based on a probability-weighted estimate of the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e. the difference between: the contractual cash flows that are due to the Bank and the Group under the contract, and the cash flows that they expect to receive, discounted at the effective interest rate of the loan.

The Bank and the Group have grouped their loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing loans: when loans are first recognized, the Bank and the Group recognize an allowance based on twelve months expected credit losses.
- Stage 2 – Loans with a significant increase in credit risk: when a loan shows a significant increase in credit risk since initial recognition, the Bank and the Group recognize an allowance for the lifetime expected credit loss.

In addition, a significant increase in credit risk is assumed to have taken place, if an event is reported concerning the loan that indicates a significant increase in credit risk, the Bank and the Group expect to grant the borrower forbearance or when forbearance measures have already taken place, or the facility is included in the watch list, or if the borrower falls more than 30 days past due in making its contractual payments.

- Stage 3 – Impaired loans: Financial assets are recognized in Stage 3 when there is objective evidence that the loan is impaired. This category includes non-performing loans (also defaulted) and loans in the process of recovery. A loan is considered as defaulted, if it is clear that borrower will not be able to fulfil his obligations to the Bank without any additional measures like realisation of collateral, or if the borrower falls more than 90 days past due in making its contractual payments. The lifetime expected credit losses are recognized for these loans and in addition, the Bank and the Group accrue interest income on the amortised cost of the loan net of allowances.

The Bank and the Group recognize impairment for FVOCI debt securities as applicable, depending on whether they are classified as Stage 1, 2 or 3, as explained above. However, the expected credit losses will not reduce the carrying amount of these financial assets in the statements of financial position, which shall remain to be stated at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost will be recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

For financial guarantee contracts, the Bank and the Group estimate their lifetime ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that is incurred less any amounts that the guarantor expect to recover from the holder, the debtor or any other party. For other off-balance sheet loan commitments (credit lines, overdrafts) ECL is estimated similarly to on-balance sheet instruments, applying the certain conversion factor, which is calculated based on historical data of usage of such facilities.

(5) Fair value measurement

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. For further analysis of the basis for fair value refer to Note 45.

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.

(6) Derivatives

Derivatives include foreign currency swaps and forwards. As at 31 December 2021 and 2020 all derivatives of the Group and the Bank were classified as financial instruments held for trading.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in the income statement.

Although the Group and the Bank trades in derivative instruments for risk hedging purposes, the Group and the Bank does not apply hedge accounting.

(7) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

If the use of the property has been changed, investment properties are reclassified to property and equipment.

Investment property is initially measured at cost. Subsequently investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

(8) Repossessed assets

In the normal course of business the Group and the Bank occasionally take title to property and other assets that originally were pledged as security for a loan. When the Group and the Bank acquires (i.e. gains a full title to) an asset in this way, the asset's classification follows the nature of its intended use by the Group and the Bank. When the Group or the Bank is uncertain of its intentions with respect to land and buildings that it has repossessed, those properties are classified as assets classified as held for sale.

(9) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Current repair and maintenance costs are charged to the income statement as incurred. Capital repairs of property and equipment are added to property and equipment at cost, and its useful life is extended. Upon increasing the carrying amount of an item of property and equipment by expenses incurred to replace a material component, the replaced component is derecognised according to the derecognition requirements.

Items of property and equipment are derecognised when disposed or when no economic benefits are expected from the use or disposal of these items in the future. Gains or losses from derecognition of items of property and equipment are determined as the difference between the proceeds from disposal and the net carrying amount of the asset at the date of disposal, and are recognised in the income statement.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation is calculated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Depreciation methods, useful lives and residual amounts are reviewed at each reporting date.

Land and buildings

The cost of land and buildings disclosed in the financial statements is their assumed fair value measured at the date of acquisition. Subsequent measurement is carried out on a cost basis similar to other items of property and equipment. Land is not depreciated.

Construction in progress and capital repairs of real estate properties include costs directly attributable to construction in progress, including a corresponding proportion of direct overheads incurred during the establishment of the item of property and equipment. Depreciation of such assets is calculated from the date when the assets are put into operation.

Real estate properties are depreciated over the useful life which is determined to be 50 years.

Leasehold improvements

Depreciation of leasehold improvements is calculated over the remaining period of lease. Depreciation is calculated from the date when leasehold improvements are completed and ready for use.

Useful lives of vehicle and other property and equipment

The annual depreciation percentages are as follows:

Furniture and equipment	20%
Computers	25%
Mobile phones	50%
Others	20%
Vehicle (yacht)	10%

(10) Intangible assets

Intangible assets, except goodwill, are identifiable non-monetary assets without physical substance (licenses, software that is separately identifiable from electronic devices and others) held for rendering of services or other purposes if it is expected that an economic benefit attributable to these assets will flow to the Group and the Bank.

Intangible assets are recorded at cost less accumulated amortization and amortized to the profit or loss in equal amounts over the useful life of the intangible asset. The annual amortization rate for software is 20%.

(11) Recognition of income and expenses

All significant categories of income and expenses, including interest income and expenses, are recognized on an accrual basis.

Interest income and expenses are recognized in the income statement based on the effective interest rate of the asset/liability. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group and Bank estimate future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

Interest income and expenses include discount or premium amortization or other difference between the carrying amount of an interest bearing instrument and its value on the maturity date calculated based on the effective interest rate method.

Fee and commission income and expense are recognised on an accrual basis. Loan origination fees together with the related direct costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest rate method. Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's and the Bank's performance. Such income includes fees for loan, lease or other credit enhancement contracts administration.

Net trading income comprises gains less losses related to trading financial assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

(12) Off-balance sheet items

In the ordinary course of business, the Group and the Bank has off-balance sheet financial instruments consisting of commitments to extend loans and advances, financial guarantees and commercial letters of credit. Such financial instruments are recorded in the balance sheet when they are funded or related fees are incurred or received.

The Group and the Bank measures issued financial guarantees initially at their fair value, which is normally evidenced by the amount of fees received. This fee amount is then amortised on a straight-line basis over the life of the guarantee. At each balance sheet date, the guarantees are measured at the higher of (i) the unamortized balance of the amount at initial recognition and (ii) Expected credit loss.

Documentary and commercial letters of credit represent written undertakings by the Bank and the Group on behalf of a customer authorising a third party to draw drafts on the Bank and the Group up to a stipulated amount under specific terms and conditions.

(13) Taxes

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation.

Corporate income tax is calculated on the basis of distributed profit (20/80 of the net amount payable to shareholders). Corporate tax on distributed profit will be recognized when the shareholders of the Company make a decision about profit distribution.

The Bank calculates and pays corporate income tax also for the conditionally distributed profit (20/80 of calculated taxable base), which includes taxable objects in accordance with the Corporate Income Tax law, such as the expenditure not related to economic activity, the doubtful debts of debtors and the loans to the related parties, if they meet criteria provided in the Corporate Income Tax law, as well other expenses exceeding statutory limits for deduction. Corporate income tax for the conditionally distributed profit is recognized in the profit or loss statement in the year for which it is assessed. Corporate income tax for the distributed profit and corporate income tax for the conditionally distributed profit is included in the profit and loss statement line item "Corporate income tax for the reporting year" and disclosed by the components in the notes to the financial statements.

(14) Cash and cash equivalents

Cash and cash equivalents are cash on hand and amounts due from the Bank of Latvia and other credit institutions with initial maturities of up to 3 months, except liabilities towards the Bank of Latvia and other credit institutions with initial maturities of up to 3 months.

(15) Leases

the Group and Bank as a lessee

Where the Bank acts as a lessee, the standard requires that right-of-use (RoU) assets and lease liabilities arising from most leases are recognised on the balance sheet.

Depreciation of the RoU assets and interest expenses related to lease liabilities are recognised in the income statement. In the cash flow statement payments for the principal portion of the lease liability are presented within financing activities and payments for the interest portion are presented within operating activities.The lease liability is initially measured as the present value of lease payments that are not paid at the commencement date. Over time, the liability will increase with interest expense accruals and decrease with lease payments. The RoU asset is initially measured at cost i.e. the same amount as the initial measurement of the lease liability plus certain other costs, for example lease payments made at or before commencement date. The RoU asset is thereafter depreciated over the lease term. Lease payments are discounted using the incremental borrowing rate. The Bank applies a single discount rate to a portfolio of leases with reasonably similar characteristics.

the Group as lessor

When acting as a lessor all leases shall be classified as either an operating lease or a finance lease. Operating leases are those leases where the lessor bears the economic risks and benefits.

(16) Provisions

Provisions are recognized in the statement of financial position when the Group and the Bank have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(17) Short-term employee benefits

Short term employee benefits, including salaries and social security contributions, bonuses and vacation benefits are included in net operation expenses on an accrual bases. The Group and the Bank pay fixed security contributions to the State Social Fund on behalf of its employees during the employment period in accordance with local legal requirements and the Group and the Bank will have no obligations to pay further contributions relating to retired employees.

(18) Loans and advances to customers

Loans and advances to customers are recorded when the Group and the Bank advance money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Group and the Bank classify loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC are measured at FVTPL.

(19) Assets under management

Assets managed by the Group and the Bank on behalf of customers are not treated as assets of the Bank and the Group. The Group and the Bank assume no risk in relation to these assets.

(20) Investments in debt securities and Investments in equity securities

Investment securities includes Investments in debt securities and Investments in equity securities.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Group and the Bank classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group and the Bank may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Investments in equity securities. Financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Group. Investments in equity securities are measured at FVTPL, except where the Group elects at initial recognition to irrevocably designate an equity investments at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. When the FVOCI election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Group's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

(21) Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain or loss not previously recognised by the date of the sale of the noncurrent asset is recognised in the profit or loss statement at the date of derecognition. Non-current assets are not depreciated while they are classified as held for sale.

(22) New IFRS, amendments and interpretations

Standards or interpretations effective for the first time for the annual periods beginning 1 January 2022:

- **Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS9, IFRS16 and IAS 41** (effective for annual periods beginning on or after 1 January 2022).
- The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity has to use IAS 2 to measure the cost of those items. Cost does not include depreciation of the asset being tested because it is not yet ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

  The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

  IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

  The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

  Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

- **Covid-19-Related Rent Concessions – Amendments to IFRS 16** (effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022.

Standards or interpretations effective for the first time for the annual periods beginning after 1 January 2022 or not yet endorsed by the EU

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IFRS 17 and an amendment to IFRS 4** (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies** (effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.
- **Amendments to IAS 8: Definition of Accounting Estimates** (effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.
- **Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12** (effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

- **Transition option to insurers applying IFRS 17 – Amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback** (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.
- **Classification of liabilities as current or non-current – Amendments to IAS 1** (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The management of the Group evaluates new standards and amendments impact on the financial statements of the Group and the Bank.

4. 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.

The management of risks associated with ordinary loans involves the assessment of the potential borrower's credit standing that is performed by the Financial Analysis and Risk Management Department. Decisions on granting of loans are made by the Credit Committee or the Board, based on the above analysis and evaluation of collateral. Subsequent to granting a loan, the Financial Analysis and Risk Management Department performs a regular analysis of the borrower's financial position, which enables the Bank and the Group to take prompt action in the case of deterioration of the borrower's financial position.

Following the Russian military invasion of Ukraine on 24 February 2022, the European Union, the United States and other countries have imposed a series of financial and other sanctions against Russian and Belorussian state institutions, companies and individuals, resulting in a sharp collapse of Russian stock, debt and currency markets.

The Bank does not have assets, loans or other financial investments that could be significantly affected by the above events. Also, the Bank does not have significant financial cooperation with financial institutions in Russia, Belorus or Ukraine. In the light of foreseeable risks, the Group and the Bank have already taken the necessary steps to mitigate the potential impact associated with the initiated hostilities on the territory of Ukraine and the sanctions imposed by the international community on Russia. Therefore, the Bank does not see significant credit risks or other losses in the context of the geopolitical situation.

The real estate market does not react as quickly to changes in energy prices, currently we do not see significant changes. Although the Bank as a whole, of course, looks cautiously at the coming periods and monitors the situation on the market and the Bank's borrowers.

As for commercial facilities, it should be taken into account that borrowers (owners of facilities that rent premises) most often transfer utility payments to tenants, under the terms of the lease agreements, and there are no negative trends yet (such as renegotiation of lease terms or outflow of tenants). Of course, the increase in interest rates (EURIBOR) has or will have a negative impact on the borrowers' DSCR, however, the Bank most often finances customers with a sufficient level of DSCR. Accordingly, a reserve has been provided for a potential deterioration in cash flow.

As of the end of 2022, no significant deterioration has been detected for customers; however, the Bank is cautious about the near term, especially with regard to customers, whose own costs of production are significantly driven by energy consumption (food industry, manufacturers of building materials, other manufacturing enterprises with high energy consumption). The Bank continues to closely monitor the situation and supervise the conditions of these loans, working proactively with the client to identify in a timely manner any signs of deterioration in the financial situation. It should be noted that the concentration of any industry in the Bank's loan portfolio does not exceed 20%, while each borrower is assessed individually.

Credit risk that is related to inter-bank operations (or operations with financial institutions), including the credit risk related to inter-bank settlements and the Bank's investments in debt securities, is controlled by the Bank's Investment Committee that sets limits for transactions with each counterparty and issuer.

The Bank and the Group monitor the concentration of significant assets, liabilities, as well as contingent liabilities and commitments' credit risk by geographical regions, customer groups and types (i.e. central governments, local authorities, state enterprises, private enterprises, private individuals, etc.) and industries. Credit risks are presented in Note 43.

Impairment policies

An important part of the credit risk management is the estimation of provisions under IFRS9, which mostly is based on the assessment of credit risk of financial instruments. As a result of the assessment, all assets are divided into stages according to the level of credit risk and changes thereof.

The Bank and the Group recognize an allowance for expected credit losses on all loans and other debt financial assets, except financial assets which are valued as FVTPL, together with loan commitments and financial guarantee contracts.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered in accounting judgements and estimates include:

- the criteria for assessing the significance of an increase in credit risk and the criteria for granting the Stage 1, Stage 2 or Stage 3 loans that meet the requirements of IFRS9, including the EBA guidelines for classification of loans due to the impact of COVID-19;
- assessing the accounting interpretations and modelling assumptions used to build the ECL calculation models, including various formulas and choice of inputs;
- modelling and calculation of key parameters of ECL model, including probability of default (PD), loss given default (LGD) and exposure at default (EAD);
- determining the macro-economic indicators and incorporating forward-looking information into the ECL model, as described below;
- estimating the above-mentioned indicators for individually assessed loans for a credible future period and calculation of ECL based on cash flow.

In order to estimate the expected credit loss (ECL) for debt securities, inter-bank deposits, letters of credit and financing against securities portfolio, the statistics of historical defaults and recovery rates by Moody's is used. Historical PD is applied accordingly to instruments' or issuers' external credit ratings. If an instrument has not any external rating, it is conservatively assumed to apply historical data which is relevant for the rating B-. For the instruments with prime grades, where historical PD is equal to 0%, it is assumed to take PD=0.005%. PD under these scenario ranges from 0.005% for prime grade instruments to 7.41% for instruments with the lowest ratings. Significant increase in credit risk for such instruments is recognized, for example, if the instrument is downgraded and PD corresponding to the new rating increases by at least 100bp or if the issuer of the security proposed to revise the prospectus of the asset issue.

The approach for ECL calculations for a loan portfolio is based on both a collective and individual assessment. Loans not classified for Stage 3 assets are assessed individually if they meet at least one of the following criteria:

- The balance of the principal amount of loans granted to one customer or a group of related customers is not less than 3 million EUR;

- The balance of the principal amount of loans issued to one customer or a group of related customers exceeds 500 thousand EUR and the total risk rating set in accordance with the "Methodology for assessing the credit risk of borrowers" is 4 or lower.
- The risk profile of a customer (a group of related customers) is quite different from the groups for which impairments are calculated collectively.

The calculation of collective impairments is carried out by applying a statistical model based on historical data of the Bank's credit portfolio for the calculation of PD rates. The Bank calculates PD rates using the Weibull approach, which is widely used in credit institutions of various sizes, both in the domestic and foreign markets. The Weibull approach is particularly well suited for calculating PD rates for portfolios with a low number of historically observed defaults.

The Weibull approach is a PD calculation method that is often used in the industry when other methods based on a larger volume of historical data cannot be applied. For example, if the homogeneous Markov chain approach is not applicable due to insufficient historical data or few default events, the Weibull approach can be applied. With the Weibull approach, historically observed defaults are adjusted (interpolated) to the function curve, resulting in PD rates with relatively small amounts of data.

To calculate PD in accordance with this approach, historical transaction data on the number of new and unique defaults are collected, aggregating the data into homogeneous groups.

Dividing the number of defaults by the total number of transactions in the relevant period, the default rate (DR) and its cumulative values are calculated.

With the Weibull function, historical default data is replicated for each future period and PD cumulative rates are calculated based on the interpolated Weibull curve.

PD rates are calculated for each homogeneous group separately, based on the historical data of the Bank's credit portfolio at the end of each month for at least 36 months, covering data on the Stage classification of each transaction and covering data on exposures assessed both individually and in homogeneous groups and on the number of observed defaults of exposures. If the data does not reflect current market conditions or if historical data is available for a shorter historical period, data for a shorter period of time is used, which is representative of exposures as of the date of ECL calculation.

The Bank models the exposure at default (EAD) every time ECL is calculated based on the payment schedule specified in the agreement and the use of unused credit limits (off-balance sheet obligations).

LGD is calculated at the level of homogeneous portfolio groups or the type of pledged asset, and the calculation is updated at least once a year. At least once a year, the Bank analyses whether the factors by which LGD groups are differentiated are relevant and representative for the current portfolio.

LGD is applied to each risk transaction according to its homogeneous group or type of pledged asset. The Bank applies LGD calculated on the basis of assumptions about the adjustment of the value of recoverable funds depending on the type of mortgaged property.

To adjust the ECL with macroeconomic forecasts, the Bank uses the following approaches:

1) Performs statistical calculations that take into account historical correlations between macroeconomic indicators and the observed probability of default, and, based on forecasts of macroeconomic indicators, determines the applicable adjustments for future PD rates;
2) Uses an expert assessment based on historical data or publicly available source data, or uses information provided by third-party assessment experts.

To adjust the PD of the loan portfolio taking into account forward-looking information, the Bank uses a macroeconomic model, which is developed on the basis of the principles of the one-factor stochastic Vasicek model. The model predicts the development of PD rates due to a single market factor that has a significant impact on the probability of default.

To calculate ECL and forecast future PD rates, a baseline scenario is used, supplemented by one or more alternative scenarios reflecting at least one pessimistic scenario, for example, with a probability of occurrence of 85% and 15%, respectively. Alternative scenarios do not necessarily include less likely extreme or stressful scenarios. The macroeconomic scenarios used for the end of 2022 include forecasts that take into account the impact of negative geopolitical and macroeconomic events.

The PD and LGD rates are adjusted taking into account the weighted value of all scenarios, using the probability distribution of scenarios as weights.

For ECL calculation, the Bank uses the approach PD*EAD*LGD. The approach focuses on each of the variables PD, EAD and LGD separately, which are applied to each of the exposures, on a monthly cash flow basis, in order to obtain the projected amount of ECL in the months up to the final maturity of the loan.

Collectively assessed loans, represent 18% of the Bank's total credit portfolio by volume, of which 87.4% are classified as Stage 1 loans, 12.2% as Stage 2 loans, and 0.4% as Stage 3 loans.

By applying the individual calculation approach, the Bank calculates the expected loss during the life of the asset as the difference between the future cash flow due to the Bank under the loan agreement and the future cash flow it expects to receive from the relevant asset. For Stage 1 and Stage 2 loans, the Bank assumes that the debtor will fulfil the obligations in accordance with the repayment schedule specified in the loan agreement and applies the PD*EAD*LGD approach.

The bank predicts the development of EAD according to the loan repayment schedule and applies historically observed forward-adjusted PD rates to a comparable sub-portfolio valued in homogeneous groups. If the credit in question has quite a different risk profile from the established homogeneous groups, the PD rates shall be applied according to the expert method, duly substantiated and documented.

LGD is estimated individually based on the assessment of the future cash flow for the corresponding loan in case of default. The future cash flow is discounted by applying the effective interest rate (EIR) or its estimate based on the interest rate applicable to the loan at the time of analysis, as well as on commissions for granting and servicing the corresponding loan. If the Bank does not have access to information on the EIR applicable to the loan, the Bank accepts the EIR equal to the interest rate applicable to the loan. The future cash flow from the debt obligations of the debtor in question is calculated at the level of individual contracts.

For Stage 3 loans, the Bank assumes that the debtor will not fulfil obligations in accordance with the repayment schedule specified in the loan agreement, and the future cash flow could result from the sale of the collateral, minus the related expenses, discounted by applying the EIR or its estimate based on the interest rate applicable to the loan at the time of analysis, as well as on commissions for granting and servicing the corresponding loan.

Impairments for different financial instruments are recognized based on calculated ECL coefficients and these coefficients change dynamically depending on the outstanding amount for each instrument.

(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.

An analysis of sensitivity of the Bank's net profit or loss for the year and comprehensive income to changes in the foreign currency exchange rates based on positions existing as at 31 December 2022 and 31 December 2021 and a simplified scenario of a 5% change in the USD to EUR exchange rates is as follows:

	2022		2021	
EUR'000	**Profit or loss**	**Shareholders' equity**	**Profit or loss**	**Shareholders' equity**
5% appreciation of USD against EUR	(74)	(74)	115	115
5% depreciation of USD against EUR	74	74	(115)	(115)

An analysis of the foreign currency position is presented in Note 41.

(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. A change of interest rates by 100 basis points would result in the following changes in profit or loss and capital and reserves:

	2022 EUR'000	2021 EUR'000
EUR	537	768
USD	(76)	(52)

The interest reprising analysis is disclosed in Note 42.

(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.

	2022		2021	
EUR'000	Profit or loss	OCI	Profit or loss	OCI
10% increase in securities prices	-	2 599	-	3 938
10% decrease in securities prices	-	(2 599)	-	(3 938)

(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.

The reported ratio of net liquid assets versus current liabilities at the reporting date were as follows:

	2022	2021
As at 31 December	72.29%	96.14%

Net liquid assets include cash and cash equivalents, bonds and receivables from credit institutions net of current liabilities.

Liquidity Coverage Ratio (LCR) at the reporting date was as follows:

	2022	2021
As at 31 December	179.8%	166.91%

In accordance with 'Normative regulations on establishing a capital and liquidity adequacy assessment process' No. 209 of the FCMC, the Bank carries out the assessment of the liquidity reserve adequacy necessary for its operations within the liquidity adequacy assessment process (ILAAP). Liquidity analysis is presented in Note 40.

(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.

(b) Improvement of the AML/CFTP internal control system

The Financial and Capital Market Commission (hereinafter – the FCMC) carried out a regular on-site inspection of the Bank in the field of anti-money laundering and terrorism and proliferation financing prevention and sanctions risk management, inspection was conducted from 25 January 2021 to 5 March 2021. The inspection was successfully finalized, that was been confirmed by a written letter issued by FCMC. As of result, FCMC has not identified any substantial shortcomings. All shortcomings were accordingly remediated up to the receipt of the FCMC letter. Bank continues to follow the statutory requirements stipulated in the laws of the Republic of Latvia as well as international best practice established by reputable international organisations in the field of AML/CFT to ensure efficiency of internal control system in accordance to the highest standards.

(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.

(10) Sustainability risk

Sustainability risk is the risk that an event or circumstance in the field of environmental, social or governance (ESG) will negatively affect the value of investments. Environmental events could be related to regulatory or legal issues, technology risk or reputation risk. Social events are mostly related to labor themes. Governance related events are related to code of conduct, diversity and minority shareholder rights. Impact of sustainability risk has various scopes, including company-specific, sector-specific and country level risk, which usually is based on political risk and rule of law. The occurrence of a sustainability risk can negatively affect the value of an investment.

European regulations have created standards with regards to the integration of sustainability risks in the investment process. Sustainability risk can affect investments, both positively and negatively. Therefore, BluOr Bank AS is committed to taking ESG factors into account in our investment decision making process.

Our mission is to create positive long-term investment results for our clients and we believe that this can only be achieved by taking full consideration of ESG factors. Strong ESG compliance reduces the risk that our investments returns can be compromised by exogenous risk.

As one way of realizing its duty as a responsible investor, the Bank considers ESG factors among other factors when voting at general meetings based on our delegated voting authority on shares owned by our clients in line with the Bank's Participation Policy.

The understands that ESG factors can affect target prices, the fundamental assessment of a company, a country, a sector of economy, and investment management strategy, and, as such, ESG factors are integrated into the evaluation process for selecting and monitoring our investments. In fact, we have made investments in several companies and industries that we believe will benefit from a demand in higher ESG compliance in the future by institutional investors. We monitor the ESG strengths of our chosen investments through reports and management follow-up of the implementation of ESG targets. We believe that responsible, ESG compliant investing can be a strong catalyst for positive change, and will ultimately deliver higher, sustainable returns for all stakeholders.

(11) Capital management

The Bank's Capital Adequacy Management Policy requires maintenance of a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business as well as to ensure the Bank's capital at an adequate level for covering potential risks arising from current and future operations.

Under the capital requirements introduced by Regulation (EU) No 575/2013 of the European Parliament and of the Council and the FCMC 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 31 December 2022 was 8%, according to a special request by the FCMC the Bank was required to ensure a higher capital adequacy of 11% during the period from 3 January 2022 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 -2.60% (Capital conservation buffer – 2.50%, institution-specific countercyclical capital buffer – 0.10% (as at 31.12.2022). The requirements of the total capital reserve should be met using Tier 1 capital.

During the years 2022 and 2021 as of 31 December of these years the Bank and the Group were in compliance with the capital adequacy and the minimum capital requirement specified in the Law On Credit Institutions and the rules of the FCMC, as well as in compliance with the higher ratio required by the FCMC.

For the calculation of capital adequacy as at 31 December 2022 refer to Note 44.

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 FCMC, 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.

5. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS as adopted by EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Group's and the Bank's management makes significant estimates and judgements in respect of expected credit losses on loans and receivables (see note "Risk management – Credit risk").

6. NET INTEREST INCOME

	2022		2021	
Interest income	**Group EUR'000**	**Bank EUR'000**	**Group EUR'000**	**Bank EUR'000**
Interest income from financial assets at amortized cost (loans):	20 395	20 395	20 980	20 980
Deposits with credit institutions	*506*	*506*	*53*	*53*
Loans and receivables	*19 889*	*19 889*	*20 927*	*20 927*
including interest income on impaired loans	*575*	*575*	*1 470*	*1 470*
Interest income from financial assets measured at fair value through other comprehensive income	64	64	80	80
Interest income from financial assets measured at amortised cost (fixed income securities)	1 378	1 378	1 805	1 805
Other interest income	1 010	1 010	1 726	1 726
Total interest income	**22 847**	**22 847**	**24 591**	**24 591**
Interest expense				
Interest expense from liabilities measured at amortized cost:	2 641	2 641	3 009	3 009
Deposits	*2 641*	*2 641*	*3 009*	*3 009*
Interest expense on issued bonds	313	313	467	467
Payments to the Deposit Guarantee Fund and other funds	1 046	1 046	1 223	1 223
Other interest expense	1 258	1 589	2 152	2 498
Total interest expense	**5 258**	**5 589**	**6 851**	**7 197**
Net interest income	**17 589**	**17 258**	**17 740**	**17 394**

7. NET FEE AND COMMISSION INCOME

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Fee and commission income				
Money transfers	1 096	1 097	1 065	1 066
Commissions on loans monitoring and service	551	551	623	623
Securities transactions	910	910	2 278	2 278
Assets management	322	322	584	584
Client service	6 072	6 072	1 623	1 623
Payment card service	1 421	1 421	1 125	1 125
Total fee and commission income	**10 372**	**10 373**	**7 298**	**7 299**
Fee and commission expense				
Money transfers	73	73	84	84
Payment card service	1 407	1 407	1 492	1 492
Securities transactions	390	390	392	392
Other	60	60	21	21
Total fee and commission expenses	**1 930**	**1 930**	**1 989**	**1 989**
Net fee and commission income	**8 442**	**8 443**	**5 309**	**5 310**

Fee and commission income and expense is accounted according to the point in time principles. The Group and the Bank did not have any agreements with performance obligations.

8. NET (LOSS) / PROFIT FROM TRADING AND REVALUATION OF FINANCIAL INSTRUMENTS

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Net (loss) / profit from trading with financial assets at fair value through profit or loss	(1 093)	(1 093)	1 468	1 468
Net profit from trading with financial assets not measured at fair value through profit or loss	(415)	(415)	123	123
Net profit/(loss) from revaluation of financial assets and liabilities at fair value through profit or loss	(197)	(197)	(154)	(154)
Net profit from trading and revaluation of financial instruments	**(1 705)**	**(1 705)**	**1 437**	**1 437**

9. NET FOREIGN EXCHANGE TRADING AND REVALUATION INCOME

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Net profit from foreign exchange transactions	1 070	1 070	1 960	1 960
Net profit / (loss) from revaluation of foreign exchange	102	102	(71)	(71)
Net foreign exchange income	**1 172**	**1 172**	**1 889**	**1 889**

10. OTHER OPERATING INCOME

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Fines received	201	201	418	418
Dividends received	36	36	138	138
Other	705	633	514	450
Total other operating income	**942**	**870**	**1 070**	**1 006**

11. ADMINISTRATIVE EXPENSES

		2022		2021	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Salaries to the members of the Board and Council		869	869	774	774
Staff remuneration		6 257	6 149	5 895	5 753
Compulsory state social security contributions (Board and Council)		205	205	182	182
Compulsory state social security contributions (staff)		1 448	1 423	1 374	1 350
Other staff costs		45	43	27	26
Communications and transport		250	242	230	223
Professional services		807	792	1 628	1 608
Public utilities and maintenance		650	609	644	619
Depreciation costs	23	1 356	1 055	1 432	1 131
Amortization costs	24	189	189	275	275
Computer network		370	370	403	403
Advertisement and marketing expenses		281	280	106	105
Other taxes		577	379	522	345
Insurance		83	80	106	87
Audit fee		135	135	181	181
Other		178	170	156	136
Total administrative expenses		**13 700**	**12 990**	**13 935**	**13 198**

The average number of employees in the Group in 2022 was 200 (2021 – 203) and in the Bank was 195 (2021 – 198).

In 2022, the remuneration of the sworn auditor was 135 thousand EUR, including 125 thousand EUR for the audit of financial statements (consolidated financial report), 5 thousand EUR for the certification task related to the conclusion whether the Bank has complied with the requirements of the Financial Instruments Market Law with respect to its obligations regarding t the separation of financial instruments, the separate holding of financial instruments and funds of clients, and 5 thousand EUR for the certification task related to the conclusion whether the Bank has complied with the requirements of the Deposit Guarantee Law in preparing its report on covered deposits and payments to the Deposit Guarantee Fund.

In 2021, the remuneration of the sworn auditor was 165 thousand EUR, including 130 thousand EUR for the audit of financial statements (consolidated financial report), 5 thousand EUR for the certification task related to the conclusion whether the Bank has complied with the requirements of the Financial Instruments Market Law with respect to its obligations regarding t the separation of financial instruments, the separate holding of financial instruments and funds of clients, 5 thousand EUR for the certification task related to the conclusion whether the Bank has complied with the requirements of the Deposit Guarantee Law in preparing its report on covered deposits and payments to the Deposit Guarantee Fund, and 25 thousand EUR for the certification task related to the conclusion whether the Bank's report on the third set of longer-term refinancing targeted operations (TLTRO III) meets all the criteria.

12. OTHER OPERATING EXPENSES

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Membership fees	306	306	340	340
Fees for real estate management	2	2	6	8
Fines	-	-	1	1
Royalties for the use of a trademark	1 161	1 161	1 159	1 159
Other	214	215	389	368
Total other operating expenses	**1 683**	**1 684**	**1 895**	**1 876**

In 2022, as part of its operating activities the Bank made payments of EUR 1 161 thousand (2021: EUR 1 159 thousand) for the use of the registered trademarks BlueOrange and BluOr to the owner of this trademark (licensor). The owner of trademarks is responsible for trademark registration, legal protection and brand development and promotion activities.

13. IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment of assets for the Group

	2022 EUR'000	2021 EUR'000
Total allowances as at the beginning of the reporting period	**3 608**	**3 772**
Release of allowances for investment property	(97)	(7)
Investment property written off during the reporting year	-	(157)
Other assets written off during the year	(5)	-
Total allowance as at the end of the reporting period*	**3 506**	**3 608**

* including impairment for Repossessed collaterals 2,479 thousand EUR (see Note 22), other assets 6 thousand EUR (see Note 26) and investments in associates 1,021 thousand EUR (see Note 21).

Impairment of assets for the Bank

	2022 EUR'000	2021 EUR'000
Total allowances as at the beginning of the reporting period	**5 474**	**5 474**
Total allowance as at the end of the reporting period*	**5 474**	**5 474**

* including impairment for Repossessed collaterals 1,607 thousand EUR (see Note 22) and investments in subsidiaries 3,867 thousand EUR (see Note 21).

14. CORPORATE INCOME TAX

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Corporate income tax for the conditionally distributed profit	(12)	(12)	(9)	(9)
Total corporate income tax	**(12)**	**(12)**	**(9)**	**(9)**

According to the Law on Corporate Income Tax of the Republic of Latvia adopted on 28 July 2017, and effective as of 1 January 2018, a 20% rate is only applied to distributed profits while a 0% rate is expected to be applied to undistributed profits. Therefore, deferred tax assets and liabilities are recognisable at nil amount as of 31 December 2021 as the Group and the Bank have full discretion on the distribution decisions.

15. CASH AND DEMAND DEPOSITS WITH CENTRAL BANK

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash	652	652	951	951
Balance with the Bank of Latvia (including the minimum reserve deposit)	119 875	119 875	269 167	269 167
Total	**120 527**	**120 527**	**270 118**	**270 118**

According to the regulations of the Financial and Capital Markets Commission, the total amount of funds on the account with the Central Bank should not be less than the amount of the obligatory reserves calculated from the average amount of customer deposits during the month. The obligatory reserve as at 31 December 2022 was EUR 5 304 thousand (2021: EUR 6 488 thousand).

Cash and balances with the Bank of Latvia are available on demand, thus, taking into account very low probabilities of default of these balances, expected credit loss is immaterial.

16. LOANS AND RECEIVABLES FROM CREDIT INSTITUTIONS

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Demand deposits with credit institutions				
Credit institutions registered in Latvia	1	1	76	76
Credit institutions registered in OECD countries	23 967	23 953	31 414	31 397
Credit institutions of other countries	1 338	1 338	2 813	2 812
Total demand deposits with credit institutions	**25 306**	**25 292**	**34 303**	**34 285**
Term deposits with credit institutions	**-**	**-**	**141**	**141**
Total deposits with credit institutions	**25 306**	**25 292**	**34 444**	**34 426**

The Group and the Bank did not have significant exposures on the credit institutions in Russia or Ukraine.

Deposits with credit institutions 2022

Group, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	25 306	-	-	25 306
(Less) allowance for impairment	-	-	-	-
Net	**25 306**	**-**	**-**	**25 306**

Deposits with credit institutions 2022

Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	25 292	-	-	25 292
(Less) allowance for impairment	-	-	-	-
Net	**25 292**	**-**	**-**	**25 292**

Deposits with credit institutions 2021

Group, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	34 444	**-**	**-**	**34 444**
(Less) allowance for impairment	-	-	-	-
Net	**34 444**	**-**	**-**	**34 444**

Deposits with credit institutions 2021

Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	34 426	-	-	34 426
(Less) allowance for impairment	-	-	-	-
Net	**34 426**	**-**	**-**	**34 426**

The Bank's demand deposits with credit institutions based on rating agency ratings are as follows:

	2022 EUR'000	2021 EUR'000
Rated from AAA to A-	7 381	11 554
Rated from BBB+ to BBB-	6 405	1 351
Rated from BB+ to BB-	64	6
Rated below BB-	-	181
Not rated	11 442	21 193
Total deposits with credit institutions	**25 292**	**34 285**

The Bank has established its own methodologies for assessment of creditworthiness for credit institutions with no external rating assigned. The Bank maintains a system of maximum potential exposure limits that are assigneds the maximum potential exposure for each counterparty based on the external ratings assigned or agency ratings or individual credit risk internal assessment.

As at 31 December 2022, the Bank had correspondent accounts with 19 banks (2021: 16). The largest account balances exceeding 10% of total deposits with credit institutions were with EUROCLEAR BANK –4 427 thousand EUR (2021 – 6 906 thousand EUR), MAREX FINANCIAL – 6 405 thousand EUR (2021 – 6 350 thousand EUR), STONEX FINANCIAL LTD –7 753 thousand EUR (2021 – 2 121 thousand EUR.

As at 31 December 2022, EUR 8 507 thousand (2021 – 1 267 thousand EUR) was pledged with other credit institutions.

17. TRADING FINANCIAL ASSETS

Financial assets at fair value through profit or loss

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Investment funds (OECD)	-	-	1 087	1 087
Non-fixed income securities issued by companies of OECD countries	-	-	437	437
Derivatives	3	3	77	77
Total	**3**	**3**	**1 601**	**1 601**

An analysis of the credit quality of trading financial assets based on rating agency ratings where applicable, is as follows:

	2022 EUR'000	2021 EUR'000
Non-fixed income securities		
Rated from AAA to A-	-	-
Rated from BBB+ to BBB-	-	98
Rated from BB+ to BB-	-	110
Rated from B+ to B-	-	40
Not rated	-	1 276
Total non-fixed income securities	**-**	**1 524**
Derivatives	**3**	**77**
Total	**3**	**1 601**

In order to conservatively calculate ECL for not rated securities, PD which corresponds to B- rating is applied.

18. INVESTMENT SECURITIES

Investment securities	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Non- fixed income securities				
iShares J.P. Morgan USD EM Bonds	-	-	-	-
Viduskurzemes AAO SIA	-	-	218	218
SWIFT	18	18	18	18
VISA INC	320	320	633	633
Non- fixed income securities	**338**	**338**	**869**	**869**
Fixed income securities				
At fair value through other comprehensive income	25 971	25 971	39 382	39 382
At amortised cost (see Note 20)	136 659	136 659	144 957	144 957
Fixed income securities	**162 630**	**162 630**	**184 339**	**184 339**
Investment securities total	**162 968**	**162 968**	**185 208**	**185 208**

Investment securities measured at fair value through other comprehensive income based on rating agency ratings are as follows (Group and Bank):

Fixed income securities	2022 EUR'000	2021 EUR'000
Fixed income securities issued by financial institutions institutions of Latvia		
Not rated	-	3 135
Total fixed income securities issued by financial institutions of Latvia	**-**	**3 135**
Fixed income securities issued by credit institutions of Latvia		
Rated from BBB+ to BBB-	1 810	1 998
Total fixed income securities issued by credit institutions of Latvia	**1 810**	**1 998**
Fixed income securities issued by corporates of Latvia		
Not rated	379	379
Total fixed income securities issued by corporates of Latvia	**379**	**379**
Fixed income securities issued by central governments of OECD countries		
Rated from AAA to A-	13 628	19 225
Total fixed income securities issued by central governments of OECD countries	**13 628**	**19 225**

Fixed income securities issued by credit institutions of OECD countries		
Rated from AAA to A-	10 055	14 542
Total fixed income securities issued by credit institutions of OECD countries	**10 055**	**14 542**
Fixed income securities issued by corporates of OECD countries		
Rated from BB+ to BB-	99	103
Total fixed income securities issued by corporates of OECD countries	**99**	**103**
Total fixed income securities	**25 971**	**39 382**
Impairment allowance	**(17)**	**(111)**

In order to conservatively calculate ECL for not rated securities, PD which corresponds to B- rating is applied.

Financial assets measured at fair value through profit and loss

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Shares and other non-fixed income securities				
Shares in VISA INC	320	320	633	633
Total of shares and other securities with non-fixed income	**320**	**320**	**633**	**633**

Financial assets measured at fair value through other comprehensive income (fixed income securities), 2022

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	25 971	-	-	**25 971**
Allowance for impairment	(17)	-	-	(17)
Net	**25 954**	**-**	**-**	**25 954**

Financial assets measured at fair value through other comprehensive income (fixed income securities), 2021

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	**39 382**	**-**	**-**	**39 382**
Allowance for impairment	(111)	-	-	(111)
Net	**39 271**	**-**	**-**	**39 271**

Information about credit loss allowances, 2022

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening balance at 1 January 2022	**111**	**-**	**-**	**111**
Transfers due to change in credit risk:				
-remaining credit risk changes	(1)	-	-	(1)
New originated or purchased	-	-	-	-
Derecognised	(93)	-	-	(93)
Change for the year	**(94)**	**-**	**-**	**(94)**
FX and other movements	-	-	-	-
Closing balance at 31 December 2022	**17**	**-**	**-**	**17**

Information about credit loss allowances, 2021

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening balance at 1 January 2021	**121**	**-**	**-**	**121**
Transfers due to change in credit risk:				
-remaining credit risk changes	(12)	-	-	(12)
New originated or purchased	19	-	-	19
Derecognised	(18)	-	-	(18)
Change for the year	**(11)**	**-**	**-**	**(11)**
FX and other movements	1	-	-	1
Closing balance at 31 December 2021	**111**	**-**	**-**	**111**

19. LOANS AND RECEIVABLES

(a) Loans

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Financial institutions	7 889	7 889	9 944	9 944
Corporates	289 906	289 906	323 562	323 563
Individuals	13 910	13 910	14 786	14 786
Total loans and receivables	**311 705**	**311 705**	**348 292**	**348 293**
Impairment allowance				
Financial institutions	(84)	(84)	(13)	(13)
Corporates	(3 079)	(3 079)	(3 845)	(3 845)
Individuals	(232)	(232)	(256)	(256)
Total impairment allowance	**(3 395)**	**(3 395)**	**(4 114)**	**(4 114)**
Net loans and receivables	**308 310**	**308 310**	**344 178**	**344 179**

b) Analysis of loans by type

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Loan portfolio				
Corporate loans	150 612	150 612	140 047	140 047
Industrial loans	6 684	6 684	11 963	11 963
Payment cards loans	889	889	1 010	1 011
Loans secured by real estate collateral	141 099	141 099	183 122	183 122
Finance lease	4 609	4 609	4 824	4 824
Trade finance	2 006	2 006	892	892
Other loans	3 540	3 540	4 492	4 492
Total loan portfolio	**309 439**	**309 439**	**346 350**	**346 351**
Securities-backed loans				
Securities-backed financing	2 366	2 366	1 942	1 942
Total securities-backed loans	**2 366**	**2 366**	**1 942**	**1 942**
Total loans and receivables	**311 705**	**311 705**	**348 292**	**348 293**
Impairment allowance	(3 395)	(3 395)	(4 114)	(4 114)
Net loans and receivables	**308 310**	**308 310**	**344 178**	**344 179**

(c) Geographical segmentation of loans

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Loans to residents of Latvia	242 245	242 245	258 798	258 798
Loans to residents of OECD countries	41 083	41 083	59 607	59 607
Loans to residents of non-OECD countries	28 377	28 377	29 887	29 888
Total loans and receivables	**311 705**	**311 705**	**348 292**	**348 293**
Impairment allowance	(3 395)	(3 395)	(4 114)	(4 114)
Net loans and receivables	**308 310**	**308 310**	**344 178**	**344 179**

The Group and the Bank has no direct exposures (loans) on entities or individuals in Russia or in.

(d) Ageing structure of the loan portfolio

Bank

			Of which past due by the following terms				
	Total EUR'000	Of which not past due on the reporting date	Less than 30 days	31-90 days	91-180 days	More than 180 days	Net carrying amount of overdue loans
As at 31 December 2022							
Net carrying amount	**308 310**	303 723	2 711	146	-	1 730	4 587
Out of which impaired	**2 381**	474	42	135	-	1 730	1 907
As at 31 December 2021							
Net carrying amount	**344 179**	330 937	541	329	4	12 368	13 242
Out of which impaired	**26 417**	14 043	1	1	4	12 368	12 374

The Group's ageing structure is not materially different from that of the Bank.

Impairment allowance, 2022

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	**258 686**	**48 067**	**4 952**	**311 705**
(Less) impairment allowance	(479)	(345)	(2 571)	(3 395)
Net	**258 207**	**47 722**	**2 381**	**308 310**

Impairment allowance, 2021

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	**247 743**	**70 850**	**29 700**	**348 293**
(Less) impairment allowance	(363)	(468)	(3 283)	(4 114)
Net	**247 380**	**70 382**	**26 417**	**344 179**

(e) Impaired loans

	2022 EUR '000		2021 EUR '000	
	Group	Bank	Group	Bank
Impaired loans, gross	**4 952**	**4 952**	**29 700**	**29 700**
Impairment allowance	(2 571)	(2 571)	(3 283)	(3 283)
Net loans and receivables	**2 381**	**2 381**	**26 417**	**26 417**

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral on credit impaired assets at 31 December 2022 is as follows.

	Over-collateralised assets		Under-collateralised assets	
EUR'000	**Carrying value of the assets**	**Value of collateral**	**Carrying value of the assets**	**Value of collateral**
Loans to corporate customers	**2 339**	**6 922**	**-**	**-**
Loans to SME	2 339	6 922	-	-
Loans to individuals	**42**	**77**	**-**	**-**
Consumer loans	42	77	-	-

The effect of collateral on credit impaired assets at 31 December 2021 is as follows.

	Over-collateralised assets		Under-collateralised assets	
EUR'000	**Carrying value of the assets**	**Value of collateral**	**Carrying value of the assets**	**Value of collateral**
Loans to corporate customers	**25 400**	**43 428**	**961**	**1 510**
Loans to SME	25 400	43 428	961	1 510
Loans to individuals	**8**	**42**	**48**	**-**
Consumer loans	-	-	29	-
Payment cards	5	7	19	-
Mortgage loans	3	35	-	-

(f) Movements in the impairment allowance

Movements in the loan impairment allowance for the year ended 31 December 2022 are as follows:

Group and Bank, 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 2022	**240**	**420**	**3 197**	**3 857**	**235 564**	**68 384**	**29 559**	**333 507**
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(3)	255	(252)	**-**	(2 419)	15 651	(13 232)	**-**
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(34)	-	34	**-**	(675)	(4)	679	**-**
-to Stage 1 from Stage 2	120	(120)	-	**-**	14 414	(14 414)	-	**-**
-remaining credit risk changes	150	(190)	509	**469**	(26 308)	(12 333)	(774)	**(39 415)**
New originated or purchased	79	-	-	**79**	68 730	-	-	**68 730**
Derecognised	(134)	(44)	(1 064)	**(1 242)**	(41 536)	(12 448)	(11 469)	**(65 453)**
Change for the year	**178**	**(99)**	**(773)**	**(694)**	**12 206**	**(23 548)**	**(24 796)**	**(36 138)**
Write-offs								
FX and other movements	-	-	-	**-**	(8)	434	-	**426**
Closing balance at 31 December 2022	**418**	**321**	**2 424**	**3 163**	**247 762**	**45 270**	**4 763**	**297 795**

The amount of new originated or purchased loans represents loans in the portfolio as at 31 December 2022 while the amount of derecognised loans represent loans in the portfolio as at 1 January 2022 and derecognised during 2022.

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 2022	**123**	**48**	**86**	**257**	**12 179**	**2 466**	**141**	**14 786**
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(20)	20	-	**-**	(67)	67	-	**-**
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(2)	(20)	22	**-**	(30)	(50)	80	**-**
-remaining credit risk changes	(21)	20	50	**49**	(1 326)	844	(10)	**(492)**
New originated or purchased	16	-	-	**16**	1 275	-	-	**1 275**
Derecognised	(35)	(44)	(11)	**(90)**	(1 106)	(532)	(21)	**(1 659)**
Change for the year	**(62)**	**(24)**	**61**	**(25)**	**(1 254)**	**329**	**49**	**(876)**
Write-offs								
FX and other movements	-	-	-	**-**	-	-	-	**-**
Closing balance at 31 December 2022	**61**	**24**	**147**	**232**	**10 925**	**2 795**	**190**	**13 910**

The amount of new originated or purchased loans represents loans in the portfolio as at 31 December 2022 while the amount of derecognised loans represent loans in the portfolio as at 1 January 2022 and derecognised during 2022.

Movements in the loan impairment allowance for the year ended 31 December 2021 are as follows:

Group and Bank, 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 2021	**269**	**1 878**	**2 235**	**4 382**	**189 974**	**92 341**	**10 815**	**293 130**
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(1)	1	-	**-**	(1 788)	1 788	-	**-**
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(4)	(1 277)	1 281	**-**	-	(26 212)	26 212	**-**
-remaining credit risk changes	(117)	(164)	2 753	**2 472**	67 441	2 042	(2 129)	**67 354**
New originated or purchased	159	-	-	**159**	28 159	-	-	**28 159**
Derecognised	(65)	(23)	(169)	**(257)**	(48 222)	(1 575)	(2 223)	**(52 020)**
Change for the year	**(28)**	**(1 463)**	**3 865**	**2 374**	**45 590**	**(23 957)**	**21 860**	**43 493**
Write-offs	-	-	(3 116)	**(3 116)**	-	-	(3 116)	**(3 116)**
FX and other movements	(1)	5	213	**217**	-	-	-	**-**
Closing balance at 31 December 2021	**240**	**420**	**3 197**	**3 857**	**235 564**	**68 384**	**29 559**	**333 507**

The amount of new originated or purchased loans represents loans in the portfolio as at 31 December 2021 while the amount of derecognised loans represent loans in the portfolio as at 1 January 2021 and derecognised during 2021.

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 2021	**114**	**7**	**676**	**797**	**12 399**	**1939**	**901**	**15 239**
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(5)	6	(1)	**-**	(375)	585	(210)	**-**
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(5)	5	**-**	(42)	(15)	57	**-**
-remaining credit risk changes	(6)	102	3	**99**	(797)	173	2	**(622)**
New originated or purchased	33	-	13	**46**	2 302	-	-	**2 302**
Derecognised	(15)	(1)	(4)	**(20)**	(1 308)	(157)	-	**(1 465)**
Change for the year	**7**	**102**	**16**	**125**	**(220)**	**586**	**(151)**	**215**
Write-offs	-	(59)	(609)	**(668)**	-	(59)	(609)	**(668)**
FX and other movements	2	(2)	3	**3**	-	-	-	**-**
Closing balance at 31 December 2021	**123**	**48**	**86**	**257**	**12 179**	**2 466**	**141**	**14 786**

The amount of new originated or purchased loans represents loans in the portfolio as at 31 December 2021 while the amount of derecognised loans represent loans in the portfolio as at 1 January 2021 and derecognised during 2021.

(g) Industry analysis of the loan portfolio (Group and the Bank)

	2022 EUR '000	2021 EUR '000
Shipping	41 236	44 810
Financial services	2 242	1 098
Wholesale	43 872	44 125
Real Estate	91 258	106 540
Overdrafts	30 133	24 826
Transport and storage	9 666	13 378
Private customers – mortgage loans and consumer loans	11 228	11 848
Manufacture of food products	15 065	11 126
Processing factory	15 725	14 773
Forestry	697	1 074
Other services	47 188	70 581
Net loans and receivables	**308 310**	**344 179**

(h) Analysis of loans by type of collateral (Group and Bank)

EUR'000	31 December 2022	% of loan portfolio	31 December 2021	% of loan portfolio
Commercial buildings	108 566	35	135 657	39
Real estate – first mortgage	51 691	17	36 203	11
Commercial assets pledge	89 572	29	94 219	27
Commercial assets: ships/vessels	29 212	9	28 523	8
Trading securities	2 017	1	1 942	1
Deposit	5 777	2	10 681	3
Inventories	15 668	5	20 003	6
Other, no collateral	5 807	2	16 951	5
Net loans and receivables	**308 310**	**100**	**344 179**	**100**

EUR'000	2022		2021	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Stage 1	258 207	619 652	247 380	551 443
Stage 2	47 722	138 767	70 382	167 062
Stage 3	2 381	6 999	26 417	44 980
Total	**308 310**	**765 418**	**344 179**	**763 485**

(j) Restructured loans

As at 31 December 2022 and 2021, the loans restructured by the Group and the Bank possessed the following signs of restructuring:

EUR'000	2022 EUR '000	2021 EUR '000
Interest capitalisation	-	10 479
Grace period/payment moratorium	38 621	45 608
Extension of maturity/term	1 829	11 858
Other	11 256	4 913
Total restructured loans	**51 706**	**72 858**

(l) Significant credit exposures

As at 31 December 2022 the Bank had no borrowers or groups of related borrowers, respectively, whose total loan balances exceeded 10% of loans and receivables from customers.

As at 31 December 2021 the Bank had no borrowers or groups of related borrowers, respectively, whose total loan balances exceeded 10% of loans and receivables from customers.

According to regulatory requirements, the Bank is not allowed to have a credit exposure to one customer or group of related customers of more than 25% of Bank's equity. As at 31 December 2022 and 2021, the Bank was in compliance with this requirement.

20. INVESTMENT SECURITIES AT AMORTISED COST

Financial assets measured at amortised cost (IFRS 9)

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Fixed income securities				
Fixed income securities issued by the government of LR	1 033	1 033	1 036	1 036
Fixed income securities issued by companies and credit institutions of LR	6 415	6 415	6 658	6 658
Fixed income securities issued by the government of OECD countries	81 361	81 361	83 538	83 538
Fixed income securities issued by companies and credit institutions of OECD countries	43 179	43 179	44 229	44 229
Fixed income securities issued by companies and credit institutions of other countries	6 831	6 831	10 011	10 011
Impairment allowance	(2 160)	(2 160)	(515)	(515)
Total fixed income securities	**136 659**	**136 659**	**144 957**	**144 957**

Financial assets measured at amortised cost 2022

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	**127 732**	**9 145**	**1 942**	**138 819**
(Less) impairment allowance	(295)	(350)	(1 515)	(2 160)
Net	**127 437**	**8 795**	**427**	**136 659**

Financial assets measured at amortised cost 2021

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	**136 962**	**8 510**	**-**	**145 472**
(Less) impairment allowance	(375)	(140)	-	(515)
Net	**136 587**	**8 370**	**-**	**144 957**

Movements in credit loss allowances, 2022

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening ECL balance at 1 January 2022	**375**	**140**	**-**	**515**
Transfers due to change in credit risk:				
-from Stage 1 to Stage 2	(139)	139	-	-
-remaining credit risk changes	88	1 624	-	1 712
-from Stage 2 to Stage 3	-	(1 515)	1 515	-
New originated or purchased	15	-	-	15
Derecognised	(44)	(38)	-	(82)
Change for the year	**(80)**	**210**	**1 515**	**1 645**
FX and other movements	-	-	-	-
Closing ECL balance at 31 December 2022	**295**	**350**	**1 515**	**2 160**

Movements in credit loss allowances, 2021

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening ECL balance at 1 January 2021	**470**	**128**	**-**	**598**
Transfers due to change in credit risk:				-
-from Stage 1 to Stage 2	(15)	15	-	-
-remaining credit risk changes	(17)	10	-	(7)
New originated or purchased	42	34	-	76
Derecognised	(111)	(55)	-	(166)
Change for the year	**(101)**	**4**	**-**	**(97)**
FX and other movements	6	8	-	14
Closing ECL balance at 31 December 2021	**375**	**140**	**-**	**515**

Quality analysis of investment securities at amortised cost, based on rating agency ratings, is as follows:

Debt securities and other fixed income securities	2022 EUR'000	2021 EUR'000
Central governments		
Rated from AAA to A-	76 144	78 246
Rated from BBB+ to BBB-	3 020	-
Rated from BB+ to BB-	3 231	3 300
No rating	-	3 028
Total central governments	**82 395**	**84 574**
Credit institutions		
Rated from AAA to A-	16 374	20 364
Rated from BB+ to BB-	3 326	1 738
No rating	-	500
Total central governments	**19 700**	**22 602**
Corporates		
Rated from AAA to A-	10 187	10 244
Rated from BBB+ to BBB-	993	-
Rated from BB+ to BB-	8 689	20 379
Below BB-	7 017	-
No rating*	9 838	7 673
Total corporate bonds	**36 724**	**38 296**
Impairment allowance	**(2 160)**	**(515)**
Debt securities and other fixed income securities	**136 659**	**144 957**

* Not-rated exposures includes securities with no rating assigned as well as securities with rating withdrawn.

In order to conservatively calculate ECL for not rated securities, PD which corresponds to B- rating is applied.

21. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries (Bank)

Company	*Ownership share*	Carrying amount at 31.12.2022 EUR'000	Carrying amount at 31.12.2021 EUR'000
SIA BluOr International	*100%*	5 709	5 709
Impairment allowance		*(2 249)*	*(2 249)*
SIA Zapdvina Development	*100%*	10 474	11 474
Impairment allowance		*(806)*	*(806)*
SIA CityCap Service	*100%*	565	555
Impairment allowance		*(158)*	*(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	73
SIA Mazirbe Estate	*100%*	92	92
SIA Lielie Zaki	*100%*	88	88
SIA Pulkarne Entity	*100%*	199	199
		30 266	**31 256**

Investments in subsidiaries (Bank)

	31.12.2022. EUR'000	31.12.2021. EUR'000
Investments in subsidiaries	36 533	37 523
Non-reciprocal capital contribution by a parent into subsidiary according to IFRS 10 (AS „Pils pakalpojumi”)	(2 400)	(2 400)
Impairment allowance	(3 867)	(3 867)
Investments in subsidiaries net	**30 266**	**31 256**

The share capital of SIA Zapdvina Development consisted of 9 948 018 shares with nominal value of EUR 1 amounting to EUR 9 948 018. In 2022, the Bank decreased the share capital of its subsidiary SIA Zapdvina Development by 1 000 000 shares with nominal value of EUR 1 for a total of EUR 1 000 000. In previous years the Bank recognised an impairment allowance for its investment in SIA Zapdvina Development in the amount of EUR 806 thousand triggered by impairment of this subsidiary's assets. In 2022, based on the appraisal, no additional impairment allowances were recognised. SIA Zapdvina Development owns a land plot in Daugavpils.

The share capital of SIA CityCap Service consisted of 596 848 shares with nominal value of EUR 1 amounting to EUR 596 848.

In previous years, the Bank recognised an impairment allowance for its investment in SIA CityCap Service in the amount of EUR 158 thousand triggered by impairment of this subsidiary's assets. Based on the appraisal, in 2021 impairment allowances were not recognised.

The share capital of SIA BluOr International consisted of 5 686 658 shares with nominal value of EUR 1 amounting to EUR 5 686 658.

In previous years, the Bank recognised an impairment allowance for its investment in SIA BluOr International in the amount of EUR 2 249 thousand EUR triggered by impairment of this investment in subsidiaries. Based on the appraisal, in 2022 impairment allowances were not recognised.

SIA BluOr International has three subsidiaries and an associate.

In previous years, the Bank recognised an impairment allowance for its investment in SIA Jēkaba 2 in the amount of EUR 106 thousand.

In previous years, the Bank recognised an impairment allowance for its investment in AS Pils Pakalpojumi in the amount of EUR 2 948 thousand.

The share capital of SIA Darzciems Entity consisted of 237 730 shares with nominal value of EUR 1 amounting to EUR 237 730.

The share capital of SIA „Mazirbe Estate" consisted of 199 404 shares with nominal value of EUR 1 amounting to EUR 199 404.

The share capital of SIA „Lielie Zaķi" consisted of 181 013 shares with nominal value of EUR 1 amounting to EUR 181 013.

The share capital of SIA „Pulkarne Entity" consisted of 1 207 352 shares with nominal value of EUR 1 amounting to EUR 1 207 352.

In the previous years, an impairment allowance for the investment in Foxtran Management Ltd. was recognised in the amount of EUR 559 thousand . Allowances were recognised since the investment in SIA BluOr International exceeded net assets of Foxtran Management Ltd.

In the previous years, SIA BluOr International recognised impairment allowances for the investment in KamalyDevelopment EOOD in the amount of EUR 364 thousand.

(c) Equity-accounted investments in associates (Group)

Company	Capital contribution	Carrying amount at 31.12.2022 EUR'000 Koncerns	Carrying amount at 31.12.2021 EUR'000 Koncerns
AS Termo biznesa Centrs	26.15%	1 848	1 848
Impairment allowance		(1 021)	(1 021)
Total		**827**	**827**

SIA BluOr International has an associate AS Termo biznesa Centrs. Along with 26,15% of share ownerhip, the Group also has the right to collect rental income from part of the premises owned by the associate. Rental income is recognised in the Group's profit and loss statement, rental income amounted to EUR 72 thousand in 2022 (EUR 68 thousand in 2021).

Financial information of the associate AS Termo biznesa centrs:

	Current assets EUR'000	Long-term investments EUR'000	Total assets EUR'000	Current liabilities EUR'000	Non-current liabilities EUR'000	Total liabilities EUR'000	Net assets EUR'000	Income EUR'000	Expenses EUR'000	Net profit (loss) EUR'000	Group's share in net assets 26.15% EUR'000	Group's share in loss 26.15% EUR'000
31 December 2022												
AS „Termo biznesa Centrs"	**90**	**322**	**412**	**(27)**	**(2)**	**(29)**	**383**	**232**	**(198)**	**34**	**100**	**9**
31 December 2021												
AS „Termo biznesa Centrs"	**61**	**325**	**386**	**(27)**	**(2)**	**(29)**	**357**	**218**	**(228)**	**(10)**	**93**	**(3)**

As losses for 2022 are insignificant they have no impact on the Group results.

22. INVESTMENT PROPERTY

Investment property of the Group and the Bank represents the following:

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Real estate in Latvia	2 242	414	1 939	188
Real estate in Lithuania	2 807	2 807	2 807	2 807
Real estate in Bulgaria	521	-	521	-
Impairment allowance	*(2 740)*	*(1 607)*	*(2 576)*	*(1 607)*
	2 830	**1 614**	**2 691**	**1 388**

Investment property is recognized at cost. Investment property consists of land and commercial properties.

Direct operating expenses (including repairs and maintenance costs) incurred by the Group in connection with the investment property which has not earned a rental income during the reporting year amounted to EUR 4 thousand (2021: EUR 2 thousand).

Direct operating expenses (including repairs and maintenance costs) incurred by the Bank in connection with the investment property which has not earned a rental income during the reporting year amounted to EUR 4 thousand (2021: EUR 2 thousand).

Rental income on investment property during the reporting year (the Group and the Bank) amounted to EUR 8 thousand (2021: EUR 10 thousand).

Non-current assets classified as held for sale include one building (shopping centre) that is collateral recovered during 2022 from defaulted loan. The Bank has initiated a program to sell the asset, there are several interested parties and the sale is expected to be completed before the end of December 2023.

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used.

Group's investment properties

Type	Carrying amount, EUR '000	Valuation method	Significant unobservable inputs	2022	2021	Fair value, EUR '000
Buildings and land plot, Kungu iela, Liepāja, Latvia	93 (2021: 93)	Comparison approach	Sales price* varies from EUR to EUR per m²	20-26,0	21-23,5	124 (2021: 157)
Buildings and a land plot, Jurģu iela, Jūrmala, Latvia	95 (2021: 95)	Comparison approach	Sales price* varies from EUR to EUR per m²	72-179	79-112	175 (2021: 175)
Land plot, Klaipeda, Lithuania	1 200 (2021: 1 200)	Comparison approach	Sales price* varies from EUR to EUR per m² for each land plot separately based on footage	0,37-0,57 for land plot over 8,2 ha 5-5,8 for land plot over 1 ha 2,42–6,41 for land plots till 300 m²	0,37-0,57 for land plot over 8,2 ha 5-5,8 for land plot over 1 ha 2,42–6,41 for land plots till 300 m²	1 203 (2021: 1 203)
Apartments, Bulgaria	328 (2021: 328)	Comparison approach	Sales price* varies from EUR to EUR per m²	925-1 389	770-1 100	328 (2021: 328)
Land plot, Mūku purvs, Latvia	387 (2021: 387)	Comparison approach	Sales price* varies from EUR to EUR per m²	37-92	32-56	483 (2021: 434)
Land plot, Akācijas iela, Daugavpils, Latvia	250 (2021: 250)	Comparison approach	Sales price* varies from EUR to EUR per m²	6,3-14,2	3,6-6,6	250 (2021: 250)
Land plot in Ķekavas pagasts, Ķekavas novads, Latvia	83 (2021: 170)	Comparison approach	Sales price* varies from EUR to EUR per m²	5,4-6,0	2,2-3,1	90 (2021: 234)
Zemes gabals, Dzirciema iela, Rīga, Latvija	226 (2021: -)	Comparison approach	Sales price* varies from EUR to EUR per m²	9,0-18,0	-	226 (2021: -)
Land plot in Kolkas pagasts, Dundaga novads, Latvia	86 (2021: 86)	Comparison approach	Sales price* varies from EUR to EUR per m²	2,1-5,0	1,46-2,08	117 (2021: 117)
Land plot in Lejas akmeņi, Ķekavas novads, Latvia	82 (2021: 82)	Comparison approach	Sales price* varies from EUR to EUR per m²	0,50-1,12	0,54-0,77	82 (2021: 82)
Total	**2 830**					

Bank's investment properties

Type	Carrying amount, EUR '000	Valuation method	Significant unobservable inputs	2022	2021	Fair value, EUR '000
Buildings and land plot, Kungu iela, Liepāja, Latvia	93 (2021: 93)	Comparison approach	Sales price* varies from EUR to EUR per m^2	20-26,0	21-23,5	124 (2021: 157)
Zemes gabals, Dzirciema iela, Rīga, Latvija	226 (2021: -)	Comparison approach	Sales price* varies from EUR to EUR per m^2	9,0-18,0	-	226 (2021: -)
Buildings and land plot, Jurģu iela, Jūrmala, Latvia	95 (2021: 95)	Comparison approach	Sales price* varies from EUR to EUR per m^2	72-179	79-112	175 (2021: 175)
Land plot, Klaipeda, Lithuania	1 200 (2021: 1 200)	Comparison approach	Sales price* varies from EUR to EUR per m^2 for each land plot separately based on footage	0.37-0.57 for land plot over 8.2 ha 5 -5.8 for land plot 1 ha 2.42 – 6.41 for land plots till 300 m^2	0.37-0.57 for land plot over 8.2 ha 5 -5.8 for land plot 1 ha 2.42 – 6.41 for land plots till 300 m^2	1 203 (2021: 1 203)
Total	**1 614**					

* sales prices are market prices for similar properties adjusted for certain criteria such as land plot footage adjustment, location area adjustment, property condition, offer price adjustment, resulting in the significant unobservable inputs.

23. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

Property and equipment

	Land and buildings EUR'000		Leasehold improvements EUR'000		Vehicles EUR'000		Office equipment EUR'000		Total EUR'000	
	Group	**Bank**	**Group**	**Bank**	**Group**	**Bank**	**Group**	**Bank**	**Group**	**Bank**
Cost										
31 December 2020	**29 311**	**-**	**-**	**4 603**	**1 510**	**67**	**2 546**	**1 871**	**33 367**	**6 541**
Additions	-	-	-	-	-	-	62	62	62	62
Disposals	-	-	-	-	-	-	(28)	(28)	(28)	(28)
31 December 2021	**29 311**	**-**	**-**	**4 603**	**1 510**	**67**	**2 580**	**1 905**	**33 401**	**6 575**
Additions	-	-	-	-	-	-	22	22	22	22
Disposals	-	-	-	-	-	-	(1)	(1)	(1)	(1)
31 December 2022	**29 311**	**-**	**-**	**4 603**	**1 510**	**67**	**2 601**	**1 926**	**33 422**	**6 596**
Depreciation										
31 December 2020	**3 720**	**-**	**-**	**856**	**491**	**67**	**1 842**	**1 403**	**6 053**	**2 326**
Depreciation	942	-	-	230	144	-	346	238	**1 432**	**468**
Disposals	-	-	-	-	-	-	(28)	(28)	(28)	(28)
31 December 2021	**4 662**	**-**	**-**	**1 086**	**635**	**67**	**2 160**	**1 613**	**7 457**	**2 766**
Depreciation	942			231	144	-	270	162	**1 356**	**393**
Disposals	-			-	-	-	(1)	(1)	**(1)**	**(1)**
31 December 2022	**5 604**	**-**	**-**	**1 317**	**779**	**67**	**2 429**	**1 774**	**8 812**	**3 158**
Net carrying amount										
31 December 2021	**24 649**	**-**	**-**	**3 517**	**875**	**-**	**420**	**292**	**25 944**	**3 809**
31 December 2022	**23 707**	**-**	**-**	**3 286**	**731**	**-**	**172**	**152**	**24 610**	**3 438**

The two buildings that the Bank rents from its subsidiaries at Smilšu street and Jēkaba street are used as the Head office of the Bank. From the Group's perspective, these buildings are considered to be corporate assets and are classified as property and equipment. In 2022 and 2021, the management believes that there are no indications that these sites may be impaired.

Right-of-use assets – lease contracts (IFRS 16)

Bank

	Right-of-use assets EUR'000
Cost	
31 December 2020	**12 576**
31 December 2021	**12 576**
31 December 2022	**12 576**
Depreciation	
31 December 2020	**1 326**
Depreciation	663
31 December 2021	**1 989**
Depreciation	663
31 December 2022	**2 652**
Net carrying amount	
31 December 2021	**10 587**
31 December 2022	**9 924**

Lease liability

31 December 2020	**11 557**
Lease payments	(532)
Interest accrued	347
Interest paid	(347)
31 December 2021	**11 025**
Lease payments	(549)
Interest accrued	331
Interest paid	(331)
31 December 2022	**10 476**

The Bank leases a number of premises under operating lease. The leases typically run for 20 years, with an option to renew the lease after that date. All property leases are intragroup agreements.

24. INTANGIBLE ASSETS

Group

	Software EUR'000
Acquisition cost	
31 December 2020	**2 711**
Disposed in the reporting period	(83)
Acquired in the reporting period	81
31 December 2021	**2 709**
Disposed in the reporting period	(4)
Acquired in the reporting period	93
31 December 2022	**2 798**
Amortization	
31 December 2020	**2 160**
Amortization for the reporting period	275
Amortization of assets disposed in the reporting period	(78)
31 December 2021	**2 357**
Amortization for the reporting period	189
Amortization of assets disposed in the reporting period	(4)
31 December 2022	**2 542**
Net carrying amount	
31 December 2021	**352**
31 December 2022	**256**

Bank

	Software EUR'000
Acquisition cost	
31 December 2020	**2 691**
Disposed in the reporting period	(83)
Acquired in the reporting period	81
31 December 2021	**2 689**
Disposed in the reporting period	(4)
Acquired in the reporting period	94
31 December 2022	**2 779**
Amortization	
31 December 2020	**2 141**
Amortization for the reporting period	275
Amortization of assets disposed in the reporting period	(78)
31 December 2021	**2 338**
Amortization for the reporting period	189
Amortization of assets disposed in the reporting period	(4)
31 December 2022	**2 523**
Net carrying amount	
31 December 2021	**351**
31 December 2022	**256**

25. PREPAYMENTS AND ACCRUED INCOME

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Next period expense – Resident	64	64	95	95
Next period expense – Non Resident	1 303	1 303	1 858	1 858
Insurance premium	15	15	16	16
Other	279	275	6	3
Prepayments and accrued income total	**1 661**	**1 657**	**1 975**	**1 972**

26. OTHER ASSETS

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Guarantee deposits for credit card operations	5 330	5 330	5 205	5 205
Credit card claims and other payment services	562	562	452	452
Prepayments and receivables	761	720	1 040	1 040
Short term debts	-	-	15	15
Other	3 442	3 442	962	934
Total other assets	**10 095**	**10 054**	**7 674**	**7 646**
Allowances for other assets	(6)	-	(11)	-
Other assets, net	**10 089**	**10 054**	**7 663**	**7 646**

In 2022, security deposits of EUR 5 330 thousand (2021: EUR 5 205 thousand) were reserved for potential transactions connected with MasterCard Europe and VISA Card systems.

27. DUE TO CREDIT INSTITUTIONS ON DEMAND

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Credit institutions registered in Latvia	6 586	6 586	2 408	2 408
Credit institutions registered in non- OECD countries	10	10	-	-
Credit institutions registered in OECD countries	27	27	550	550
Total due to credit institutions on demand	**6 623**	**6 623**	**2 958**	**2 958**

28. DUE TO CREDIT INSTITUTIONS AND CENTRAL BANKS

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Central Bank of Latvia	-	-	81 681	81 681
	-	**-**	**81 681**	**81 681**

The Bank participated in the long-term refinancing target programme (TLTRO III) of the European Central Bank, by borrowing EUR 82.7 million. The loan had a 3-year maturity with the possibility of early repayment, starting from September 2021. The Bank repaid this borrowing in 2022 before maturity. Borrowing rates in these operations was by 50 base points lower than the average interest rate on ECB deposits during the period from 24 June 2020 till 23 June 2022, provided that the lending thresholds for the respective periods, as established by the ECB, are reached. Outside this period, the interest rate can be as low as the average deposit rate. Liabilities are recognised as a floating-rate instrument and expected cash flows are based on an assumption that lending thresholds will be reached.

29. FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST:

DEPOSITS

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Current accounts:				
Financial institutions	91 059	91 059	185 854	185 854
Corporate entities	178 910	180 926	127 833	130 139
Individuals	57 229	57 229	52 277	52 277
	327 198	**329 214**	**365 964**	**368 270**
Term deposits:				
Subordinate liabilities	1 984	1 984	1 147	1 147
Other financial institutions	55 397	55 397	44 521	44 521
Corporate entities	1 661	1 661	2 206	2 206
Individuals	189 451	189 451	297 591	297 591
	248 493	**248 493**	**345 465**	**345 465**
Total deposits	**575 691**	**577 707**	**711 429**	**713 735**

Geographical segmentation of the deposits

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Deposits of residents registered in Latvia	172 031	174 047	162 691	164 913
Deposits of residents registered in OECD countries	356 697	356 697	436 170	436 170
Deposits of residents registered in other countries (non-OECD)	46 963	46 963	112 568	112 652
Total deposits	**575 691**	**577 707**	**711 429**	**713 735**

As at 31 December 2022, the Bank maintained customer deposit balances of EUR 1 509 thousand which were reserved by the Bank as collateral for loans and other credit instruments granted by the Bank (as at 31 December 2021: EUR 1 220 thousand).

As at 31 December 2022 the Bank had 1 customer group with deposits exceeding 10% of the total customer deposits – EUR 104 186 thousand (as at 31 December 2021 the Bank had 1 customer group with deposits exceeding 10% of the total customer deposits – EUR 125 596 thousand).

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

Subordinated bonds have a fixed term at their origination. Subordinated bonds are repayable before maturity only on winding up or bankruptcy of the Bank. Subordinated bonds rank before shareholders' claims.

By issuing subordinated bonds in 2022 (listed on Nasdaq Riga), Bank raised more than EUR 4.8 million in financial resources.

Issued subordinated bonds

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Issued subordinated bonds	4 855	4 855	280	280
Accrued interest payments	27	27	11	11
Total	**4 882**	**4 882**	**291**	**291**

ISIN	Currency	Issue size	Nominal value	Date of issue	Date of maturity	Discount/ coupon rate, %	Group/ Bank 31/12/2022	Group/ Bank 31/12/2021
Subordinated bonds								
LV0000802569	EUR	4 855	1 000	01.06.2022	01.06.2029	7.0	4 855	-
LV0000801728	EUR	20 000	1 000	16.04.2015	24.04.2022	6.0	-	280
Issued debt securities, total ('000 EUR)							**4 855**	**280**

Additional Tier 1 debt securities (not listed)

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Additional Tier 1 debt securities	1 100	1 100	1 100	1 100
Accrued interest payments	22	22	22	22
Total	**1 122**	**1 122**	**1 122**	**1 122**

ISIN	Currency	Issue size	Nominal value	Date of issue	Date of maturity	Discount/ coupon rate, %	Group/ Bank 31/12/2022	Group/ Bank 31/12/2021
Additional Tier 1 debt securities								
LV0000802437	EUR	100	100 000	19.10.2020	-	1 100	1 100	1 100
Additional Tier 1 debt securities, total ('000 EUR)							**1 100**	**1 100**

31. OTHER LIABILITIES

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Other financial liabilities				
Credit card payments	253	253	279	279
Money in transit	1 704	1 704	215	215
Short term liabilities	1	1	28	28
Other liabilities, balances of closed customers' accounts	996	996	292	292
Other non-financial liabilities				
Operating and other liabilities	51	51	36	36
Tax settlements	60	60	10	10
Other liabilities	55	-	55	3
Total other liabilities	**3 120**	**3 065**	**915**	**863**

32. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Group and Bank

	2022 EUR'000		2021 EUR'000	
	Carrying amount	Nominal value	Carrying amount	Nominal value
Assets				
Forward contracts	3	5 960	77	37 105
Total derivative financial assets	**3**	**5 960**	**77**	**37 105**
Liabilities				
Forward contracts	-	-	1	37 030
Total derivative liabilities	**-**	**-**	**1**	**37 030**

As at 31 December 2022 the Bank had 3 outstanding foreign exchange forward contracts (in 2021 – 4 contracts).

33. SHARE CAPITAL AND RESERVES

As of 31 December 2022, the authorized share capital comprised 31 781 081 ordinary shares (2021: 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.

	2022		2021	
	Quantity	EUR'000	Quantity	EUR'000
Share capital				
Ordinary shares with voting rights	31 781 081	44 493	31 781 081	44 493
	31 781 081	**44 493**	**31 781 081**	**44 493**

The statutory reserve of EUR 24 thousand is not subject to any restrictions and can be distributed to the shareholders following an appropriate decision.

Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to the legislation of Latvia. In accordance with the legislation of the Republic of Latvia, the amount of reserves available for distribution at the reporting date is EUR 40 377 thousand (2021: EUR 37 415 thousand).

During 2022, 7.5 million EUR dividends were distributed, 0.24 EUR per share.

During 2021, 5 million EUR dividends were distributed, 0.16 EUR per share.

34. CASH AND CASH EQUIVALENTS

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash and balances due from central banks	120 527	120 527	270 118	270 118
Due from credit institutions on demand and within 3 months	16 799	16 785	34 303	34 285
Due to credit institutions on demand and within 3 months	(6 623)	(6 623)	(2 958)	(2 958)
Total cash and cash equivalents	**130 703**	**130 689**	**301 463**	**301 445**

35. 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.

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Unused loan facilities	55 821	55 824	37 728	37 728
Unused credit card facilities	936	936	1 087	1 087
Guarantees and other	2 367	2 367	1 925	1 928
	59 124	**59 127**	**40 740**	**40 743**
Provisions	*(129)*	*(130)*	*(92)*	*(92)*

The total contractual amounts of the above loan commitments may differ from the cash flow that may actually be required in future as these commitments may expire before they are claimed.

Group EUR'000, 2022	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Contingent liabilities and commitments, Gross	58 422	663	39	59 124
Impairment allowance	(103)	(2)	(24)	(129)
Net	**58 319**	**661**	**15**	**58 995**

Bank EUR'000, 2022	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Contingent liabilities and commitments, Gross	58 425	663	39	59 127
Impairment allowance	(104)	(2)	(24)	(130)
Net	**58 321**	**661**	**15**	**58 997**

Group EUR'000, 2021	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Contingent liabilities and commitments, Gross	38 883	1 211	646	40 740
Impairment allowance	(69)	(2)	(21)	(92)
Net	**38 814**	**1 209**	**625**	**40 648**

Bank EUR'000, 2021	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Contingent liabilities and commitments, Gross	38 886	1 211	646	40 743
Impairment allowance	(69)	(2)	(21)	(92)
Net	**38 817**	**1 209**	**625**	**40 651**

Movements in the impairment allowance of contingent liabilities and commitments

Movements in the loan impairment allowance for the year ended 31 December 2022 are as follows:

Group EUR'000	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening balance at 1 January 2022	**69**	**2**	**21**	**92**
Transfers due to change in credit risk:				
-from Stage 1 to Stage 2	(1)	1	-	-
-from Stage 2 to Stage 1	-	-	-	-
-from Stage 2 to Stage 3	-	-	-	-
-remaining credit risk changes	33	1	11	45
New originated or purchased	32	-	-	32
Derecognised	(29)	(2)	(5)	(36)
Change for the year	**35**	**-**	**6**	**41**
FX and other movements	(1)	-	(3)	(4)
Closing balance at 31 December 2022	**103**	**2**	**24**	**129**

Bank EUR'000	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening balance at 1 January 2022	**69**	**2**	**21**	**92**
Transfers due to change in credit risk:				
-from Stage 1 to Stage 2	(1)	1	-	-
-from Stage 2 to Stage 1	-	-	-	-
-from Stage 2 to Stage 3	-	-	-	-
-remaining credit risk changes	33	1	11	45
New originated or purchased	33	-	-	33
Derecognised	(29)	(2)	(5)	(36)
Change for the year	**36**	**-**	**6**	**42**
FX and other movements	(1)	-	(3)	(4)
Closing balance at 31 December 2022	**104**	**2**	**24**	**130**

Movements in the impairment allowance of contingent liabilities and commitments

Movements in the loan impairment allowance for the year ended 31 December 2021 are as follows:

Group EUR'000	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening balance at 1 January 2021	**129**	**7**	**60**	**196**
Transfers due to change in credit risk:				
-from Stage 1 to Stage 2)	(2)	2	-	-
-from Stage 2 to Stage 1)	1	(1)	-	-
- from Stage 2 to Stage 3)		(4)	4	-
-remaining credit risk changes	(53)	(24)	(24)	(101)
New originated or purchased	95	24	17	136
Derecognised	(103)	(5)	(33)	(141)
Change for the year	**(62)**	**(8)**	**(36)**	**(106)**
FX and other movements	2	3	(3)	2
Closing balance at 31 December 2021	**69**	**2**	**21**	**92**

Bank EUR'000	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening balance at 1 January 2021	**130**	**7**	**60**	**197**
Transfers due to change in credit risk:				
-from Stage 1 to Stage 2)	(2)	2	-	-
-from Stage 2 to Stage 1)	1	(1)	-	-
-from Stage 2 to Stage 3)		(4)	4	-
-remaining credit risk changes	(54)	(24)	(24)	(102)
New originated or purchased	95	24	17	136
Derecognised	(103)	(5)	(33)	(141)
Change for the year	**(63)**	**(8)**	**(36)**	**(107)**
FX and other movements	2	3	(3)	2
Closing balance at 31 December 2021	**69**	**2**	**21**	**92**

36. LITIGATION

Management is unaware of any other significant actual, pending or likely claims against the Bank and its subsidiaries.

37. ASSETS AND LIABILITIES UNDER MANAGEMENT

	2022		2021	
Assets under management	**Group EUR'000**	**Bank EUR'000**	**Group EUR'000**	**Bank EUR'000**
Due from credit institutions registered in Latvia	1 191	1 191	4 925	4 925
Loans to customers	165	165	1 165	1 165
Non fixed income securities	16 228	16 228	15 466	15 466
Fixed income securities	1 382	1 382	1 356	1 356
Other assets	1	1	4	4
Total assets under management	**18 967**	**18 967**	**22 916**	**22 916**
Liabilities under management				
Non-resident trust liabilities	5 368	5 368	7 559	7 559
Resident trust liabilities	13 599	13 599	15 357	15 357
Total liabilities under management	**18 967**	**18 967**	**22 916**	**22 916**

The largest share of assets under management were invested in non-fixed income securities. Assets under management include loans granted on a trust basis (trust loans) made on behalf of a third party (the beneficiary).

38. RELATED PARTY TRANSACTIONS

Related parties are defined as shareholders who have a significant influence over the Bank (parent company), members of the Council and the Board and Other related parties, that are companies in which parent company and members of the Council and the Board have a controlling interest, key management personnel, their close relatives and companies in which they have a controlling interest, as well as associated and related companies. All transactions with related parties have been carried out at an arm's length.

Loans, deposits and other claims and liabilities to related parties include the following:

	2022		2021	
	Group EUR'000	**Bank EUR'000**	**Group EUR'000**	**Bank EUR'000**
Loans to related parties	5 700	5 700	7 548	7 548
incl. members of the Council and the Board	*903*	*903*	*1 701*	*1 701*
incl. relatives of members of the Council and the Board	*2 583*	*2 583*	*2 657*	*2 657*
incl. companies related to members of the Council and the Board	*2 214*	*2 214*	*3 190*	*3 190*
Impairment allowance	(111)	(111)	(74)	(74)
Net loans to related parties	**5 589**	**5 589**	**7 474**	**7 474**
Other investments – debt securities	4 535	4 535	8 125	8 125
Right-of-use assets – lease contracts	-	9 924	-	10 587
Total loans and other claims	**10 124**	**20 048**	**15 599**	**26 186**
Term and demand deposits and loans	108 545	110 785	131 053	133 359
incl. from the parent company	*94*	*94*	*755*	*755*
incl. from subsidiaries	-	*2 240*	-	*2 306*
incl. from the members of the Council and Board	*1 585*	*1 585*	*869*	*869*
incl. relatives of members of the Council and the Board	*843*	*843*	*2 464*	*2 464*
incl. companies related to members of the Council and the Board	*106 023*	*106 023*	*126 965*	*126 965*
Lease liability	-	10 476	-	11 025
Total deposits and liabilities	**108 545**	**121 261**	**131 053**	**144 384**
Contingent liabilities and commitments	**2 080**	**2 083**	**2 082**	**2 085**

	2022		2021	
	Group Interest rate %	Bank Interest rate %	Group Interest rate %	Bank Interest rate %
Loans to related parties	2.70	2.70	2.41	2.41
Term and demand deposits	0.44	0.44	-0.28	-0.28

Remuneration to the member of Council and Board during 2022 amounted to EUR 869 thousand (2021: EUR 774 thousand) (see Note 11).

	2022		2021	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Income from related party transactions				
Commission income	213	214	690	691
Interest income	609	609	407	407
Expenses from related party transactions				
Interest expense	722	1 054	-	347
Public utilities and maintenance	-	401	-	313
Other expenses	-	-	499	499

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (BANK)

The table below reflects the maturity analysis of financial assets and liabilities based on the contractual term from the reporting date until the maturity dates of the respective assets and liabilities. The remaining period to maturity of assets and liabilities as at 31 December 2022 was as follows:

2022 EUR'000	Up to 1 month including	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	5 years and over, or no maturity	Total EUR'000
Financial assets							
Cash and demand deposits with central banks	120 527	-	-	-	-	-	**120 527**
Deposits with credit institutions	25 292	-	-	-	-	-	**25 292**
Trading financial assets	3	-	-	-	-	-	**3**
Loans and receivables	47 348	6 986	10 689	43 119	177 591	22 577	**308 310**
Investment securities	30 529	7 538	10 954	41 899	70 519	1 529	**162 968**
Other financial assets	1 282	-	-	-	-	8 772	**10 054**
Total financial assets	**224 981**	**14 524**	**21 643**	**85 018**	**248 110**	**32 878**	**627 154**
Financial liabilities							
Demand deposits with credit institutions	6 623	-	-	-	-	-	**6 623**
Financial liabilities carried at amortized cost	336 536	51 906	27 760	56 649	86 842	24 018	**583 711**
Lease liabilities	73	146	146	438	4 307	5 366	**10 476**
Other financial liabilities	-	-	-	-	-	2 954	**2 954**
Total financial liabilities	**343 232**	**52 052**	**27 906**	**57 087**	**91 149**	**32 338**	**603 764**
Maturity gap	**(118 251)**	**(37 528)**	**(6 263)**	**27 931**	**156 961**	**540**	**23 390**
Contingent liabilities and commitments	**59 127**	**-**	**-**	**-**	**-**	**-**	**59 127**

The maturity analysis of the Group is different from the Bank disclosed above only due to lease liabilities.

The negative gap positions are managed in accordance with the Bank's Liquidity risk management policy. There are limits for maturity gap positions, which are set and monitored by the Bank's Investment committee.

The table below reflects the maturity analysis of financial assets and liabilities based on the contractual term from the reporting date until the maturity dates of the respective assets and liabilities. The remaining period to maturity of assets and liabilities as at 31 December 2021 was as follows:

2021 EUR'000	Up to 1 month including	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	5 years and over, or no maturity	Total EUR'000
Financial assets							
Cash and demand deposits with central banks	270 118	-	-	-	-	-	**270 118**
Deposits with credit institutions	33 018	141	-	-	-	1 267	**34 426**
Trading financial assets	1 601	-	-	-	-	-	**1 601**
Loans and receivables	43 945	17 896	14 750	51 282	188 251	28 055	**344 179**
Investment securities	72 940	482	3 649	1 071	18 009	89 057	**185 208**
Other financial assets	15	-	-	-	-	7 631	**7 646**
Total financial assets	**421 637**	**18 519**	**18 399**	**52 353**	**206 260**	**126 010**	**843 178**
Financial liabilities							
Due to central banks	-	-	-	-	81 681	-	**81 681**
Demand deposits with credit institutions	2 958	-	-	-	-	-	**2 958**
Trading financial liabilities	1	-	-	-	-	-	**1**
Financial liabilities carried at amortized cost	376 454	86 381	90 695	96 146	56 191	9 281	**715 148**
Lease liabilities	73	146	146	438	4 307	5 915	**11 025**
Other financial liabilities	28	-	-	-	-	786	**814**
Total financial liabilities	**379 514**	**86 527**	**90 841**	**96 584**	**142 179**	**15 982**	**811 627**
Maturity gap	**42 123**	**(68 008)**	**(72 442)**	**(44 231)**	**64 081**	**110 028**	**31 551**
Contingent liabilities and commitments	**40 743**	**-**	**-**	**-**	**-**	**-**	**40 743**

The maturity analysis of the Group is different from the Bank disclosed above only due to lease liabilities.

The negative gap positions are managed in accordance with the Bank's Liquidity risk management policy. There are limits for maturity gap positions, which are set and monitored by the Bank's Investment committee.

40. FINANCIAL RISK MANAGEMENT

Liquidity risk (Bank)

Residual contractual maturities of financial liabilities of the Bank are presented below. The amounts disclosed in the tables are the contractual undiscounted cash flows in comparison with the carrying amounts of financial liabilities The Group's residual contractual maturities of financial liabilities have not been presented as the difference to the Bank's analysis is insignificant.

EUR'000

31 December 2022	Carrying amount	Gross nominal inflow / (outflow)	Less than 1 month	1– 3 months	3 months to 1 year	1-5 years and more
Non-derivative liabilities						
Demand deposits with credit institutions	6 623	(6 623)	(6 623)	-	-	-
Lease liabilities	10 476	(13 157)	(73)	(146)	(659)	(12 279)
Financial liabilities carried at amortized cost: deposits	577 707	(576 622)	(336 836)	(52 357)	(85 049)	(102 380)
Financial liabilities carried at amortized cost: subordinated debt securities	6 004	(8 480)	-	-	(449)	(8 031)
Total non-derivative liabilities	**600 810**	**(604 882)**	**(343 532)**	**(52 503)**	**(86 157)**	**(122 690)**
Derivative liabilities						
Trading: outflow	5 958	(5 958)	(5 958)	-	-	-
Trading: inflow	(5 961)	5 961	5 961	-	-	-
Total derivative liabilities	**(3)**	**3**	**3**	**-**	**-**	**-**
Unused loan and credit card commitments	56 760	(56 760)	(56 760)	-	-	-
Guarantees given	2 367	(2 367)	(2 367)	-	-	-
Total Liabilities	**659 934**	**(664 006)**	**(402 656)**	**(52 503)**	**(86 157)**	**(122 690)**

EUR'000

31 December 2021	Carrying amount	Gross nominal inflow / (outflow)	Less than 1 month	1– 3 months	3 months to 1 year	1-5 years and more
Non-derivative liabilities						
Due to central banks	81 681	(80 934)	34	69	310	(81 347)
Demand deposits with credit institutions	2 951	(2 951)	(2 951)	-	-	-
Lease liabilities	11 025	(14 384)	(73)	(146)	(659)	(13 506)
Financial liabilities carried at amortized cost: deposits	713 735	(715 521)	(376 674)	(86 726)	(187 315)	(64 806)
Financial liabilities carried at amortized cost: subordinated debt securities	1 413	(1 840)	(11)	(21)	(394)	(1 414)
Total non-derivative liabilities	**810 805**	**(815 630)**	**(379 675)**	**(86 824)**	**(188 058)**	**(161 073)**
Derivative liabilities						
Trading: outflow	906	(906)	(906)	-	-	-
Trading: inflow	(905)	905	905	-	-	-
Total derivative liabilities	**1**	**(1)**	**(1)**	**-**	**-**	**-**
Unused loan and credit card commitments	38 815	(38 815)	(38 815)	-	-	-
Guarantees given	1 928	(1 928)	(1 928)	-	-	-
Total Liabilities	**851 549**	**(856 374)**	**(420 419)**	**(86 824)**	**(188 058)**	**(161 073)**

41. CURRENCY ANALYSIS OF ASSETS AND LIABILITIES (BANK)

The Latvian banking legislation requires that the total foreign currency open position may not exceed 20% of the equity.

The EUR equivalent of assets and liabilities as at 31 December 2022 by the currencies in which they are denominated is as follows:

2022 EUR'000	**EUR EUR'000**	**USD EUR'000**	**Other currencies EUR'000**	**Total EUR'000**
Financial assets				
Cash and demand deposits with central banks	120 412	115	-	**120 527**
Loans and receivables from banks	11 937	11 279	2 076	**25 292**
Trading financial assets	3	-	-	**3**
Loans and receivables	301 115	7 195	-	**308 310**
Investment securities	154 768	8 200	-	**162 968**
Other financial assets	9 763	291	-	**10 054**
Total financial assets	**597 998**	**27 080**	**2 076**	**627 154**
Financial liabilities				
Due to central banks	-	-	-	**-**
Demand deposits with credit institutions	(6 528)	(74)	(21)	**(6 623)**
Trading financial liabilities	-	-	-	**-**
Financial liabilities carried at amortized cost	(562 493)	(19 943)	(1 275)	**(583 711)**
Other financial liabilities	(2 429)	(269)	(256)	**(2 954)**
Total financial liabilities	**(571 450)**	**(20 286)**	**(1 552)**	**(593 288)**
Assets (liabilities) arising from currency exchange				
Spot and forward transaction receivables	15 000	6 274	-	**21 274**
Spot and forward transaction liabilities	(5 958)	(14 958)	(314)	**(21 230)**
Net long/short currency position	**35 590**	**(1 890)**	**210**	**33 910**

The currency analysis of the Group is not significantly different from that of the Bank disclosed above.

The currency gap positions are managed in accordance with the Bank's Currency risk management policy. There are limits for currency gap positions.

41. CURRENCY ANALYSIS OF ASSETS AND LIABILITIES (BANK) (continued)

The Latvian banking legislation requires that the total foreign currency open position may not exceed 20% of the equity.

The EUR equivalent of assets and liabilities as at 31 December 2021 by the currencies in which they are denominated is as follows:

2021 EUR'000	EUR EUR'000	USD EUR'000	Other currencies EUR'000	Total EUR'000
Financial assets				
Cash and demand deposits with central banks	270 114	-	4	**270 118**
Loans and receivables from banks	15 091	12 705	6 630	**34 426**
Trading financial assets	271	1 166	164	**1 601**
Loans and receivables	335 417	8 750	12	**344 179**
Investment securities	171 267	13 941	-	**185 208**
Other financial assets	5 079	2 259	308	**7 646**
Total financial assets	**797 239**	**38 821**	**7 118**	**843 178**
Financial liabilities				
Due to central banks	(81 681)	-	-	**(81 681)**
Demand deposits with credit institutions	(2 408)	(534)	(16)	**(2 958)**
Trading financial liabilities	-	(1)	-	**(1)**
Financial liabilities carried at amortized cost	(669 215)	(38 031)	(7 902)	**(715 148)**
Other financial liabilities	(814)	-	-	**(814)**
Total financial liabilities	**(754 118)**	**(38 566)**	**(7 918)**	**(800 602)**
Assets (liabilities) arising from currency exchange				
Spot and forward transaction receivables	*35 500*	*38 602*	*1 057*	**75 159**
Spot and forward transaction liabilities	*(38 529)*	*(36 566)*	-	**(75 095)**
Net long/short currency position	**40 092**	**2 291**	**257**	**42 640**

The currency analysis of the Group is not significantly different from that of the Bank disclosed above.

The currency gap positions are managed in accordance with the Bank's Currency risk management policy. There are limits for currency gap positions.

42. REPRICING MATURITY ANALYSIS (BANK)

Interest rate risk relates to the changes in the value of the financial instrument as a result of changes in the market rates. As at 31 December 2022, interest rate re-pricing categories were:

2022 EUR'000	Up to 1 month including	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing	Total EUR'000
Financial assets								
Cash and demand deposits with central banks	119 875	-	-	-	-	-	652	**120 527**
Loans and receivables from banks	-	-	-	-	-	-	25 292	**25 292**
Trading financial assets	3	-	-	-	-	-	-	**3**
Investment securities	4 412	7 299	10 861	52 314	84 346	2 941	795	**162 968**
Loans and receivables	181 486	10 228	66 109	39 635	7 690	1 456	1 706	**308 310**
Other financial assets	-	-	-	-	-	-	10 054	**10 054**
Total financial assets	**305 776**	**17 527**	**76 970**	**91 949**	**92 036**	**4 397**	**38 499**	**627 154**
FINANCIAL LIABILITIES								
Due to central banks	-	-	-	-	-	-	-	**-**
Demand deposits with credit institutions	-	-	-	-	-	-	6 623	**6 623**
Trading financial liabilities	-	-	-	-	-	-	-	**-**
Financial liabilities carried at amortized cost	298 627	117 893	27 758	56 227	37 714	6 160	39 332	**583 711**
Other financial liabilities	-	-	-	-	-	-	2 954	**2 954**
Total financial Liabilities	**298 627**	**117 893**	**27 758**	**56 227**	**37 714**	**6 160**	**48 909**	**593 288**
Interest rate risk net position	**7 149**	**(100 366)**	**49 212**	**35 722**	**54 322**	**(1 763)**	**(10 410)**	**33 866**
Interest rate risk gross (cumulative) position	**7 149**	**(93 217)**	**(44 005)**	**(8 283)**	**46 039**	**44 276**	**33 866**	

The reprising maturity analysis of the Group is not significantly different from that of the Bank disclosed above.

42. REPRICING MATURITY ANALYSIS (BANK) (continued)

Interest rate risk relates to the changes in the value of the financial instrument as a result of changes in the market rates. As at 31 December 2021, interest rate re-pricing categories were:

2021 EUR'000	Up to 1 month including	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing	Total EUR'000
Financial assets								
Cash and demand deposits with central banks	269 167	-	-	-	-	-	951	**270 118**
Loans and receivables from banks	-	-	-	-	-	-	34 426	**34 426**
Trading financial assets	77	-	-	-	-	-	1 524	**1 601**
Investment securities	-	2 006	3 543	16 415	158 118	3 291	1 835	**185 208**
Loans and receivables	255 760	17 975	9 374	44 482	12 066	2 929	1 593	**344 179**
Other financial assets	-	-	-	-	-	-	7 646	**7 646**
Total financial assets	**525 004**	**19 981**	**12 917**	**60 897**	**170 184**	**6 220**	**47 975**	**843 178**
FINANCIAL LIABILITIES								
Due to central banks	-	-	-	-	81 681	-	-	**81 681**
Demand deposits with credit institutions	-	-	-	-	-	-	2 958	**2 958**
Trading financial liabilities	1	-	-	-	-	-	-	**1**
Financial liabilities carried at amortized cost	319 485	127 628	71 262	80 837	55 295	1 120	59 521	**715 148**
Other financial liabilities	-	-	-	-	-	-	814	**814**
Total financial Liabilities	**319 486**	**127 628**	**71 262**	**80 837**	**136 976**	**1 120**	**63 293**	**800 602**
Interest rate risk net position	**205 518**	**(107 647)**	**(58 345)**	**(19 940)**	**33 208**	**5 100**	**(15 318)**	**42 576**
Interest rate risk gross (cumulative) position	**205 518**	**95 223**	**36 878**	**16 938**	**50 146**	**55 246**	**39 928**	

The reprising maturity analysis of the Group is not significantly different from that of the Bank disclosed above.

43. MAXIMUM CREDIT EXPOSURE ANALYSIS

The Bank's maximum exposure to credit risk is set out below. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Maximum credit exposure

		Gross maximum credit exposure	
At 31 December EUR'000	**Notes**	**Bank 2022**	**Bank 2021**
Cash and balances with central banks	15	120 527	270 118
Loans and receivables from banks	16	25 292	34 426
Trading financial assets	17, 32	3	1 601
Investment securities	19, 21	162 968	185 208
Loans and receivables	20	308 310	344 179
Other financial assets	26	10 054	7 646
Total financial assets		**627 154**	**843 178**
Unused loan facilities	35	55 824	37 728
Unused credit card facilities	35	936	1 087
Guarantees an others	35	2 367	1 928
Total guarantees and commitments		**59 127**	**40 743**
Total maximum credit risk exposure		**686 281**	**883 921**

The maximum credit risk exposure analysis of the Group is not significantly different from that of the Bank disclosed above.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Limits. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review

Credit risks policies are presented in Note 4.1.

44. CAPITAL ADEQUACY CALCULATION (BANK)

	2022 EUR '000	2021 EUR '000
Tier 1		
Share capital	44 493	44 493
Statutory reserves	24	24
Retained earnings for the previous periods	29 915	27 649
Profit for the reporting period	10 462	9 766
Changes on application of IFRS 9	554	1 110
Revaluation reserve – financial assets	(324)	(128)
Other reserves	(4 221)	(2 403)
Intangible assets	(256)	(351)
Insufficient coverage for non-performing exposures	-	(2)
Other deductions	(26)	(42)
Reduction of Tier 1 capital (Pillar 2 adjustments)	(297)	(244)
Additional Tier 1	1 100	1 100
Total Tier 1	**81 424**	**80 972**
Subordinated debt	**6 361**	321
Reduction of Tier 2 capital (Pillar 2 adjustments)	-	-
Tier 2 capital	**6 361**	**321**
Equity	**87 785**	**81 293**
Risk-weighted value		
Banking portfolio	409 722	443 303
Trading portfolio	-	3 071
Operating risk	45 554	42 482
Total risk exposure amount loan adjustment	16	-
Total risk weighted assets	**455 292**	**488 856**
Total capital as a percentage of risk weighted assets (total capital ratio)	**19.28%**	**16.63%**
Total tier 1 capital expressed as a percentage of risk-weighted assets ("tier 1 capital ratio")	**17.88%**	**16.56%**

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

As at 3I December 2022, the Bank's capital adequacy ratio was 19.28% (2021: 16.63%) which corresponds to the requirements set in the Basel Capital Accord and the regulations of the FCMC of Latvia. Under the capital requirements introduced by Regulation (EU) No 575/2013 of the European Parliament and of the Council and the FCMC 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 31 December 2021 was 8%, according to a special request by the FCMC the Bank was required to ensure a higher capital adequacy of 11% during the period from 3 January 2022 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 -2.60% (Capital conservation buffer – 2.50%, institution-specific countercyclical capital buffer – 0.10% (as at 31.12.2022). 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 FCMC, 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.com/lv/finansu-informacija).

45. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. There were no transfers between the fair value hierarchy levels.

The Group and the Bank

31 December 2022	Published price quotations (1)	Valuation techniques based on market observable inputs (2)	Valuation techniques based on unobservable inputs (3)	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Non fixed income securities	-	320	-	**320**
Derivatives	-	3	-	**3**
Financial assets at fair value through other comprehensive income				
Fixed income securities	25 592	-	379	**25 971**
Non fixed income securities and shares	-	18	-	**18**
	25 592	**341**	**379**	**26 312**
Financial liabilities				
Derivatives	-	-	-	**-**
	-	**-**	**-**	**-**

31 December 2021	Published price quotations (1)	Valuation techniques based on market observable inputs (2)	Valuation techniques based on unobservable inputs (3)	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Fixed income securities	-	-	-	**-**
Non fixed income securities	1 524	633	-	**2 157**
Derivatives	-	77	-	**77**
Financial assets at fair value through other comprehensive income				
Fixed income securities	35 868	-	3 514	**39 382**
Non fixed income securities and shares	-	18	218	**236**
	37 392	**728**	**3 732**	**41 852**
Financial liabilities				
Derivatives	-	1	-	**1**
	-	**1**	**-**	**1**

Included in category "Published price quotations" (Level 1) are financial assets and liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The main asset classes included in this category are financial assets for which the fair value is obtained via pricing vendors or binding broker quotes and assets for which the fair value is determined by reference to indices.

Included in category 2 "Valuation methods based on market observable data" are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument or based on available market data.

Not based upon market observable (Level 3) input means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The following table shows the valuation techniques used in measuring Level 2 fair values:

Type	Valuation technique
Financial assets and liabilities designated as at fair value through profit or loss.	Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.
Financial assets measured at fair value through other comprehensive income	Valuation is based on financial indicators, including discounted cash flows and value of Bank's position with the price hedge

The following table shows the valuation techniques used in measuring Level 3 fair values:

Type	Valuation method	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Assets at fair value through profit or loss (illiquid bonds)	Valuation is based on financial indicators, including discounted cash flows.	Net assets	The estimated fair value would increase (decrease), if: Increase/(decrease) in net assets
Financial assets at fair value through profit or loss	Outlook of the court case and estimated proceeds	Court case's order	The estimated fair value would increase (decrease) if: Positive (negative) court case's order
Financial assets measured at fair value through other comprehensive income	Valuation is based discounted dividend model	Future net revenues; CAPEX	The estimated fair value would increase (decrease) if: revenue increases/ (decreases/ CAPEX decreases/ (increases)

Changes in financial instruments of the Group/Bank classified as Level 3 in Fair Value Hierarchy:

31.12.2022 Financial assets at fair value	31.12.2021.	(Sold)	Fair value adjustment	31.12.2022.
Fixed income securities	**3 514**	(3 135)	-	**379**
Non fixed income securities	**218**	(218)	-	**-**
Total financial assets at fair value	**3 732**	**(3 353)**	**-**	**379**

31.12.2021 Financial assets at fair value	31.12.2020.	Acquired	Fair value adjustment	31.12.2021.
Fixed income securities	**3 135**	379	-	**3 514**
Non fixed income securities	**218**	-	-	**218**
Total financial assets at fair value	**3 353**	**379**	**-**	**3 732**

The table below analyses the fair values of financial instruments other than measured at fair value by the level in the fair value hierarchy into which each fair value measurement is categorised. There were no transfers between the fair value hierarchy levels.

31 December 2022	Level 1: EUR'000	Level 2: EUR'000	Level 3: EUR'000	Total fair value EUR'000	Total carrying amount EUR'000
Financial assets					
Cash and demand deposits with central bank	652	119 875	-	120 527	120 527
Loans and receivables from banks	-	-	25 292	25 292	25 292
Loans to customers	-	-	307 022	307 022	308 310
Investment securities at amortised cost	122 902	-	6 330	129 232	136 659
Other financial assets	-	-	10 054	10 054	10 054
Financial liabilities					
Balances due to central bank	-	-	-	-	-
Deposits and balances due to financial institutions	-	-	6 623	6 623	6 623
Financial liabilities carried at amortized cost	-	-	582 587	582 587	583 711
Other financial liabilities	-	-	2 954	2 954	2 954

31 December 2021	Level 1: EUR'000	Level 2: EUR'000	Level 3: EUR'000	Total fair value EUR'000	Total carrying amount EUR'000
Financial assets					
Cash and demand deposits with central bank	951	269 167	-	270 118	270 118
Loans and receivables from banks	-	-	34 426	34 426	34 426
Loans to customers	-	-	341 654	341 654	344 179
Investment securities at amortised cost	138 215	-	7 017	145 232	144 957
Other financial assets	-	-	7 646	7 646	7 646
Financial liabilities					
Balances due to central bank	-	-	81 681	81 681	81 681
Deposits and balances due to financial institutions	-	-	2 958	2 958	2 958
Financial liabilities carried at amortized cost	-	-	715 424	715 424	715 148
Other financial liabilities	-	-	814	814	814

The following table shows the valuation techniques use in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation method	Significant unobservable inputs
Loans and advances due from financial institutions	Discounted cash flows	Discount rates
Loans	Discounted cash flows	Discount rates
Due to financial institutions	Discounted cash flows	Discount rates
Deposits	Discounted cash flows	Discount rates

46. 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.

	2022			2021		
	Corporate EUR'000	Other EUR'000	Total EUR'000	Corporate EUR'000	Other EUR'000	Total EUR'000
Net interest and similar income	17 589	-	**17 589**	17 740	-	**17 740**
Net fee and commission income	8 442	-	**8 442**	5 309	-	**5 309**
Net other finance income	(533)	-	**(533)**	3 326	-	**3 326**
Other operating income	870	72	**942**	1 002	68	**1 070**
Total operating income	**26 368**	**72**	**26 440**	**27 377**	**68**	**27 445**
Total operating expense	(15 228)	(58)	**(15 286)**	(15 766)	(57)	**(15 823)**
Credit loss allowance	(890)	-	**(890)**	(2 188)	-	**(2 188)**
Profit before tax	**10 250**	**14**	**10 264**	**9 423**	**11**	**9 434**

	2022			2021		
	Corporate EUR'000	Other EUR'000	Total EUR'000	Corporate EUR'000	Other EUR'000	Total EUR'000
Fee and commission income						
Money transfers	1 096	-	**1 096**	1 065	-	**1 065**
Commissions on loans monitoring and service	551	-	**551**	623	-	**623**
Securities transactions	910	-	**910**	2 278	-	**2 278**
Assets management	322	-	**322**	584	-	**584**
Client service	6 072	-	**6 072**	1 623	-	**1 623**
Payment card service	1 421	-	**1 421**	1 125	-	**1 125**
Total net fee and commission income	**10 372**	**-**	**10 372**	**7 298**	**-**	**7 298**
Total assets	667 713	827	**668 540**	874 176	827	**875 003**
Total liabilities	(592 679)	-	**(592 679)**	(799 865)	-	**(799 865)**

47. 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.

Independent Auditor's Report

To the Shareholder of AS BluOr Bank

Auditor's report on the separate and consolidated financial statements

Our opinion

In our opinion, the separate and consolidated financial statements set out on pages 8 to 97 of the annual report give a true and fair view of the separate and consolidated financial position of AS BluOr Bank (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2022, and their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 17 March 2023.

What we have audited

The financial statements, which consist of the separate financial statements of the Bank and the consolidated financial statements of the Group (together "the financial statements") comprise:

- the Group's Consolidated and the Bank's Separate Income Statements for the year ended 31 December 2022;
- the Group's Consolidated and the Bank's Separate Statements of Other Comprehensive Income for the year ended 31 December 2022;
- the Group's Consolidated and the Bank's Separate Statements of Financial Position as at 31 December 2022;
- the Group's Consolidated Statement of Changes in Shareholders' Equity for the year ended 31 December 2022;
- the Bank's Separate Statement of Changes in Shareholders' Equity for the year ended 31 December 2022;
- the Group's Consolidated and the Bank's Separate Statements of Cash Flows for the year ended 31 December 2022; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Bank and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International

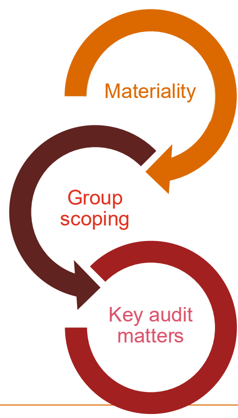
Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Audit Services that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements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

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

The non-audit services that we have provided to the Bank, its parent company and subsidiaries, in the period from 1 January 2022 to 31 December 2022, are disclosed in Note 11 to the financial statements.

Our audit approach

Overview



- Overall Bank and Group materiality: EUR 750 thousand, which represents approximately 1% of net assets of the Group.

- We have audited the separate financial statements of the Bank.
- We have performed selected audit procedures over the significant balances and transactions of subsidiaries.
- Our audit scope covered substantially all of the Group's revenues and substantially all of the Group's total assets.

- Expected credit losses on loans (Group and Bank)

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

Materiality

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

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

Overall materiality	Overall materiality applied to the Bank and the Group was EUR 750 thousand.
How we determined it	Approximately 1% of the Group's net assets at 31 December 2022.
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because net assets, in our view, is the benchmark which is of primary focus by the users of the financial statements and forms the basis for capital adequacy for regulatory purposes. We chose the threshold of 1%, which is within the range of accepted quantitative materiality thresholds for this benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 37,5 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans (Group and Bank) Refer to Note 19 "Loans and receivables" to the financial statements. We focused on this area because application of IFRS 9 "Financial instruments" expected credit loss (ECL) model for loans impairment losses requires complex and subjective judgements over both timing of recognition of expected credit losses and their extent. The key features of the ECL model include classification of loans to 3 stages, assessment of credit risk parameters and application of forward-looking information. The amount of expected credit losses for the Group's and the Bank's loans is based on calculations taking into consideration the exposure at default, probability of default, changes in customer credit rating and taking into account estimated future cash flows from the loan repayments or sale of collateral (loss given default), and ECL adjustments by expected impact of future macroeconomic scenarios. For individually significant loans ECL are calculated on individual basis and expert judgement is applied to determine probability of default (PD) and loss give default (LGD). For other loans the expected credit losses are calculated using the ECL model. As at 31 December 2022 expected credit losses amounted to EUR 3 395 thousand at the Group and the Bank (refer to Note 19).	We assessed whether the Group's and the Bank's accounting policies in relation to the ECL of loans to customers are in compliance with IFRS 9 by assessing each significant model component: exposure at default, probability of default and loss given default, definitions of default and significant increase in credit risk, and the use of macroeconomic scenarios. We assessed the design and operating effectiveness of the controls over relevant loan data and ECL calculations. These controls included controls over monitoring of loan quality, the non-retail loans credit file periodic reviews and related credit rating assessment, timely transfer into overdue accounts where relevant and accuracy of overdue days calculation, appropriate classification into individual or collective assessment, and staging assessment. We also reconciled the source data used in the calculation of PD. Further, we performed detailed testing over loan data, including contract dates, interest rates, collateral values and types, performing/ non-performing status and other inputs used in the ECL calculation. For a sample of individually significant loans to legal entities we evaluated reasonableness of assumptions made by credit expert regarding future cash flow scenarios, PD and LGD, appropriateness of ECL stage applied as well as existence and valuation of collateral . We involved our expert to assess the ECL model and recalculate the credit loss allowance for loans and advances assessed on the collective basis. We tested the accuracy of input information used in ECL model. Finally, we have reviewed the credit risk disclosures.

How we tailored our Group audit scope

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

The Group engagement team carried out audit work on the Bank's financial statements and performed selected audit procedures over the significant balances and transactions of other subsidiaries. Our audit work addressed substantially all of the Group's revenues and the Group's total assets. Audit services for separate and consolidated financial statements was performed solely by us as the Group's auditors. Separate component auditors were not engaged.

Reporting on other information including the Report of the Council and the Board

Management is responsible for the other information. The other information, which we obtained prior to the date of our auditor's report, comprises:

- Report of the Council and the Board, as set out on pages 3 to 5 of the accompanying Annual Report;
- information on the Council and the Board of the Bank, as set out on page 6 of the accompanying Annual Report; and
- Statement of Management's Responsibility, as set out on page 7 of the accompanying Annual Report,
- Statement of Corporate Governance, set out in a separate statement prepared and signed by the Bank's Management Board on 8 February 2023 and available on the Bank's website http://bluorbank.lv as at the date of this audit report,

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

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

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

With respect to the Report of the Council and the Board, we also performed the procedures required by Law on Audit Services of the Republic of Latvia and the Financial and Capital Market Commission Regulation No. 113 "Regulation on preparation of the annual report and consolidated annual report of credit institutions, investment brokerage companies and investment management companies". Those procedures include considering whether the Report of the Council and the Board is prepared in accordance with the requirements of the applicable legislation.

In addition, in accordance with the Law on Audit Services of the Republic of Latvia, with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required by section (3) of Article 56.2 of the Financial Instruments Market Law.

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

- the information given in the Report of the Council and the Board and information on the Council and the Board for the financial year for which the financial statements are prepared is consistent with the financial statements;

- the Report of the Council and the Board has been prepared in accordance with the requirements of the Financial and Capital Market Commission Regulation No 113 "Regulation on preparation of the annual report and consolidated annual report of credit institutions, investment brokerage companies and investment management companies";

- the Statement of Corporate Governance, available on the Bank's website https://bluorbank.lv as at the date of this audit report, includes the information required by section (3) of Article 56.2 of the Financial Instruments Market Law .

In addition, in light of the knowledge and understanding of the Bank and the Group and their operating environment obtained in the course of the audit, we are required to report if we have identified material misstatements in this other information. We have nothing to report in this respect.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged based on our agreement of 12 December 2022 by the Board of the Bank to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of BluOr Bank AS for the year ended 31 December 2022 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been applied by the Board of the Bank to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and the Council

The Board of the Bank is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Members of the Council are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 (R) - 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (ISAE 3000(R)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000 (R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality control requirements and professional ethics

We apply the provisions of the International Standard on Quality Control 1 (IAASB) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the XBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

Appointment

We were first appointed as auditors by the Bank's shareholder's resolution on 28 November 2018. Our appointment has been renewed annually by shareholder's resolution representing a total period of uninterrupted engagement appointment of 5 years.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

/signed digitally/

Ilandra Lejiņa
Certified auditor in charge
Certificate No. 168

Member of the Board

Riga, Latvia
17 March 2023

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

This version of our report is a copy of the original independent auditor's report, which was issued on the Financial Statements of BluOr Bank AS prepared in accordance with the requirements of the European Single Electronic Format. This pdf version of independent auditor's report does not relate to the Latvian version of the financial statements prepared in a pdf format and prepared to make the format more accessible to the Company's shareholders. The original financial statements in machine-readable .xhtml format together with an original independent auditor's report have been submitted to the Nasdaq Riga Stock Exchange (link: https://nasdaqbaltic.com).

Group's Consolidated and Bank's Separate Annual Report for the year ended 31 December 2023

This is a translation in pdf format without the European Single Electronic Format (ESEF) markups of the digitally signed original which was prepared in Latvian and submitted in machine-readable .xhtml format to the Nasdaq Riga Stock Exchange (link: https://nasdaqbaltic.com/)

CONTENT

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, on 14 September 2017 and on 22 March 2022 – license No. 06.01.05.002/543 at the license register of the Latvijas Banka. 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. Those were set up to manage repossessed collaterals and real estate property.

BluOr Bank continues to grow steadily and strengthens its position in the financial market

BluOr Bank's activities in 2023 are characterized by stability and targeted development in accordance with the Bank's business model and strategic goals.

The Bank completed 2023 with a profit of EUR 12.6 million, which is 20.1% more than in 2022. Net operating income of the Bank during the reporting period amounted to EUR 37.5 million. The amount of the Bank's equity capital is EUR 84.7 million. Total assets of the Bank increased by 35% and amounted to EUR 924 million by the end of 2023.

At the end of 2023, the Bank's liquidity coverage ratio reached 176.6%, the capital adequacy ratio was 16.19% (Common Equity Tier 1 adequacy ratio 14.97%). Other key indicators of the Bank's financial performance are also successful: return on equity (ROE) – 14.68% and return on assets (ROA) – 1.67%.

Considering the important role of lending in the growth of the national economy of Latvia, BluOr Bank, in accordance with its business strategy, continued to provide financing to domestic enterprises as a priority in 2023, as evidenced by a significant increase in lending. During the reporting period, the Bank has signed new loan agreements worth EUR 227 million, which is 51% more than originally planned. Corporate lending has doubled compared to 2022: it has increased by 118%.

During the reporting period, the Bank provided support for the growth of enterprises in various sectors and actively supported enterprises in industries such as manufacturing, agriculture and food production. In 2023, the Bank's loan portfolio again included projects to reduce environmental impact and sustainability projects focused on green energy that are receiving increasing attention in the global context.

The total loan portfolio has increased by 38% over the past year, reaching EUR 503 million at the end of the reporting period.

Considering the importance of maintaining the growth potential of small and medium-sized enterprises (SMEs) in the context of the Latvian economy, the Bank continued to ensure the availability of financial resources for the mentioned segment of enterprises and business promotion not only in Riga, but also in several regions of Latvia. In 2023, lending to SMEs and microenterprises accounted for 80% of the total volume of loans issued by the Bank. Several of these projects were implemented in successful cooperation with the state-owned development finance institution ALTUM.

In 2023, when multiple increases in the EURIBOR rate had a significant impact on the companies' business, the Bank, within its support measures, offered solutions that would help clients adapt to the market situation, thereby demonstrating that each client is important to the Bank and that it is interested in customer business continuity.

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 customer needs. During the reporting period, a number of new products were introduced for entrepreneurs as well as the remote identification system was improved, providing even more convenient, secure and efficient cooperation between entrepreneurs and the Bank.

BluOr Bank successfully continues to implement its business strategy, which is focused on providing services to Latvian corporate clients. As a result, for several years there has been a steady increase in the number of the Bank's clients – Latvian legal entities: during the reporting period, their number has increased by another 19.5%. In turn, 95% of BluOr Bank's total client base consists of clients from Latvia, the Baltic States and Europe.

During the reporting period, the Bank has closely followed economic developments both in Latvia and internationally. Assessing the current market situation, BluOr Bank raised the term deposit rates several times during 2023, keeping them in top positions in the overall market valuation.

For several years, the Bank has been successfully cooperating with a number of European fintech companies, attracting deposits from countries such as Germany, Austria, the Netherlands and Spain. These deposits are significant additional investments in the economy of the state of Latvia – for the Bank this means the availability of additional resources and diversification of resources, and for enterprises – additional funds for development. As part of this cooperation during the reporting period, technological integration has been developed, which has provided an opportunity to offer new short-term deposits on even more favourable terms for clients.

In 2023, the Bank actively developed its e-commerce area of activity and improved the online payment function for settlements via the Internet Bank (Bankpay). In the reporting period, the total turnover of Bankpay services, compared to the previous year, has grown almost tenfold, exceeding EUR 10 million. Thanks to the increase in turnover, the number of unique transactions using Bankpay has also increased tenfold. The total e-commerce revenue has grown eight times compared to the previous year, which confirms the correctness of the service development strategy. Since last year, BluOr Bank is one of the few banks that provides support for e-commerce customers in the much-needed 24/7 mode, which has already been highly appreciated by clients.

Last December, BluOr Bank raised financial resources in the amount of almost EUR 5 million as a result of the issuance of Additional Tier 1 (AT1) bonds. Attracting additional capital is one of the prerequisites for the Bank's further growth, which, in turn, allows it to continue providing a wider range of financial services to companies whose business development is an essential driving force for the entire national economy.

As sanctions imposed on Russia, Belarus and other countries intensify, the Bank maintains a high priority status for all risk management and operational compliance issues. It continuously improves its internal processes and information systems in the field of prevention of money laundering, terrorist financing and proliferation, and sanctions risk management, while improving the client transaction monitoring and due diligence processes.

BluOr Bank has included additional sustainability objectives in its operational strategy, in line with the environmental, social and governance (ESG) criteria. These include a clear definition of the requirements for projects that the bank is ready to support, considering global trends in achieving climate protection goals. Thus, the bank also sets out clear basic operating principles for its clients, companies and organisations, which includes environmentally friendly practices, social responsibility and good governance, promoting sustainable development and a positive impact on society and the environment.

In 2024, BluOr Bank will continue to provide financing to Latvian enterprises as a priority area of activity, as well as maintain the development and implementation of products and services promoting the business development of companies.

As at issuance of the annual report the Board proposes to distribute part of the profit amounting to EUR 7 million as dividends and the rest to keep as retained earnings to strengthen the capital position of the Group.

Corporate Governance Statement can be found on the Bank's website in the section "information disclosure" (https://www.bluorbank.lv/en/compliance).

On behalf of the Bank,

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

This document has been signed in electronic form with a secure electronic signature and contains a time-stamp

Council and Board of the Bank

Council as of 31 December 2023

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

Board as of 31 December 2023

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
Dmitrijs Feldmans	Member of the Board	13 June 2019
Vadims Morozs	Member of the Board	12 August 2019

On 08 December 2023, Igors Petrovs was released from his duties of a Member of the Board, changes registered at the Register of Enterprises of the Republic of Latvia, on 12 December 2023.

On 29 February 2024, Dmitrijs Feldmans was released from his duties of a Member of the Board, changes registered at the Register of Enterprises of the Republic of Latvia, on 29 February 2024.

On behalf of the Bank,

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

This document has been signed in electronic form with a secure electronic signature and contains a time-stamp

Statement of the Management's responsibility

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

The Group's consolidated and the Bank's separate financial statements are prepared in accordance with IFRS Accounting standards 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 financial statements.

The Group's consolidated and the Bank's separate financial statements on pages 8 to 94 are prepared in accordance with the source documents and present fairly the financial position of the Group as at 31 December 2023 and the consolidated results of its operations and cash flows for the year then ended, as well as the financial position of the Bank as at 31 December 2023 and the results of its operations and cash flows for the year ended 31 December 2023.

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

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The Group's Consolidated and the Bank's Separate Income Statements

	Note	2023		2022	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest income		37 062	37 062	22 847	22 847
From those income at effective interest rate		*36 720*	*36 720*	*22 629*	*22 629*
Interest expenses		(11 523)	(11 838)	(5 258)	(5 589)
Net interest income	6	**25 539**	**25 224**	**17 589**	**17 258**
Fee and commission income		12 607	12 608	10 372	10 373
Fee and commission expense		(1 743)	(1 743)	(1 930)	(1 930)
Net fee and commission income	7	**10 864**	**10 865**	**8 442**	**8 443**
Net (loss) from trading and revaluation of financial instruments	8	(217)	(217)	(1 705)	(1 705)
Net foreign exchange trading and revaluation income	9	61	61	1 172	1 172
Other operating income	10	1 670	1 595	942	870
Total operating income		**37 917**	**37 528**	**26 440**	**26 038**
Administrative expenses	11	(16 200)	(15 539)	(13 700)	(12 990)
Other operating expenses	12	(1 879)	(1 882)	(1 683)	(1 684)
Credit loss allowances	17,18,19	(2 081)	(2 081)	(890)	(890)
Impairment of non-financial assets	13	-	(1 400)	97	-
Total operating expenses		**(20 160)**	**(20 902)**	**(16 176)**	**(15 564)**
Profit before taxation		**17 757**	**16 626**	**10 264**	**10 474**
Corporate income tax	14	(4 060)	(4 060)	(12)	(12)
Profit for the year		**13 697**	**12 566**	**10 252**	**10 462**

The accompanying notes on pages 15 to 94 form an integral part of these financial statements.

The Council and the Board of the Bank approved the issue of these financial statements as presented from page 8 to 94 on 11 March 2024. The financial statements are signed on behalf of the Council and the Board of the Bank by:

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

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The Group's Consolidated and the Bank's Separate Statements of Other Comprehensive Income

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Profit for the year	**13 697**	**12 566**	**10 252**	**10 462**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Foreign exchange revaluation reserve	(9)	-	(6)	-
Revaluation gain/(loss) – financial assets at fair value through other comprehensive income (debt instruments)	773	773	(1 911)	(1 911)
Total items that may be reclassified to profit or loss	**764**	**773**	**(1 917)**	**(1 911)**
Items that will not be reclassified to profit or loss				
Revaluation loss – financial assets at fair value through other comprehensive income (equity instruments)	-	-	(112)	(112)
Total items that will not be reclassified to profit or loss	**-**	**-**	**(112)**	**(112)**
Other comprehensive (loss)/income	**764**	**773**	**(2 029)**	**(2 023)**
Total comprehensive income	**14 461**	**13 339**	**8 223**	**8 439**

The accompanying notes on pages 15 to 94 form an integral part of these financial statements.

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The Group's Consolidated and the Bank's Separate Statements of Financial Position

Assets	Note	2023		2022	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash and demand deposits with central bank	15	338 024	338 024	120 527	120 527
Loans and receivables from credit institutions	16	24 778	24 770	25 306	25 292
Demand deposits with credit institutions		*24 778*	*24 770*	*25 306*	*25 292*
Trading financial assets		-	-	3	3
Derivatives		-	-	*3*	*3*
Investment securities	17, 19	97 835	97 835	162 968	162 968
Fixed income securities		*97 422*	*97 422*	*162 630*	*162 630*
Non fixed income securities		*413*	*413*	*338*	*338*
Loans and receivables	18	398 564	398 564	308 310	308 310
Investments in associates	20	827	-	827	-
Investments in subsidiary undertakings	20	-	28 871	-	30 266
Investment property	21	2 934	1 614	2 830	1 614
Property and equipment	22	23 549	3 232	24 610	3 438
Right-of-use assets	22	-	9 261	-	9 924
Intangible assets	23	267	267	256	256
Non-current assets classified as held for sale	44	11 150	11 150	11 150	11 150
Prepayments and accrued income	24	854	844	1 661	1 657
Other assets	25	9 494	9 428	10 089	10 054
Corporate income tax receivable		-	-	3	3
Total assets		**908 276**	**923 860**	**668 540**	**685 462**

The Group's Consolidated and the Bank's Separate Statements of Financial Position

Liabilities and Equity	Note	2023		2022	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Due to credit institutions on demand	26	4 407	4 407	6 623	6 623
Financial liabilities carried at amortized cost		814 212	816 637	581 695	583 711
Deposits	*27*	*800 584*	*803 009*	*573 707*	*575 723*
Deposits (subordinated)	*27*	*2 623*	*2 623*	*1 984*	*1 984*
Additional Tier 1 Debt securities (subordinated)	*28*	*6 123*	*6 123*	*1 122*	*1 122*
Debt securities (subordinated)	*28*	*4 882*	*4 882*	*4 882*	*4 882*
Lease liabilities	22	-	9 912	-	10 476
Deferred income and accrued expenses		2 263	2 243	1 112	1 107
Provisions		298	298	129	130
Income tax liabilities	14	3 770	3 770	-	-
Other liabilities	29	2 004	1 904	3 120	3 065
Total liabilities		**826 954**	**839 171**	**592 679**	**605 112**
Shareholders' equity					
Share capital	30	44 493	44 493	44 493	44 493
Statutory reserves	30	24	24	24	24
Revaluation reserve – financial assets at fair value through other comprehensive income		(1 371)	(1 371)	(2 144)	(2 144)
Other reserves	30	(3 412)	(2 400)	(3 413)	(2 400)
Retained earnings		41 588	43 943	36 901	40 377
Total equity attributable to equity holders of the Bank		**81 322**	**84 689**	**75 861**	**80 350**
Total equity and liabilities		**908 276**	**923 860**	**668 540**	**685 462**
Contingent liabilities and commitments	32	99 963	99 966	59 124	59 127

The accompanying notes on pages 15 to 94 form an integral part of these financial statements.

The Council and the Board of the Bank approved the issue of these financial statements as presented from page 8 to 94 on 11 March 2024. The financial statements are signed on behalf of the Council and the Board of the Bank by:

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Dmitrijs Latiševs
Chairman of the Board

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The Group's Consolidated Statement of Changes in the Shareholders' Equity

	Note	Share capital EUR`000	Statutory reserves EUR`000	Revaluation reserve – FVOCI EUR`000	Other reserves EUR'000	Retained earnings EUR`000	Total equity attributable to equity holders of the parent EUR`000	Total equity EUR`000
Balance as at 31 December 2021		**44 493**	**24**	**(121)**	**(3 413)**	**34 155**	**75 138**	**75 138**
Dividends paid		-	-	-	-	(7 500)	**(7 500)**	**(7 500)**
Other comprehensive income for the year:		-	-	(2 023)	-	(6)	**(2 029)**	**(2 029)**
Revaluation of financial assets		-	-	(2 023)	-	-	**(2 023)**	**(2 023)**
Foreign exchange revaluation		-	-	-	-	(6)	**(6)**	**(6)**
Profit for the year		-	-	-	-	10 252	10 252	10 252
Total comprehensive income for the year		-	-	**(2 023)**	**-**	**10 246**	**8 223**	**8 223**
Balance as at 31 December 2022		**44 493**	**24**	**(2 144)**	**(3 413)**	**36 901**	**75 861**	**75 861**
Dividends paid		-	-	-	-	(9 000)	**(9 000)**	**(9 000)**
Other comprehensive income for the year:		-	-	773	1	(10)	**764**	**764**
Revaluation of financial assets		-	-	773	-	-	**773**	**773**
Foreign exchange revaluation		-	-	-	1	(10)	**(9)**	**(9)**
Profit for the year		-	-	-	-	13 697	**13 697**	**13 697**
Total comprehensive income for the year		**-**	**-**	**773**	**1**	**13 687**	**14 461**	**14 461**
Balance as at 31 December 2023		**44 493**	**24**	**(1 371)**	**(3 412)**	**41 588**	**81 322**	**81 322**

The accompanying notes on pages 15 to 94 form an integral part of these financial statements.

The Council and the Board of the Bank approved the issue of these financial statements as presented from page 8 to 94 on 11 March 2024. The financial statements are signed on behalf of the Council and the Board of the Bank by:

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Dmitrijs Latiševs
Chairman of the Board

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The Bank's Separate 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 2021		**44 493**	**24**	**(2 400)**	**(121)**	**37 415**	**79 411**
Dividends paid		-	-	-	-	(7 500)	**(7 500)**
Other comprehensive income for the year:		**-**	**-**	**-**	**(2 023)**	**-**	**(2 023)**
Revaluation of financial assets		-	-	-	(2 023)	-	**(2 023)**
Profit for the year		-	-	-	-	10 462	**10 462**
Total comprehensive income for the year		**-**	**-**	**-**	**(2 023)**	**10 462**	**8 439**
Balance at 31 December 2022		**44 493**	**24**	**(2 400)**	**(2 144)**	**40 377**	**80 350**
Dividends paid		-	-	-	-	(9 000)	**(9 000)**
Other comprehensive income for the year:		-	-	-	773	-	**773**
Revaluation of financial assets		-	-	-	773	-	**773**
Profit for the year		-	-	-	-	12 566	**12 566**
Total comprehensive income for the year		**-**	**-**	**-**	**773**	**12 566**	**13 339**
Balance as at 31 December 2023		**44 493**	**24**	**(2 400)**	**(1 371)**	**43 943**	**84 689**

The accompanying notes on pages 15 to 94 form an integral part of these financial statements.

The Council and the Board of the Bank approved the issue of these financial statements as presented from page 8 to 94 on 11 March 2024. The financial statements are signed on behalf of the Council and the Board of the Bank by:

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The Group's Consolidated and the Bank's Separate Statements of Cash Flows

		2023		2022	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash flow from operating activities					
Profit before taxation		**17 757**	**16 626**	**10 264**	**10 474**
Amortisation of intangible assets		132	132	189	189
Depreciation of property, equipment and right-of-use assets		1 214	1 005	1 356	1 056
Revaluation of financial assets		(86)	(86)	197	197
Interest income		(37 062)	(37 062)	(22 847)	(22 847)
Interest expense		11 523	11 838	5 258	5 589
Impairment of assets (inc. expected credit loss)		2 081	3 481	890	890
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations		**(4 441)**	**(4 066)**	**(4 693)**	**(4 452)**
(Increase) decrease in loans and receivables		(90 753)	(90 753)	24 573	24 574
(Increase) decrease in term deposits with credit institutions		4 184	4 184	(8 366)	(8 366)
Decrease in investment securities		65 680	65 680	18 229	18 229
Decrease in trading financial assets		3	3	1 598	1 598
Decrease in prepayments and accrued income		807	813	314	315
(Increase)/ decrease in other assets		589	629	(2 658)	(2 635)
(Decrease) in due to central banks		-	-	(81 681)	(81 681)
Increase/(decrease) in deposits and due to banks		224 086	224 495	(135 485)	(135 775)
Decrease in held-for-trading financial liabilities		-	-	(1)	(1)
Interest received		36 211	36 211	23 893	23 893
Interest paid		(8 093)	(8 408)	(5 511)	(5 842)
Increase/(decrease) in other liabilities and current tax liabilities		(949)	(995)	2 242	2 240
Increase/(decrease) in deferred income and accrued expenses		1 151	1 136	(264)	(257)
Net cash from operating activities before tax		**228 475**	**228 929**	**(167 810)**	**(168 160)**
Corporate income tax paid		(288)	(288)	(12)	(12)
Net cash from operating activities		**228 187**	**228 641**	**(167 822)**	**(168 172)**
Cash flows from investment activities					
Purchase of fixed and intangible assets		(296)	(279)	(116)	(116)
Disposal of investment property		84	-	87	-
Capital increase in investment in subsidiaries	20	(188)	-	-	-
Capital decrease in investment in subsidiaries	20	-	(5)	-	(10)
Net cash (used in) investing activities		**(400)**	**(284)**	**(29)**	**874**
Cash flows from financing activities					
Lease liabilities repaid on right-of-use asset		-	(564)	-	(549)
Bonds (repaid)		-	-	(264)	(264)
Bonds issued		5 001	5 001	4 855	4 855
Dividends (paid)	30	(9 000)	(9 000)	(7 500)	(7 500)
Net cash (used in) financing activities		**(3 999)**	**(4 563)**	**(2 909)**	**(3 458)**
Net changes in cash and cash equivalents		**223 788**	**223 794**	**(170 760)**	**(170 756)**
Cash and cash equivalents at the beginning of the reporting year		**130 703**	**130 689**	**301 463**	**301 445**
Cash and cash equivalents at the end of the reporting year	31	**354 491**	**354 483**	**130 703**	**130 689**

The accompanying notes on pages 15 to 94 form an integral part of these financial statements.
The Council and the Board of the Bank approved the issue of these financial statements as presented from page 8 to 94 on 11 March 2024. The financial statements are signed on behalf of the Council and the Board of the Bank by:

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Chairman of the Council

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Notes to the Group's Consolidated and the Bank's Separate 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, none of the ultimate beneficial owners controls the Group as at 31 December 2023. 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 company. Those entities form the Group and are shown in the following table:

Name of the company	Country of incorporation, address	Line of business	Holding 31.12.2023 %	Holding 31.12.2022 %
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	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 collaterals overtaken by the bank	100	100
AS Pils Pakalpojumi	Smilšu iela 6, Riga, Latvia	Real estate development	100	100
Foxtran Management Ltd	Suite 102, Blake Building, Corner Eyre & Huston Str., Belize	Management of collaterals overtaken by the bank	100	100
SIA Jēkaba 2	Jēkaba iela 2, Riga, Latvia	Real estate development	100	100
Darzciems Entity SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	100	100
Mazirbe Estate SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	100	100
Lielie Zaķi SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	100	100
Pulkarne Entity SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	100	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 (%) 31.12.2023	Holding (%) 31.12.2022
AS Termo biznesa Centrs	Kr. Valdemāra iela 149, Riga, Latvia	Real estate development	26.15	26.15

2. BASIS OF PREPARATION

(1) Statement of Compliance

The financial statements of the Bank and the Group ("financial statements") have been prepared in accordance with IFRS Accounting standards as adopted by the European Union ("IFRS Accounting standards" or "IFRS"), and regulations of the Financial and Capital Market Commission of the Republic of Latvia ('FCMC') and Bank of Latvia regulations in force as at 31 December 2023.

The Group's consolidated and the Bank's separate financial statements were authorized for issue by the Board on 11 March 2024. Shareholders have the power to reject the financial statements prepared and issued by the management and the right to request that new financial statements are issued.

(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.

(3) Basis of measurement

The Group's consolidated financial statements and the Bank's separate financial statements are prepared on the historical cost basis, except for the following:

- financial instruments at fair value through profit or loss are stated at fair value;
- derivative financial instruments are stated at fair value;
- financial instruments at fair value through other comprehensive income (FVOCI) are valued at fair value;
- repossessed collaterals are recognised at lower of its carrying amount and fair value less cost to sell.

3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of these Group's Consolidated and the Bank's Separate Financial Statements. The accounting principles have been consistently applied, except for the changes in accounting policies.

(1) Basis for consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Investments in subsidiaries are carried in the Bank's separate financial statements at cost less impairment, if any.

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured by the Group at fair value when control is lost.

(iii) Interest in equity-accounted investees

The Group's interests in equity accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for in the Group's consolidated financial statements using the equity method. The Bank ensures the appropriate adjustments are made in the associate's financial information to align the accounting policies with those used by the Group before equity method of accounting is applied. They are initially recognised at cost, including transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI in equity-accounted investees, until the date on which significant influence or joint control ceases.

Investments in associates are carried in the Bank's separate financial statements at cost less impairment, if any.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Group's unified accounting policy

In the preparation of the consolidated financial statements, the financial statements of those Group entities that use different accounting policies are adjusted to conform with the Group's accounting policy.

(2) Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of the Group companies at the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in the income statement.

The exchange rates for the most significant currencies as set by the European Central Bank at reporting date are as follows:

	31 December 2023	31 December 2022
USD	1.1050	1.0666

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into EUR at exchange rates set by the European Central Bank at the reporting date. The income and expenses of foreign operations are translated into the functional currency at the exchange rates of transaction dates.

Foreign currency differences are recognized in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income and accumulated in the translation reserve.

(3) Financial instruments

a) Classification

Financial instruments are classified into the following categories:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

— It is held within a business model whose objective is to hold assets to collect contractual cash flows, and
— Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income (FVOCI) only if it meets both of the following conditions and is not designated as at FVTPL:

— It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
— Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at fair value through profit or loss (FVTPL). IFRS 9 also allows entities to irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

On initial recognition, an equity instrument other than held for trading, may be irrevocably designated as FVOCI, with no subsequent reclassification of profit or losses to the income statement.

Financial liabilities carried at amortised cost represent financial liabilities of the Group and the Bank other than financial instruments designated at fair value through profit or loss. This category includes investment securities, deposits and balances due to credit institutions, customer deposits, issued debt securities and other financial liabilities.

Due from other credit institutions

Demand deposits with central banks, and placements with credit institutions are classified as financial assets measured at amortised cost, provided that the following criteria are met:

- they are held within the business model, which aim is achieved by collecting contractual cash flows ("Held to collect" business model);
- their contractual cash flows represent solely payments of principal and interest on outstanding principal;
- the Group does not designate them on initial recognition to fair value through profit or loss measurement category.

Business model assessment

The Group and the Bank made an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information that is considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;

- how the performance of the portfolio is evaluated and reported to the Bank's and the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's and the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Solely payments of principal and interest (SPPI) assessment

Classification for debt instruments is driven by the group business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect cash flows and sells assets it may be classified as FVOCI.

Making SPPI assessment, the Group and the Bank 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 risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

b) Recognition

The Group and the Bank initially recognize loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the settlement date.

c) Measurement

A financial asset or financial liability is initially measured at fair value plus transaction costs that are directly attributable to acquisition of the financial asset or liability, in the case of a financial asset or liability other than measured at fair value through profit or loss.

Subsequent to initial recognition, all financial assets and liabilities measured at fair value through profit or loss and all financial assets measured at FVOCI are measured at fair value.

All financial liabilities other than those measured at fair value through profit or loss and financial assets other than those measured at FVTPL or FVOCI are measured at amortized cost using the effective interest rate method.

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial asset classified as at fair value through profit or loss is recognised in profit or loss;

- a gain or loss on debt securities classified as at fair value through other comprehensive income is recognised in fair value reserve through other comprehensive income (except for impairment losses and foreign exchange gains or losses on monetary assets) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to debt securities classified as at fair value through other comprehensive income is recognised as earned in profit or loss (net interest income) calculated using the effective interest method.

- equity investments classified at fair value through other comprehensive income are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised including the instances where the terms change substantially or impaired.

d) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method, minus any reduction for impairment.

The effective interest rate is a method of calculating the amortized cost of a financial asset or liability, which is based on the recognition of interest income and expenses over a specific period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the management estimates cash flows considering all contractual terms of the financial instrument but does not consider future losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

e) Derecognition

A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) **is derecognised** when:

- the rights to receive cash flows from the asset have expired; or
- the Group and the Bank have transferred the rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Group and the Bank either (a) have transferred substantially all the risks and rewards of the asset, or (b) have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Bank has transferred the rights to receive cash flows from an asset or has entered into a pass-through arrangement and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's and the Bank's continuing involvement is the amount of the transferred asset that the Group and the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's and the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group and the Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group and the Bank may write-off financial assets that are still subject to enforcement activity when the Group and the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – modification. The Group and the Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group and the Bank assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially (if cash flows differs more than 10%) affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group and the Bank derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group and the Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group and the Bank compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group and the Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

When the contractual cash flows of a financial assets are substantially modified, such a modification is treated as a derecognition of the original assets and the recognition of a new financial asset, and the difference in respective carrying amounts is recognised in the income statement. In the case of financial asset modification, which does not lead to derecognition, the Group and the Bank recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or when 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, and the difference in the respective carrying amounts is recognised in the income statement.

f) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group and the Bank have a legal right to set off the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the trading activity.

(4) Identification and measurement of impairment of financial assets

Identification and measurement of impairment:

The Group and the Bank recognize an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts.

IFRS 9 requires a loss allowance to be recognized at an amount equal to either 12-month expected credit losses (ECLs) or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date.

The Group and the Bank recognize loss allowances at an amount equal to lifetime ECLs (Stage 2 and Stage 3 instruments), except financial instruments for which credit risk has not increased significantly since initial recognition, for which the amount recognized will be the 12-month ECLs (Stage 1 instruments).

Accordingly, the Bank and the Group have established a policy to perform an assessment at the end of each reporting period as to whether a given asset's credit risk has increased significantly since initial recognition. When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank and the Group consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's and the Group's historical experience and forward-looking information. The Bank and the Group primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing the remaining lifetime probability of default (PD) as at the reporting date, with the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Significant assets are tested for impairment on an individual basis, while for insignificant assets a collective assessment is performed. The collective assessment is based on probabilities of default (PD) obtained from the statistical data for the different type of loans and borrowers, adjusted by several macro factors in order to include forward-looking information. For the individual assessment the Bank and the Group estimate ECLs based on a probability-weighted estimate of the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e. the difference between: the contractual cash flows that are due to the Bank and the Group under the contract, and the cash flows that they expect to receive, discounted at the effective interest rate of the loan.

The Bank and the Group have grouped their loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing loans: when loans are first recognized, the Bank and the Group recognize an allowance based on twelve months expected credit losses.
- Stage 2 – Loans with a significant increase in credit risk: when a loan shows a significant increase in credit risk since initial recognition, the Bank and the Group recognize an allowance for the lifetime expected credit loss.

In addition, a significant increase in credit risk is assumed to have taken place, if an event is reported concerning the loan that indicates a significant increase in credit risk, the Bank and the Group expect to grant the borrower forbearance or when forbearance measures have already taken place, or the facility is included in the watch list, or if the borrower falls more than 30 days past due in making its contractual payments.

- Stage 3 – Impaired loans: Financial assets are recognized in Stage 3 when there is objective evidence that the loan is impaired. This category includes non-performing loans (also defaulted) and loans in the process of recovery. A loan is considered as defaulted, if it is clear that borrower will not be able to fulfil his obligations to the Bank without any additional measures like realisation of collateral, or if the borrower falls more than 90 days past due in making its contractual payments. The lifetime expected credit losses are recognized for these loans and in addition, the Bank and the Group accrue interest income on the amortised cost of the loan net of allowances.

The Bank and the Group recognize impairment for FVOCI debt securities as applicable, depending on whether they are classified as Stage 1, 2 or 3, as explained above. However, the expected credit losses will not reduce the carrying amount of these financial assets in the statements of financial position, which shall remain to be stated at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost will be recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

For financial guarantee contracts, the Bank and the Group estimate their lifetime ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that is incurred less any amounts that the guarantor expect to recover from the holder, the debtor or any other party. For other off-balance sheet loan commitments (credit lines, overdrafts) ECL is estimated similarly to on-balance sheet instruments, applying the certain conversion factor, which is calculated based on historical data of usage of such facilities.

(5) Fair value measurement

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 recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. For further analysis of the basis for fair value refer to Note 42.

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.

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.

(6) Derivatives

Derivatives include foreign currency swaps and forwards. As at 31 December 2023 and 2022 all derivatives of the Group and the Bank were classified as financial instruments held for trading.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in the income statement.

Although the Group and the Bank trades in derivative instruments for risk hedging purposes, the Group and the Bank does not apply hedge accounting.

(7) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

If the use of the property has been changed, investment properties are reclassified to property and equipment.

Investment property is initially measured at cost. Subsequently investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

(8) Repossessed assets

In the normal course of business the Group and the Bank occasionally take title to property and other assets that originally were pledged as security for a loan. When the Group and the Bank acquires (i.e. gains a full title to) an asset in this way, the asset's classification follows the nature of its intended use by the Group and the Bank. When the Group or the Bank is uncertain of its intentions with respect to land and buildings that it has repossessed, those properties are classified as assets classified as held for sale.

(9) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Current repair and maintenance costs are charged to the income statement as incurred. Capital repairs of property and equipment are added to property and equipment at cost, and its useful life is extended. Upon increasing the carrying amount of an item of property and equipment by expenses incurred to replace a material component, the replaced component is derecognised according to the derecognition requirements.

Items of property and equipment are derecognised when disposed or when no economic benefits are expected from the use or disposal of these items in the future. Gains or losses from derecognition of items of property and equipment are determined as the difference between the proceeds from disposal and the net carrying amount of the asset at the date of disposal, and are recognised in the income statement.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation is calculated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Depreciation methods, useful lives and residual amounts are reviewed at each reporting date.

Land and buildings

The cost of land and buildings disclosed in the financial statements is their assumed fair value measured at the date of acquisition. Subsequent measurement is carried out on a cost basis similar to other items of property and equipment. Land is not depreciated.

Construction in progress and capital repairs of real estate properties include costs directly attributable to construction in progress, including a corresponding proportion of direct overheads incurred during the establishment of the item of property and equipment. Depreciation of such assets is calculated from the date when the assets are put into operation.

Real estate properties are depreciated over the useful life which is determined to be 50 years.

Leasehold improvements

Depreciation of leasehold improvements is calculated over the remaining period of lease. Depreciation is calculated from the date when leasehold improvements are completed and ready for use.

Useful lives of vehicle and other property and equipment

The annual depreciation percentages are as follows:

Furniture and equipment	20%
Computers	25%
Mobile phones	50%
Others	20%
Vehicle (yacht)	10%

(10) Intangible assets

Intangible assets, except goodwill, are identifiable non-monetary assets without physical substance (licenses, software that is separately identifiable from electronic devices and others) held for rendering of services or other purposes if it is expected that an economic benefit attributable to these assets will flow to the Group and the Bank.

Intangible assets are recorded at cost less accumulated amortization and amortized to the profit or loss in equal amounts over the useful life of the intangible asset. The annual amortization rate for software is 20%.

(11) Recognition of income and expenses

All significant categories of income and expenses, including interest income and expenses, are recognized on an accrual basis.

Interest income and expenses are recognized in the income statement based on the effective interest rate of the asset/liability. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group and Bank estimate future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

Interest income and expenses include discount or premium amortization or other difference between the carrying amount of an interest bearing instrument and its value on the maturity date calculated based on the effective interest rate method.

Fee and commission income and expense are recognised on an accrual basis. Loan origination fees together with the related direct costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest rate method. Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's and the Bank's performance. Such income includes fees for loan, lease or other credit enhancement contracts administration.

Net trading income comprises gains less losses related to trading financial assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

(12) Off-balance sheet items

In the ordinary course of business, the Group and the Bank has off-balance sheet financial instruments consisting of commitments to extend loans and advances, financial guarantees and commercial letters of credit. Such financial instruments are recorded in the balance sheet when they are funded or related fees are incurred or received.

The Group and the Bank measures issued financial guarantees initially at their fair value, which is normally evidenced by the amount of fees received. This fee amount is then amortised on a straight-line basis over the life of the guarantee. At each balance sheet date, the guarantees are measured at the higher of (i) the unamortized balance of the amount at initial recognition and (ii) Expected credit loss.

Documentary and commercial letters of credit represent written undertakings by the Bank and the Group on behalf of a customer authorising a third party to draw drafts on the Bank and the Group up to a stipulated amount under specific terms and conditions.

(13) Taxes

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation. Corporate income tax is included in the profit and loss statement line item "Corporate income tax for the reporting year" in the year for which it is assessed and disclosed by the components in the notes to the financial statements.

Corporate income tax for the distributed profit is calculated as 20/80 of the net amount payable to shareholders. Corporate tax on distributed profit will be recognized when the shareholders of the Company make a decision about profit distribution.

The applicable tax rate in Latvia for undistributed profits earned till 2023 was 0%. For profits earned in 2023 or later periods, corporate income tax should be calculated and paid in the amount of 20% from annual profit after tax. Any amount of corporate income tax paid on undistributed profit will subsequently reduce the amount of tax payable for distribution of profit of the particular year.

(14) Cash and cash equivalents

Cash and cash equivalents are cash on hand and amounts due from the Bank of Latvia and other credit institutions with initial maturities of up to 3 months, except liabilities towards the Bank of Latvia and other credit institutions with initial maturities of up to 3 months.

(15) Leases

the Group and Bank as a lessee

Where the Bank acts as a lessee, the standard requires that right-of-use (RoU) assets and lease liabilities arising from most leases are recognised on the balance sheet.

Depreciation of the RoU assets and interest expenses related to lease liabilities are recognised in the income statement. In the cash flow statement payments for the principal portion of the lease liability are presented within financing activities and payments for the interest portion are presented within operating activities.The lease liability is initially measured as the present value of lease payments that are not paid at the commencement date. Over time, the liability will increase with interest expense accruals and decrease with lease payments. The RoU asset is initially measured at cost i.e. the same amount as the initial measurement of the lease liability plus certain other costs, for example lease payments made at or before commencement date. The RoU asset is thereafter depreciated over the lease term. Lease payments are discounted using the incremental borrowing rate. The Bank applies a single discount rate to a portfolio of leases with reasonably similar characteristics.

the Group as lessor

When acting as a lessor all leases shall be classified as either an operating lease or a finance lease. Operating leases are those leases where the lessor bears the economic risks and benefits.

(16) Provisions

Provisions are recognized in the statement of financial position when the Group and the Bank have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(17) Short-term employee benefits

Short term employee benefits, including salaries and social security contributions, bonuses and vacation benefits are included in net operation expenses on an accrual bases. The Group and the Bank pay fixed security contributions to the State Social Fund on behalf of its employees during the employment period in accordance with local legal requirements and the Group and the Bank will have no obligations to pay further contributions relating to retired employees.

(18) Loans and advances to customers

Loans and advances to customers are recorded when the Group and the Bank advance money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Group and the Bank classify loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC are measured at FVTPL.

(19) Assets under management

Assets managed by the Group and the Bank on behalf of customers are not treated as assets of the Bank and the Group. The Group and the Bank assume no risk in relation to these assets.

(20) Investments in debt securities and Investments in equity securities

Investment securities includes Investments in debt securities and Investments in equity securities.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Group and the Bank classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group and the Bank may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Investments in equity securities. Financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Group. Investments in equity securities are measured at FVTPL, except where the Group elects at initial recognition to irrevocably designate an equity investments at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. When the FVOCI election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Group's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

(21) Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain or loss not previously recognised by the date of the sale of the noncurrent asset is recognised in the profit or loss statement at the date of derecognition. Non-current assets are not depreciated while they are classified as held for sale.

(22) New IFRS, amendments and interpretations

Standards or interpretations effective for the first time for the annual periods beginning 1 January 2023, but did not have material impact on the Bank and the Group:

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IFRS 17 and an amendment to IFRS 4** (effective for annual periods beginning on or after 1 January 2023).
- **Transition option to insurers applying IFRS 17 –** Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies** (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 8: Definition of Accounting Estimates** (effective for annual periods beginning on or after 1 January 2023).
- **Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12** (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules** (effective for annual periods beginning on or after 1 January 2023).

Standards or interpretations effective for the first time for the annual periods beginning after 1 January 2024 or not yet endorsed by the EU

- **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback** (effective for annual periods beginning on or after 1 January 2024).
- **Classification of liabilities as current or non-current – Amendments to IAS 1** (effective for annual periods beginning on or after 1 January 2024).
- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements** (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU).
- **Amendments to IAS 21 Lack of Exchangeability** (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU).

The management of the Group is still evaluating new standards and amendments (effective after 2023) impact on the future financial statements of the Group and the Bank. At present it is not expected that any of these will have a significant impact on the financial statements of the Group and the Bank.

4. 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.

The management of risks associated with ordinary loans involves the assessment of the potential borrower's credit standing that is performed by the Financial Analysis and Risk Management Department. Decisions on granting of loans are made by the Credit Committee or the Board, based on the above analysis and evaluation of collateral. Subsequent to granting a loan, the Financial Analysis and Risk Management Department performs a regular analysis of the borrower's financial position, which enables the Bank and the Group to take prompt action in the case of deterioration of the borrower's financial position.

Following the Russian military invasion of Ukraine on 24 February 2022, the European Union, the United States and other countries have imposed a series of financial and other sanctions against Russian and Belorussian state institutions, companies and individuals, resulting in a sharp collapse of Russian stock, debt and currency markets.

The Bank does not have assets, loans or other financial investments that could be significantly affected by the above events. Also, the Bank does not have significant financial cooperation with financial institutions in Russia, Belorus or Ukraine. In the light of foreseeable risks, the Group and the Bank have already taken the necessary steps to mitigate the potential impact associated with the initiated hostilities on the territory of Ukraine and the sanctions imposed by the international community on Russia. Therefore, the Bank does not see significant credit risks or other losses in the context of the geopolitical situation.

The real estate market does not react as quickly to changes in energy prices, currently we do not see significant changes. Although the Bank as a whole, of course, looks cautiously at the coming periods and monitors the situation on the market and the Bank's borrowers.

As for commercial facilities, it should be taken into account that borrowers (owners of facilities that rent premises) most often transfer utility payments to tenants, under the terms of the lease agreements, and there are no negative trends yet (such as renegotiation of lease terms or outflow of tenants). Of course, the increase in interest rates (EURIBOR) has or will have a negative impact on the borrowers' DSCR, however, the Bank most often finances customers with a sufficient level of DSCR. Accordingly, a reserve has been provided for a potential deterioration in cash flow.

As of the end of 2023, no significant deterioration has been detected for customers; however, the Bank is cautious about the near term, especially with regard to customers, whose own costs of production are significantly driven by energy consumption (food industry, manufacturers of building materials, other manufacturing enterprises with high energy consumption). The Bank continues to closely monitor the situation and supervise the conditions of these loans, working proactively with the client to identify in a timely manner any signs of deterioration in the financial situation. It should be noted that the concentration of any industry in the Bank's loan portfolio does not exceed 20%, while each borrower is assessed individually.

Credit risk that is related to inter-bank operations (or operations with financial institutions), including the credit risk related to inter-bank settlements and the Bank's investments in debt securities, is controlled by the Bank's Investment Committee that sets limits for transactions with each counterparty and issuer.

The Bank and the Group monitor the concentration of significant assets, liabilities, as well as contingent liabilities and commitments' credit risk by geographical regions, customer groups and types (i.e. central governments, local authorities, state enterprises, private enterprises, private individuals, etc.) and industries.

Impairment policies

An important part of the credit risk management is the estimation of provisions under IFRS9, which mostly is based on the assessment of credit risk of financial instruments. As a result of the assessment, all assets are divided into stages according to the level of credit risk and changes thereof.

The Bank and the Group recognize an allowance for expected credit losses on all loans and other debt financial assets, except financial assets which are valued as FVTPL, together with loan commitments and financial guarantee contracts.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered in accounting judgements and estimates include:

- the criteria for assessing the significance of an increase in credit risk and the criteria for granting the Stage 1, Stage 2 or Stage 3 loans that meet the requirements of IFRS9;
- assessing the accounting interpretations and modelling assumptions used to build the ECL calculation models, including various formulas and choice of inputs;
- modelling and calculation of key parameters of ECL model, including probability of default (PD), loss given default (LGD) and exposure at default (EAD);
- determining the macro-economic indicators and incorporating forward-looking information into the ECL model, as described below;
- estimating the above-mentioned indicators for individually assessed loans for a credible future period and calculation of ECL based on cash flow.

In order to estimate the expected credit loss (ECL) for debt securities, inter-bank deposits, letters of credit and financing against securities portfolio, the statistics of historical defaults and recovery rates by Moody's is used. Historical PD is applied accordingly to instruments' or issuers' external credit ratings. If an instrument has not any external rating, it is conservatively assumed to apply historical data which is relevant for the rating B-. For the instruments with prime grades, where historical PD is equal to 0%, it is assumed to take PD=0.005%. PD under these scenario ranges from 0.005% for prime grade instruments to 7.41% for instruments with the lowest ratings. Significant increase in credit risk for such instruments is recognized, for example, if the instrument is downgraded and PD corresponding to the new rating increases by at least 100bp or if the issuer of the security proposed to revise the prospectus of the asset issue.

The approach for ECL calculations for a loan portfolio is based on both a collective and individual assessment. Loans not classified for Stage 3 assets are assessed individually if they meet at least one of the following criteria:

- The balance of the principal amount of loans granted to one customer or a group of related customers is not less than 3 million EUR;
- The balance of the principal amount of loans issued to one customer or a group of related customers exceeds 500 thousand EUR and the total risk rating set in accordance with the "Methodology for assessing the credit risk of borrowers" is 4 or lower.
- The risk profile of a customer (a group of related customers) is quite different from the groups for which impairments are calculated collectively.

The calculation of collective impairments is carried out by applying a statistical model based on historical data of the Bank's credit portfolio for the calculation of PD rates. The Bank calculates PD rates using the Weibull approach, which is widely used in credit institutions of various sizes, both in the domestic and foreign markets. The Weibull approach is particularly well suited for calculating PD rates for portfolios with a low number of historically observed defaults.

The Weibull approach is a PD calculation method that is often used in the industry when other methods based on a larger volume of historical data cannot be applied. For example, if the homogeneous Markov chain approach is not applicable due to insufficient historical data or few default events, the Weibull approach can be applied. With the Weibull approach, historically observed defaults are adjusted (interpolated) to the function curve, resulting in PD rates with relatively small amounts of data.

To calculate PD in accordance with this approach, historical transaction data on the number of new and unique defaults are collected, aggregating the data into homogeneous groups.

Dividing the number of defaults by the total number of transactions in the relevant period, the default rate (DR) and its cumulative values are calculated.

With the Weibull function, historical default data is replicated for each future period and PD cumulative rates are calculated based on the interpolated Weibull curve.

PD rates are calculated for each homogeneous group separately, based on the historical data of the Bank's credit portfolio at the end of each month for at least 36 months, covering data on the Stage classification of each transaction and covering data on exposures assessed both individually and in homogeneous groups and on the number of observed defaults of exposures. If the data does not reflect current market conditions or if historical data is available for a shorter historical period, data for a shorter period of time is used, which is representative of exposures as of the date of ECL calculation.

The Bank models the exposure at default (EAD) every time ECL is calculated based on the payment schedule specified in the agreement and the use of unused credit limits (off-balance sheet obligations).

LGD is calculated at the level of homogeneous portfolio groups or the type of pledged asset, and the calculation is updated at least once a year. At least once a year, the Bank analyses whether the factors by which LGD groups are differentiated are relevant and representative for the current portfolio.

LGD is applied to each risk transaction according to its homogeneous group or type of pledged asset. The Bank applies LGD calculated on the basis of assumptions about the adjustment of the value of recoverable funds depending on the type of mortgaged property.

To adjust the ECL with macroeconomic forecasts, the Bank uses the following approaches:

1) Performs statistical calculations that take into account historical correlations between macroeconomic indicators and the observed probability of default, and, based on forecasts of macroeconomic indicators, determines the applicable adjustments for future PD rates;
2) Uses an expert assessment based on historical data or publicly available source data, or uses information provided by third-party assessment experts.

To adjust the PD of the loan portfolio taking into account forward-looking information, the Bank uses a macroeconomic model, which is developed on the basis of the principles of the one-factor stochastic Vasicek model. The model predicts the development of PD rates due to a single market factor that has a significant impact on the probability of default.

To calculate ECL and forecast future PD rates, a baseline scenario is used, supplemented by one or more alternative scenarios reflecting at least one pessimistic scenario, for example, with a probability of occurrence of 85% and 15%, respectively. Alternative scenarios do not necessarily include less likely extreme or stressful scenarios. The macroeconomic scenarios used for the end of 2023 include forecasts that take into account the impact of negative geopolitical and macroeconomic events.

The PD and LGD rates are adjusted taking into account the weighted value of all scenarios, using the probability distribution of scenarios as weights.

For ECL calculation, the Bank uses the approach PD*EAD*LGD. The approach focuses on each of the variables PD, EAD and LGD separately, which are applied to each of the exposures, on a monthly cash flow basis, in order to obtain the projected amount of ECL in the months up to the final maturity of the loan.

By applying the individual calculation approach, the Bank for Stage 1 loans calculates the expected loss for the next 12 month and for Stage 2 loans calculates the expected loss during the life of the asset as the difference between the future cash flow due to the Bank under the loan agreement and the future cash flow it expects to receive from the relevant asset. For Stage 1 and Stage 2 loans, the Bank assumes that the debtor will fulfil the obligations in accordance with the repayment schedule specified in the loan agreement and applies the PD*EAD*LGD approach.

The bank predicts the development of EAD according to the loan repayment schedule and applies historically observed forward-adjusted PD rates to a comparable sub-portfolio valued in homogeneous groups. If the credit in question has quite a different risk profile from the established homogeneous groups, the PD rates shall be applied according to the expert method, duly substantiated and documented.

LGD is estimated individually based on the assessment of the future cash flow for the corresponding loan in case of default. The future cash flow is discounted by applying the effective interest rate (EIR) or its estimate based on the interest rate applicable to the loan at the time of analysis, as well as on commissions for granting and servicing the corresponding loan. If the Bank does not have access to information on the EIR applicable to the loan, the Bank accepts the EIR equal to the interest rate applicable to the loan. The future cash flow from the debt obligations of the debtor in question is calculated at the level of individual contracts.

For Stage 3 loans, the Bank assumes that the debtor will not fulfil obligations in accordance with the repayment schedule specified in the loan agreement, and the future cash flow could result from the sale of the collateral, minus the related expenses, discounted by applying the EIR or its estimate based on the interest rate applicable to the loan at the time of analysis, as well as on commissions for granting and servicing the corresponding loan.

In 2023 the Bank implemented some changes in the ECL calculation methodology by introducing different scenarios. Multiple scenarios introduced for the individually assessed Stage 1 and Stage 2 loans. These scenarios show the possibility of the development of various events. Base case scenario – predicts cash flows from loan repayment (in accordance with the contract), in case, based on the data of the performed analysis, the cash flow of the borrower's business activity is sufficient for loan repayment in accordance with the schedule established by the contract. Negative scenarios assume that the cash flow from business activity is not sufficient to repay the loan according to the planned loan repayment schedule, and then the coefficient is included for the repayment schedule. Although other scenarios assume that, the sale of collateral occurs with the larger discounts than applied in the Base case scenario.

Furthermore, another negative scenario is applied, in which it is assumed with a small probability that in case the Bank is unable to take over any of the collateral due to unlikely and unforeseen events, as a result of which LGD=100% in the calculation.

To calculate the resulting ECL, the probability of occurrence is included in each scenario. The amount of ECL and the ECL coefficients calculated in each scenario are weighted, by the probability applied to that scenario and the results for all scenarios are being summed.

Scenarios for Stage 3 loans assume that cash flow is generated only as a result of collateral sale.

Impairments for different financial instruments are recognized based on calculated ECL coefficients and these coefficients change dynamically depending on the outstanding amount for each instrument.

(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.

An analysis of sensitivity of the Bank's net profit or loss for the year and comprehensive income to changes in the foreign currency exchange rates based on positions existing as at 31 December 2023 and 31 December 2022 and a simplified scenario of a 5% change in the USD to EUR exchange rates is as follows.

	2023		2022	
EUR'000	**Profit or loss**	**Shareholders' equity**	**Profit or loss**	**Shareholders' equity**
5% appreciation of USD against EUR	(115)	(115)	(74)	(74)
5% depreciation of USD against EUR	115	115	74	74

An analysis of the foreign currency position is presented in Note 38.

(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. A change of interest rates by 100 basis points would result in the following changes in profit or loss and capital and reserves:

	2023 EUR'000	2022 EUR'000
EUR	703	537
USD	(51)	(76)

An analysis of the foreign currency position is presented in Note 39.

(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.

	2023		2022	
EUR'000	Profit or loss	OCI	Profit or loss	OCI
10% increase in securities prices	-	2 067	-	2 599
10% decrease in securities prices	-	(2 067)	-	(2 599)

(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.

The reported ratio of net liquid assets versus current liabilities at the reporting date were as follows:

	2023	2022
As at 31 December	77.34%	72.29%

Net liquid assets include cash and cash equivalents, bonds and receivables from credit institutions net of current liabilities.

Liquidity Coverage Ratio (LCR) at the reporting date was as follows:

	2023	2022
As at 31 December	176.7%	179.8%

In accordance with 'Normative regulations on establishing a capital and liquidity adequacy assessment process' No. 209 of the FCMC, the Bank carries out the assessment of the liquidity reserve adequacy necessary for its operations within the liquidity adequacy assessment process (ILAAP). Liquidity analysis is presented in Note 36.

(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 Group and the Bank have also developed Action plans for various crisis situations. The Group and the Bank have set up an independent structural unit – Internal Audit Service (IAS), the main functions of which also include evaluation of the activities of the Group and the Bank in accordance with the applicable laws and regulations, approved plans, policies and other internal documents of the Bank, and compliance with the internal control procedures of the Group and the Bank's structural units.

(8) Money laundering and terrorism and proliferation financing and sanctions risk management

The existing business model of the Group and the Bank is aimed at providing high-quality financial services to clients, while ensuring an effective internal control system, thereby reducing the risk of the Bank being involved in money laundering and terrorism and proliferation financing, or circumventing international, OFAC or national sanctions. The Group and the Bank improve the internal control system on a regular basis in compliance with the requirements of the laws and regulations of the Republic of Latvia and international guidelines and recommendations of good practice.

The Bank has approved the Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing (hereinafter – AML/CFT/CPF) Policy and the Sanctions Risk Management Policy, which establish:

- The basic principles of conducting customer due diligence before the establishment of the business relationship and during the business relationship, client identification, determining the beneficial owner and monitoring transactions, following a risk-based approach;
- The basic principles of assessing, determining and successfully managing the client's risk of money laundering, financing of terrorism and proliferation and risk of sanctions, defining risk mitigation measures;
- The basic principles of identifying suspicious transactions and timely reporting to the competent government authorities;
- The procedure for terminating business relationship with clients upon identifying disproportionate or costly/difficult to manage risks of sanctions/money laundering, financing of terrorism and proliferation.

During the business relationship with the client, the Bank ensures updating of the client's file, following a risk-based approach. 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, knowing the client's type of economic activity, operational geography, 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 Strategy for Managing the ML/TF/PF and Sanctions Risk, which sets out the key principles for managing the ML/TF/PF risk and the risk of sanctions, 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/TF/PF risk and the risk of sanctions, and the available resources, the Strategy for Managing the ML/TF/PF and Sanctions Risk sets out the ML/TF/PF risk exposure rates and maximum permissible limits in order to effectively know and control the ML/TF/PF risk and the risk of sanctions associated with the activities of clients.

The Strategy for Managing the ML/TF/PF and Sanctions Risk, the AML/CFT/CPF Policy and Sanctions Risk Management Policy establish requirements for such organisational structure elements, 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/TF/PF 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 due diligence prior to establishing business relationship and during the 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 reporting to national competent authorities, such as the Financial Intelligence Unit, the State Revenue Service, the State Security Service, and the Bank of Latvia [Latvijas Banka]. Tier 2 controls also include employees responsible for supervision such as risk management officers, operational compliance officers, heads of structural units.

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

The Bank has appointed a Board member in charge of the ML/TF/PF and sanctions risk management, as well as has approved employees responsible for enforcing the requirements of AML/CFT/CPF and sanctions risk management.

The Bank's internal control system in the area of ML/TF/PF and sanctions risk management is based on the principle of distribution of certain duties and responsibilities between structural units and employees, determining the procedure for making decisions, responsibility for monitoring the client activities and the foundations for the activity of compliance units. The Client Activity Compliance Control Committee has been set up in the Bank, whose competence and responsibility is to make decisions regarding high-risk clients before the establishment of business relationships and during the business relationships, both as part of transaction monitoring and due diligence. The Client Activity Compliance Control Committee ensures the effective functioning of the internal control system, making decisions on risk management measures as well.

(9) Management of compliance risk

Compliance risk is 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. 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 with the requirements of the regulatory enactments of the European Union and the Republic of Latvia. The main goal of the compliance control function is to ensure the identification, assessment and management of the compliance risk. The purpose of the compliance control 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.

Operational compliance describes the Bank's ability to operate in accordance with binding compliance laws, regulations and standards, 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.

The Group and the Bank have introduced an internal whistleblowing system 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.

Within the framework of corporate governance, the process of identifying and managing conflict of interest situations, as well as preventing corruption, is constantly being improved, the approach to obtaining information about situations that may cause conflicts of interest or corruption cases for the Bank is systematized.

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

The Bank has established unified principles and terms for receiving outsourcing services, including the conditions for outsourcing providers, control over the execution of the outsourcing agreement and supervision of outsourcing providers, as well as the procedures by which the Bank manages and minimizes the risks associated with outsourcing.

(10) Sustainability risk

Sustainability risk is the risk that an event or circumstance in the field of environmental, social or governance (ESG) will negatively affect the value of investments. Environmental events could be related to regulatory or legal issues, technology risk or reputation risk. Social events are mostly related to employment issues. Corporate governance events are related to the company's code of conduct, diversity of representation and the rights of minority shareholders. Sustainability risks can take many forms, including risks specific to a particular company, industry, and country, where political risks and the rule of law are at the core. The occurrence of sustainability risk may adversely affect the value of investments.

EU legislation sets standards for integrating sustainability risks into the investment process. Sustainability risk can affect investments both positively and negatively. Therefore, the Bank is committed to introduce the necessary measures so that sustainability factors are taken into account in the investment decision-making process.

Our mission is to create positive long-term investment results for our clients and we believe that this can only be achieved by taking full consideration of sustainability factors. Strong ESG compliance reduces the risk that our investments returns can be compromised by exogenous risk.

As one way of realizing its duty as a responsible investor, the Bank considers sustainability factors among other factors when voting at general meetings based on our delegated voting authority on shares owned by our clients in line with the Bank's Participation Policy.

The Bank understands that sustainability factors can influence target prices and the basic assessment of aspects such as a company, a country, an economic sector, and the investment management strategy; therefore, we undertake to introduce the necessary measures so that sustainability factors are taken into account in the selection and monitoring of investments. In fact, we have invested in a number of companies and sectors that we believe will benefit from increasing institutional investor demand for higher ESG compliance in the future. We monitor the ESG strengths of our chosen investments through reports and management follow-up of the implementation of ESG targets. We believe that responsible, ESG compliant investing can be a strong catalyst for positive change, and will ultimately deliver higher, sustainable returns for all stakeholders.

(11) Capital management

The Bank's Capital Adequacy Management Policy requires maintenance of a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business as well as to ensure the Bank's capital at an adequate level for covering potential risks arising from current and future operations.

As at 31 December 2023, the Bank's capital adequacy ratio was 16.19% (2022: 18.18%) which corresponds to the requirements set in the Basel Capital Accord and the regulations of the LB. Under the capital requirements introduced by Regulation (EU) No 575/2013 of the European Parliament and of the Council and the LB 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 31 December 2023 was 8%, according to a special request by the LB the Bank was required to ensure a higher capital adequacy of 11.60% during the period from 1 January 2023. 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 -2.93% (Capital conservation buffer – 2.50%, institution-specific countercyclical capital buffer – 0.18% (as at 31.12.2023), other reserve -0.25%). The requirements of the total capital reserve should be met using Tier 1 capital.

During the years 2023 and 2022 as of 31 December of these years the Bank and the Group were in compliance with the capital adequacy and the minimum capital requirement specified in the Law On Credit Institutions and the rules of the LB, as well as in compliance with the higher ratio required by the LB. For the calculation of capital adequacy as at 31 December 2023 refer to Note 44.

5. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS as adopted by EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Group's and the Bank's management makes significant estimates and judgements in respect of expected credit losses on loans and receivables (see note "Risk management – Credit risk").

6. NET INTEREST INCOME

	2023		2022	
Interest income	**Group EUR'000**	**Bank EUR'000**	**Group EUR'000**	**Bank EUR'000**
Interest income from financial assets at amortized cost (loans):	35 061	35 061	20 395	20 395
Deposits with credit institutions	*5 874*	*5 874*	*506*	*506*
Loans and receivables	*29 187*	*29 187*	*19 889*	*19 889*
including interest income on impaired loans	*627*	*627*	*575*	*575*
Interest income from financial assets measured at fair value through other comprehensive income	255	255	64	64
Interest income from financial assets measured at amortised cost (fixed income securities)	1 578	1 578	1 378	1 378
Other interest income	168	168	1 010	1 010
Total interest income	**37 062**	**37 062**	**22 847**	**22 847**
Interest expense				
Interest expense from liabilities measured at amortized cost:	9 311	9 311	2 641	2 641
Deposits	*9 311*	*9 311*	*2 641*	*2 641*
Interest expense on issued bonds	491	491	313	313
Payments to the Deposit Guarantee Fund and other funds	1 058	1 058	1 046	1 046
Other interest expense	663	978	1 258	1 589
Total interest expense	**11 523**	**11 838**	**5 258**	**5 589**
Net interest income	**25 539**	**25 224**	**17 589**	**17 258**

7. NET FEE AND COMMISSION INCOME

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Fee and commission income				
Money transfers	1 946	1 947	1 096	1 097
Commissions on loans monitoring and service	808	808	551	551
Securities transactions	1 147	1 147	910	910
Assets management	316	316	322	322
Client service	6 546	6 546	6 072	6 072
Payment card service	1 844	1 844	1 421	1 421
Total fee and commission income	**12 607**	**12 608**	**10 372**	**10 373**
Fee and commission expense				
Money transfers	57	57	73	73
Payment card service	1 326	1 326	1 407	1 407
Securities transactions	347	347	390	390
Other	13	13	60	60
Total fee and commission expenses	**1 743**	**1 743**	**1 930**	**1 930**
Net fee and commission income	**10 864**	**10 865**	**8 442**	**8 443**

Fee and commission income and expense is accounted according to the point in time principles. The Group and the Bank did not have any agreements with multiple performance obligations.

8. NET (LOSS) / PROFIT FROM TRADING AND REVALUATION OF FINANCIAL INSTRUMENTS

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Net (loss) / profit from trading with financial assets at fair value through profit or loss	(100)	(100)	(1 093)	(1 093)
Net profit from trading with financial assets not measured at fair value through profit or loss	(203)	(203)	(415)	(415)
Net profit/(loss) from revaluation of financial assets and liabilities at fair value through profit or loss	86	86	(197)	(197)
Net profit from trading and revaluation of financial instruments	**(217)**	**(217)**	**(1 705)**	**(1 705)**

9. NET FOREIGN EXCHANGE TRADING AND REVALUATION INCOME

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Net profit from foreign exchange transactions	222	222	1 070	1 070
Net profit / (loss) from revaluation of foreign exchange	(161)	(161)	102	102
Net foreign exchange income	**61**	**61**	**1 172**	**1 172**

10. OTHER OPERATING INCOME

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Fines received	281	281	201	201
Dividends received	18	18	36	36
Other	1 371	1 296	705	633
Total other operating income	**1 670**	**1 595**	**942**	**870**

11. ADMINISTRATIVE EXPENSES

		2023		2022	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Salaries to the members of the Board and Council		978	978	869	869
Staff remuneration		7 985	7 864	6 257	6 149
Compulsory state social security contributions (Board and Council)		231	231	205	205
Compulsory state social security contributions (staff)		1 701	1 673	1 448	1 423
Other staff costs		68	66	45	43
Communications and transport		255	247	250	242
Professional services		595	578	807	792
Public utilities and maintenance		700	644	650	609
Depreciation costs	23	1 214	1 005	1 356	1 055
Amortization costs	24	132	132	189	189
Computer network		380	380	370	370
Advertisement and marketing expenses		355	355	281	280
Other taxes		674	469	577	379
Insurance		99	94	83	80
Audit fee		184	184	135	135
Other		649	639	178	170
Total administrative expenses		**16 200**	**15 539**	**13 700**	**12 990**

The average number of employees in the Group in 2023 was 216 (2022 – 200) and in the Bank was 211 (2022 – 195).

In 2023, the remuneration of the sworn auditor was 183.7 thousand EUR, including 172.7 thousand EUR for the audit of financial statements (consolidated financial statements), 5.5 thousand EUR for the certification task related to the conclusion whether the Bank has complied with the requirements of the Financial Instruments Market Law with respect to its obligations regarding t the separation of financial instruments, the separate holding of financial instruments and funds of clients, and 5.5 thousand EUR for the certification task related to the conclusion whether the Bank has complied with the requirements of the Deposit Guarantee Law in preparing its report on covered deposits and payments to the Deposit Guarantee Fund.

In 2022, the remuneration of the sworn auditor was 135 thousand EUR, including 125 thousand EUR for the audit of financial statements (consolidated financial report), 5 thousand EUR for the certification task related to the conclusion whether the Bank has complied with the requirements of the Financial Instruments Market Law with respect to its obligations regarding t the separation of financial instruments, the separate holding of financial instruments and funds of clients, and 5 thousand EUR for the certification task related to the conclusion whether the Bank has complied with the requirements of the Deposit Guarantee Law in preparing its report on covered deposits and payments to the Deposit Guarantee Fund.

12. OTHER OPERATING EXPENSES

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Membership fees	300	300	306	306
Fees for real estate management	3	-	2	2
Royalties for the use of a trademark	1 163	1 163	1 161	1 161
Other	413	419	214	215
Total other operating expenses	**1 879**	**1 882**	**1 683**	**1 684**

In 2023, as part of its operating activities the Bank made payments of EUR 1 163 thousand (2022: EUR 1 161 thousand) for the use of the registered trademark BluOr to the owner of this trademark (licensor). The owner of trademarks is responsible for trademark registration, legal protection and brand development and promotion activities.

13. IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment of assets for the Group

	2023 EUR'000	2022 EUR'000
Total allowances as at the beginning of the reporting period	**3 506**	**3 608**
Release of allowances for investment property	-	(97)
Investment property written off during the reporting year	-	-
Other assets written off during the year	(6)	(5)
Total allowance as at the end of the reporting period*	**3 500**	**3 506**

* including impairment for investment properties 2,479 thousand EUR (see Note 22), and investments in associates 1,021 thousand EUR (see Note 21).

Impairment of assets for the Bank

	2023 EUR'000	2022 EUR'000
Total allowances as at the beginning of the reporting period	**5 474**	**5 474**
Impairment for investments in subsidiaries	1 400	-
Total allowance as at the end of the reporting period*	**6 874**	**5 474**

* including impairment for investment properties 1,607 thousand EUR (see Note 22) and investments in subsidiaries 5,267 thousand EUR (see Note 21).

14. CORPORATE INCOME TAX

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Corporate income tax for additional payment for credit institutions	(3 141)	(3 141)	-	-
Corporate income tax for dividends	(906)	(906)	-	-
Corporate income tax for the conditionally distributed profit	(13)	(13)	(12)	(12)
Total corporate income tax	**(4 060)**	**(4 060)**	**(12)**	**(12)**

Income tax liabilities

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Corporate income tax for additional payment for credit institutions	(3 141)	(3 141)	-	-
Corporate income tax for dividends	(629)	(629)	-	-
Total corporate income tax	**(3 770)**	**(3 770)**	**(12)**	**(12)**

According to the Law on Corporate Income Tax of the Republic of Latvia adopted on 28 July 2017, and effective as of 1 January 2018, a 20% rate is only applied to distributed profits while a 0% rate is expected to be applied to undistributed profits. Therefore, deferred tax assets and liabilities are recognisable at nil amount as of 31 December 2023 as the Group and the Bank have full discretion on the distribution decisions.

15. CASH AND DEMAND DEPOSITS WITH CENTRAL BANK

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash	576	576	652	652
Balance with the Bank of Latvia (including the minimum reserve deposit)	337 448	337 448	119 875	119 875
Total	**338 024**	**338 024**	**120 527**	**120 527**

According to the regulations of the Bank of Latvia, the total amount of funds on the account with the Central Bank should not be less than the amount of the obligatory reserves calculated from the average amount of customer deposits during the month. The obligatory reserve as at 31 December 2023 was EUR 6 888 thousand (2022: EUR 5 304 thousand).

Cash and balances with the Bank of Latvia are available on demand, thus, taking into account very low probabilities of default of these balances, expected credit loss is immaterial.

16. LOANS AND RECEIVABLES FROM CREDIT INSTITUTIONS

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Demand deposits with credit institutions				
Credit institutions registered in Latvia	-	-	1	1
Credit institutions registered in OECD countries	19 257	19 249	23 967	23 953
Credit institutions of other countries	5 937	5 937	1 338	1 338
Total demand deposits with credit institutions	**25 194**	**25 186**	**25 306**	**25 292**
Expected credit loss allowance	**(416)**	**(416)**	**-**	**-**
Total deposits with credit institutions	**24 778**	**24 770**	**25 306**	**25 292**

The Group and the Bank did not have significant exposures on the credit institutions in Russia or Ukraine.

Deposits with credit institutions 2023

Group, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	24 523	-	671	25 194
(Less) expected credit loss allowance	-	-	(416)	(416)
Net	**24 523**	**-**	**255**	**24 778**

Deposits with credit institutions 2023

Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	24 515	-	671	25 186
(Less) expected credit loss allowance	-	-	(416)	(416)
Net	**24 515**	**-**	**255**	**24 770**

Deposits with credit institutions 2022

Group, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	25 306	**-**	**-**	**25 306**
(Less) expected credit loss allowance	-	-	-	-
Net	**25 306**	**-**	**-**	**25 306**

Deposits with credit institutions 2022

Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	25 292	-	-	25 292
(Less) expected credit loss allowance	-	-	-	-
Net	**25 292**	**-**	**-**	**25 292**

The Bank's demand deposits with credit institutions based on rating agency ratings are as follows:

	2023 EUR'000	2022 EUR'000
Rated from AAA to A-	8 587	7 381
Rated from BBB+ to BBB-	5 034	6 405
Rated from BB+ to BB-	690	64
Rated below BB-	-	-
Not rated	10 459	11 442
Total deposits with credit institutions	**24 770**	**25 292**

The Bank has established its own methodologies for assessment of creditworthiness for credit institutions with no external rating assigned. The Bank maintains a system of maximum potential exposure limits that are assigneds the maximum potential exposure for each counterparty based on the external ratings assigned or agency ratings or individual credit risk internal assessment.

As at 31 December 2023, the Bank had correspondent accounts with 19 banks (2022: 19). The largest account balances exceeding 10% of total deposits with credit institutions were with EUROCLEAR BANK –2 595 thousand EUR (2022 – 4 427 thousand EUR), MAREX FINANCIAL – 5 034 thousand EUR (2022 – 6 405 thousand EUR), STONEX FINANCIAL LTD –4 275 thousand EUR (2022 – 7 753 thousand EUR.

As at 31 December 2023, EUR 3 904 thousand (2022 – 8 507 thousand EUR) was pledged with other credit institutions.

17. INVESTMENT SECURITIES

Investment securities

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Non- fixed income securities				
SWIFT	18	18	18	18
VISA INC	395	395	320	320
Non- fixed income securities	**413**	**413**	**338**	**338**

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Fixed income securities				
At fair value through other comprehensive income	20 648	20 648	25 971	25 971
At amortised cost (see Note 20)	76 774	76 774	136 659	136 659
Fixed income securities	**97 422**	**97 422**	**162 630**	**162 630**
Investment securities total	**97 835**	**97 835**	**162 968**	**162 968**

Investment securities measured at fair value through other comprehensive income based on rating agency ratings are as follows (Group and Bank):

Fixed income securities	2023 EUR’000	2022 EUR’000
Fixed income securities issued by credit institutions of Latvia		
Rated from BBB+ to BBB-	1 815	1 810
Total fixed income securities issued by credit institutions of Latvia	**1 815**	**1 810**
Fixed income securities issued by corporates of Latvia		
Not rated	379	379
Total fixed income securities issued by corporates of Latvia	**379**	**379**
Fixed income securities issued by central governments of OECD countries		
Rated from AAA to A-	13 538	13 628
Total fixed income securities issued by central governments of OECD countries	**13 538**	**13 628**
Fixed income securities issued by credit institutions of OECD countries		
Rated from AAA to A-	-	10 055
Total fixed income securities issued by credit institutions of OECD countries	**-**	**10 055**
Fixed income securities issued by corporates of OECD countries		
Rated from BB+ to BB-	4 916	99
Total fixed income securities issued by corporates of OECD countries	**4 916**	**99**
Total fixed income securities	**20 648**	**25 971**
Expected credit loss allowance	**(53)**	**(17)**

In order to conservatively calculate ECL for not rated securities, PD which corresponds to B- rating is applied.

Financial assets measured at fair value through profit and loss

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Shares and other non-fixed income securities				
Shares in VISA INC	395	395	320	320
Total of shares and other securities with non-fixed income	**395**	**395**	**320**	**320**

Financial assets measured at fair value through other comprehensive income (fixed income securities), 2023

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	20 648	-	-	**20 648**
Expected credit loss allowance	(53)	-	-	(53)
Net	**20 595**	**-**	**-**	**20 595**

Financial assets measured at fair value through other comprehensive income (fixed income securities), 2022

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	**25 971**	**-**	**-**	**25 971**
Expected credit loss allowance	(17)	-	-	(17)
Net	**25 954**	**-**	**-**	**25 954**

Information about credit loss allowances, 2023

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening balance at 1 January 2023	**17**	**-**	**-**	**17**
Transfers due to change in credit risk:				
-remaining credit risk changes	-	-	-	-
New originated or purchased	36	-	-	36
Derecognised	-	-	-	-
Change for the year	**-**	**-**	**-**	**-**
FX and other movements	-	-	-	-
Closing balance at 31 December 2023	**53**	**-**	**-**	**53**

Information about credit loss allowances, 2022

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening balance at 1 January 2022	**111**	**-**	**-**	**111**
Transfers due to change in credit risk:				
-remaining credit risk changes	(1)	-	-	(1)
New originated or purchased	-	-	-	-
Derecognised	(93)	-	-	(93)
Change for the year	**(94)**	**-**	**-**	**(94)**
FX and other movements	-	-	-	-
Closing balance at 31 December 2022	**17**	**-**	**-**	**17**

18. LOANS AND RECEIVABLES

(a) Loans

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Financial institutions	8 096	8 096	7 889	7 889
Corporates	379 091	379 091	289 906	289 906
Individuals	14 630	14 630	13 910	13 910
Total loans and receivables	**401 817**	**401 817**	**311 705**	**311 705**
Expected credit loss allowance				
Financial institutions	(30)	(30)	(84)	(84)
Corporates	(3 030)	(3 030)	(3 079)	(3 079)
Individuals	(193)	(193)	(232)	(232)
Total expected credit loss allowance	**(3 253)**	**(3 253)**	**(3 395)**	**(3 395)**
Net loans and receivables	**398 564**	**398 564**	**308 310**	**308 310**

b) Analysis of loans by type

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Loan portfolio				
Corporate loans	237 566	237 566	150 612	150 612
Industrial loans	5 099	5 099	6 684	6 684
Payment cards loans	787	787	889	889
Loans secured by real estate collateral	147 136	147 136	141 099	141 099
Finance lease	4 267	4 267	4 609	4 609
Trade finance	2 435	2 435	2 006	2 006
Other loans	2 120	2 120	3 540	3 540
Total loan portfolio	**399 410**	**399 410**	**309 439**	**309 439**
Securities-backed loans				
Securities-backed financing	2 407	2 407	2 366	2 366
Total securities-backed loans	**2 407**	**2 407**	**2 366**	**2 366**
Total loans and receivables	**401 817**	**401 817**	**311 705**	**311 705**
Total expected credit loss allowance	(3 253)	(3 253)	(3 395)	(3 395)
Net loans and receivables	**398 564**	**398 564**	**308 310**	**308 310**

(c) Geographical segmentation of loans

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Loans to residents of Latvia	297 634	297 634	242 245	242 245
Loans to residents of OECD countries	38 876	38 876	41 083	41 083
Loans to residents of non-OECD countries	65 307	65 307	28 377	28 377
Total loans and receivables	**401 817**	**401 817**	**311 705**	**311 705**
Total expected credit loss allowance	(3 253)	(3 253)	(3 395)	(3 395)
Net loans and receivables	**398 564**	**398 564**	**308 310**	**308 310**

The Group and the Bank has no direct exposures (loans) on entities or individuals in Russia or in Ukraine.

(d) Ageing structure of the loan portfolio

Bank

			Of which past due by the following terms				
	Total EUR'000	Of which not past due on the reporting date	Less than 30 days	31-90 days	91-180 days	More than 180 days	Net carrying amount of overdue loans
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
As at 31 December 2022							
Net carrying amount	**308 310**	303 723	2 711	146	-	1 730	4 587
Out of which impaired	**2 381**	474	42	135	-	1 730	1 907

The Group's ageing structure is not materially different from that of the Bank.

Expected credit loss allowance, 2023

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	**372 155**	**21 140**	**8 522**	**401 817**
(Less) expected credit loss allowance	(779)	(169)	(2 305)	(3 253)
Net	**371 376**	**20 971**	**6 217**	**398 564**

Expected credit loss allowance, 2022

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	**258 686**	**48 067**	**4 952**	**311 705**
(Less) expected credit loss allowance	(479)	(345)	(2 571)	(3 395)
Net	**258 207**	**47 722**	**2 381**	**308 310**

(e) Impaired loans

	2023 EUR '000		2022 EUR '000	
	Group	**Bank**	**Group**	**Bank**
Impaired loans, gross	**8 522**	**8 522**	**4 952**	**4 952**
Expected credit loss allowance	(2 305)	(2 305)	(2 571)	(2 571)
Net loans and receivables	**6 217**	**6 217**	**2 381**	**2 381**

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral on credit impaired assets at 31 December 2023 is as follows.

	Over-collateralised assets		Under-collateralised assets	
EUR'000	**Carrying value of the assets**	**Value of collateral**	**Carrying value of the assets**	**Value of collateral**
Loans to corporate customers	**6 176**	**14 640**	**-**	**-**
Loans to SME	6 176	14 640	-	-
Loans to individuals	**41**	**91**	**-**	**-**
Consumer loans	41	91	-	-

The effect of collateral on credit impaired assets at 31 December 2022 is as follows.

	Over-collateralised assets		Under-collateralised assets	
EUR'000	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Loans to corporate customers	**2 339**	**6 922**	**-**	**-**
Loans to SME	2 339	6 922	-	-
Loans to individuals	**42**	**77**	**-**	**-**
Consumer loans	42	77	-	-

(f) Movements in the impairment allowance

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

Group and Bank, 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.

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 and 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.

Movements in the loan impairment allowance for the year ended 31 December 2022 are as follows:

Group and Bank, 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 2022	**240**	**420**	**3 197**	**3 857**	**235 564**	**68 384**	**29 559**	**333 507**
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(3)	255	(252)	**-**	(2 419)	15 651	(13 232)	**-**
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(34)	-	34	**-**	(675)	(4)	679	**-**
-to Stage 1 from Stage 2	120	(120)	-	**-**	14 414	(14 414)	-	**-**
-remaining credit risk changes	150	(190)	509	**469**	(26 308)	(12 333)	(774)	**(39 415)**
New originated or purchased	79	-	-	**79**	68 730	-	-	**68 730**
Derecognised	(134)	(44)	(1 064)	**(1 242)**	(41 536)	(12 448)	(11 469)	**(65 453)**
Change for the year	**178**	**(99)**	**(773)**	**(694)**	**12 206**	**(23 548)**	**(24 796)**	**(36 138)**
Write-offs								
FX and other movements	-	-	-	**-**	(8)	434	-	**426**
Closing balance at 31 December 2022	**418**	**321**	**2 424**	**3 163**	**247 762**	**45 270**	**4 763**	**297 795**

The amount of new originated or purchased loans represents loans in the portfolio as at 31 December 2022 while the amount of derecognised loans represent loans in the portfolio as at 1 January 2022 and derecognised during 2022.

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 2022	**123**	**48**	**86**	**257**	**12 179**	**2 466**	**141**	**14 786**
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(20)	20	-	**-**	(67)	67	-	**-**
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(2)	(20)	22	**-**	(30)	(50)	80	**-**
-remaining credit risk changes	(21)	20	50	**49**	(1 326)	844	(10)	**(492)**
New originated or purchased	16	-	-	**16**	1 275	-	-	**1 275**
Derecognised	(35)	(44)	(11)	**(90)**	(1 106)	(532)	(21)	**(1 659)**
Change for the year	**(62)**	**(24)**	**61**	**(25)**	**(1 254)**	**329**	**49**	**(876)**
Write-offs								
FX and other movements	-	-	-	**-**	-	-	-	**-**
Closing balance at 31 December 2022	**61**	**24**	**147**	**232**	**10 925**	**2 795**	**190**	**13 910**

The amount of new originated or purchased loans represents loans in the portfolio as at 31 December 2022 while the amount of derecognised loans represent loans in the portfolio as at 1 January 2022 and derecognised during 2022.

(g) Industry analysis of the loan portfolio (Group and the Bank)

	2023 EUR '000	2022 EUR '000
Shipping	74 380	41 236
Financial services	5 382	2 242
Wholesale	35 829	43 872
Real Estate	128 180	91 258
Working capital loans	45 462	30 133
Transport and storage	5 827	9 666
Private customers – mortgage loans and consumer loans	9 191	11 228
Manufacture of food products	16 617	15 065
Processing factory	11 669	15 725
Forestry	144	697
Other services	65 883	47 188
Net loans and receivables	**398 564**	**308 310**

(h) Analysis of loans by type of collateral (Group and Bank)

EUR'000	31 December 2023	% of loan portfolio	31 December 2022	% of loan portfolio
Commercial buildings	152 746	38	108 566	35
Real estate – first mortgage	69 578	17	51 691	17
Commercial assets pledge	71 038	18	77 548	25
Commercial assets: ships/vessels	74 380	19	41 236	13
Trading securities	2 400	1	2 017	1
Deposit	2 475	1	5 777	2
Inventories	24 001	6	15 668	5
Other, no collateral	1 946	-	5 807	2
Net loans and receivables	**398 564**	**100**	**308 310**	**100**

EUR'000	2023		2022	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Stage 1	371 376	892 797	258 207	619 652
Stage 2	20 971	59 171	47 722	138 767
Stage 3	6 217	14 731	2 381	6 999
Total	**398 564**	**966 699**	**308 310**	**765 418**

(j) Restructured loans

As at 31 December 2023 and 2022, the loans restructured by the Group and the Bank possessed the following signs of restructuring:

EUR'000	2023 EUR '000	2022 EUR '000
Grace period/payment moratorium	6 896	38 621
Extension of maturity/term	1 131	1 829
Other	8 759	11 256
Total restructured loans	**20 419**	**51 706**

(l) Significant credit exposures

As at 31 December 2023 the Bank had no borrowers or groups of related borrowers, respectively, whose total loan balances exceeded 10% of loans and receivables from customers.

As at 31 December 2022 the Bank had no borrowers or groups of related borrowers, respectively, whose total loan balances exceeded 10% of loans and receivables from customers.

According to regulatory requirements, the Bank is not allowed to have a credit exposure to one customer or group of related customers of more than 25% of Bank's equity. As at 31 December 2023 and 2022, the Bank was in compliance with this requirement.

19. INVESTMENT SECURITIES AT AMORTISED COST

Financial assets measured at amortised cost (IFRS 9)

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Fixed income securities				
Fixed income securities issued by the government of LR	1 031	1 031	1 033	1 033
Fixed income securities issued by companies and credit institutions of LR	3 106	3 106	6 415	6 415
Fixed income securities issued by the government of OECD countries	40 245	40 245	81 361	81 361
Fixed income securities issued by companies and credit institutions of OECD countries	29 770	29 770	43 179	43 179
Fixed income securities issued by companies and credit institutions of other countries	4 979	4 979	6 831	6 831
Impairment allowance	(2 357)	(2 357)	(2 160)	(2 160)
Total fixed income securities	**76 774**	**76 774**	**136 659**	**136 659**

Financial assets measured at amortised cost 2023

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	**72 538**	**4 718**	**1 875**	**79 131**
(Less) expected credit loss allowance	(204)	(278)	(1 875)	(2 357)
Net	**72 334**	**4 440**	**-**	**76 774**

Financial assets measured at amortised cost 2022

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross	**127 732**	**9 145**	**1 942**	**138 819**
(Less) expected credit loss allowance	(295)	(350)	(1 515)	(2 160)
Net	**127 437**	**8 795**	**427**	**136 659**

Movements in credit loss allowances, 2023

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening ECL balance at 1 January 2023	**295**	**350**	**1 515**	**2 160**
Transfers due to change in credit risk:				
-from Stage 1 to Stage 2	-	-	-	-
-remaining credit risk changes	(2)	(8)	360	350
-from Stage 2 to Stage 3	-	-	-	-
New originated or purchased	67	-	-	67
Derecognised	(156)	(64)	-	(220)
Change for the year	**(91)**	**(72)**	**360**	**197**
FX and other movements	-	-	-	-
Closing ECL balance at 31 December 2023	**204**	**278**	**1 875**	**2 357**

Movements in expected credit loss allowances, 2022

Group and Bank, EUR'000

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening ECL balance at 1 January 2022	**375**	**140**	**-**	**515**
Transfers due to change in credit risk:				
-from Stage 1 to Stage 2	(139)	139	-	-
-remaining credit risk changes	88	1 624	-	1 712
New originated or purchased	15	-	-	15
Derecognised	(44)	(38)	-	(82)
Change for the year	**(80)**	**210**	**1 515**	**1 645**
FX and other movements	-	-	-	-
Closing ECL balance at 31 December 2022	**295**	**350**	**1 515**	**2 160**

Quality analysis of investment securities at amortised cost, based on rating agency ratings, is as follows:

Debt securities and other fixed income securities	2023 EUR'000	2022 EUR'000
Central governments		
Rated from AAA to A-	35 101	76 144
Rated from BBB+ to BBB-	6 174	3 020
Rated from BB+ to BB-	-	3 231
Total central governments	**41 275**	**82 395**
Credit institutions		
Rated from AAA to A-	1 003	16 374
Rated from BB+ to BB-	3 618	3 326
Total credit institutions	**4 621**	**19 700**
Corporates		
Rated from AAA to A-	10 635	10 187
Rated from BBB+ to BBB-	1 491	993
Rated from BB+ to BB-	10 063	8 689
Below BB-	4 593	7 017
No rating*	6 453	9 838
Total corporate bonds	**33 235**	**36 724**
Expected credit loss allowance	**(2 357)**	**(2 160)**
Debt securities and other fixed income securities	**76 774**	**136 659**

* Not-rated exposures includes securities with no rating assigned as well as securities with rating withdrawn.

In order to conservatively calculate ECL for not rated securities, PD which corresponds to B- rating is applied.

20. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries (Bank)

Company	*Ownership share*	Carrying amount at 31.12.2023 EUR'000	Carrying amount at 31.12.2022 EUR'000
SIA BluOr International	*100%*	5 709	5 709
Impairment allowance		*(3 649)*	*(2 249)*
SIA Zapdvina Development	*100%*	10 474	10 474
Impairment allowance		*(806)*	*(806)*
SIA CityCap Service	*100%*	570	565
Impairment allowance		*(158)*	*(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	73
SIA Mazirbe Estate	*100%*	92	92
SIA Lielie Zaki	*100%*	88	88
SIA Pulkarne Entity	*100%*	199	199
		28 871	**30 266**

Investments in subsidiaries (Bank)

	31.12.2023. EUR'000	31.12.2022. EUR'000
Investments in subsidiaries	36 538	36 533
Non-reciprocal capital contribution by a parent into subsidiary according to IFRS 10 (AS „Pils pakalpojumi")	(2 400)	(2 400)
Impairment allowance	(5 267)	(3 867)
Investments in subsidiaries net	**28 871**	**30 266**

The share capital of SIA Zapdvina Development consisted of 9 948 018 shares with nominal value of EUR 1 amounting to EUR 9 948 018. In 2022, the Bank decreased the share capital of its subsidiary SIA Zapdvina Development by 1 000 000 shares with nominal value of EUR 1 for a total of EUR 1 000 000. In previous years the Bank recognised an impairment allowance for its investment in SIA Zapdvina Development in the amount of EUR 806 thousand triggered by impairment of this subsidiary's assets. In 2023, based on the appraisal, no additional impairment allowances were recognised. SIA Zapdvina Development owns a land plot in Daugavpils.

The share capital of SIA CityCap Service consisted of 21 495 shares with nominal value of EUR 28 amounting to EUR 601 860.
In previous years, the Bank recognised an impairment allowance for its investment in SIA CityCap Service in the amount of EUR 158 thousand triggered by impairment of this subsidiary's assets. Based on the appraisal, in 2023 impairment allowances were not recognised.

The share capital of SIA BluOr International consisted of 5 686 658 shares with nominal value of EUR 1 amounting to EUR 5 686 658.
In 2023, the Bank recognised an additional impairment allowance for its investment in SIA BluOr International in the amount of EUR 1 400 thousand EUR triggered by impairment of this investment in subsidiaries.
In previous years, the Bank recognised an impairment allowance for its investment in SIA BluOr International in the amount of EUR 2 249 thousand EUR triggered by impairment of this investment in subsidiaries.
SIA BluOr International has two subsidiaries (Kamaly Development EOOD un Foxtran Management Ltd.) and an associate AS „Termo biznesa Centrs").
In 2023, an additional impairment allowance for the investment in Foxtran Management Ltd. was recognised by SIA BluOr International in the amount of EUR 1 400 thousand. In the previous years, an impairment allowance for the investment in Foxtran Management Ltd. was recognised by SIA BluOr International in the amount of EUR 559 thousand. Allowances were recognised since the investment in SIA BluOr International exceeded net assets of Foxtran Management Ltd.
In the previous years, SIA BluOr International recognised impairment allowances for the investment in KamalyDevelopment EOOD in the amount of EUR 364 thousand.

In previous years, the Bank recognised an impairment allowance for its investment in SIA Jēkaba 2 in the amount of EUR 106 thousand.

In previous years, the Bank recognised an impairment allowance for its investment in AS Pils Pakalpojumi in the amount of EUR 2 948 thousand.

The share capital of SIA Darzciems Entity consisted of 237 730 shares with nominal value of EUR 1 amounting to EUR 237 730.

The share capital of SIA „Mazirbe Estate" consisted of 199 404 shares with nominal value of EUR 1 amounting to EUR 199 404.

The share capital of SIA „Lielie Zaķi" consisted of 181 013 shares with nominal value of EUR 1 amounting to EUR 181 013.

The share capital of SIA „Pulkarne Entity" consisted of 1 207 352 shares with nominal value of EUR 1 amounting to EUR 1 207 352.

(c) Equity-accounted investments in associates (Group)

Company	Capital contribution	Carrying amount at 31.12.2023 EUR'000 Koncerns	Carrying amount at 31.12.2022 EUR'000 Koncerns
AS Termo biznesa Centrs	26.15%	1 848	1 848
Impairment allowance		(1 021)	(1 021)
Total		**827**	**827**

SIA BluOr International has an associate AS Termo biznesa Centrs. Along with 26,15% of share ownership, the Group also has the right to collect rental income from part of the premises owned by the associate. Rental income is recognised in the Group's profit and loss statement, rental income amounted to EUR 72 thousand in 2023 (EUR 72 thousand in 2022).

Financial information of the associate AS Termo biznesa centrs:

	Current assets EUR'000	Long-term investments EUR'000	Total assets EUR'000	Current liabilities EUR'000	Non-current liabilities EUR'000	Total liabilities EUR'000	Net assets EUR'000	Income EUR'000	Expenses EUR'000	Net profit (loss) EUR'000	Group's share in net assets 26.15% EUR'000	Group's share in loss 26.15% EUR'000
31 December 2023												
AS „Termo biznesa Centrs"	**75**	**318**	**393**	**-**	**(27)**	**(27)**	**366**	**289**	**(264)**	**25**	**96**	**7**
31 December 2022												
AS „Termo biznesa Centrs"	**79**	**322**	**401**	**-**	**(60)**	**(60)**	**341**	**209**	**(217)**	**(8)**	**89**	**(2)**

As earnings for 2023 are insignificant they have no impact on the Group results.

21. INVESTMENT PROPERTY

Investment property of the Group and the Bank represents the following:

	2023		2022	
	Group EUR'000	**Bank EUR'000**	**Group EUR'000**	**Bank EUR'000**
Real estate in Latvia	2 346	414	2 242	414
Real estate in Lithuania	2 807	2 807	2 807	2 807
Real estate in Bulgaria	521	-	521	-
Impairment allowance	*(2 740)*	*(1 607)*	*(2 740)*	*(1 607)*
	2 934	**1 614**	**2 830**	**1 614**

Investment property is recognized at cost. Investment property consists of land and commercial properties.

Direct operating expenses (including repairs and maintenance costs) incurred by the Group in connection with the investment property which has not earned a rental income during the reporting year amounted to EUR 5 thousand (2022: EUR 4 thousand).

Direct operating expenses (including repairs and maintenance costs) incurred by the Bank in connection with the investment property which has not earned a rental income during the reporting year amounted to EUR 5 thousand (2022: EUR 4 thousand).

Rental income on investment property during the reporting year (the Group and the Bank) amounted to EUR 8 thousand (2022: EUR 8 thousand).

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used.

Group's investment properties

Type	Carrying amount, EUR '000	Valuation method	Significant unobservable inputs	2023	2022	Fair value, EUR '000
Buildings and land plot, Kungu iela, Liepāja, Latvia	93 (2022: 93)	Comparison approach	Sales price* varies from EUR to EUR per m²	20-25,0	20-26,0	113 (2022: 124)
Buildings and a land plot, Jurģu iela, Jūrmala, Latvia	95 (2022: 95)	Comparison approach	Sales price* varies from EUR to EUR per m²	66-112	72-179	175 (2022: 175)
Land plot, Klaipeda, Lithuania	1 200 (2022: 1 200)	Comparison approach	Sales price* varies from EUR to EUR per m² for each land plot separately based on footage	0,37-0,57 for land plot over 8,2 ha 5-5,8 for land plot over 1 ha 2,42–6,41 for land plots till 300 m²	0,37-0,57 for land plot over 8,2 ha 5-5,8 for land plot over 1 ha 2,42–6,41 for land plots till 300 m²	1 203 (2022: 1 203)
Apartments, Bulgaria	328 (2022: 328)	Comparison approach	Sales price* varies from EUR to EUR per m²	1 130-1 309	925-1 389	328 (2022: 328)
Land plot, Mūku purvs, Latvia	387 (2022: 387)	Comparison approach	Sales price* varies from EUR to EUR per m²	82-129	37-92	557 (2022: 483)
Land plot, Akācijas iela, Daugavpils, Latvia	437 (2022: 250)	Comparison approach	Sales price* varies from EUR to EUR per m²	12-23	6,3-14,2	581 (2022: 250)
Land plot in Ķekavas pagasts, Ķekavas novads, Latvia	- (2022: 170)	Comparison approach	Sales price* varies from EUR to EUR per m²	5,5-8,0	5,4-6,0	- (2022: 234)
Zemes gabals, Dzirciema iela, Rīga, Latvija	226 (2022: 226)	Comparison approach	Sales price* varies from EUR to EUR per m²	9,0-18,0	9,0-18,0	226 (2022: 226)
Land plot in Kolkas pagasts, Dundaga novads, Latvia	86 (2022: 86)	Comparison approach	Sales price* varies from EUR to EUR per m²	4,4-5,0	2,1-5,0	128 (2022: 117)
Land plot in Lejas akmeņi, Ķekavas novads, Latvia	82 (2022: 82)	Comparison approach	Sales price* varies from EUR to EUR per m²	0,27-1,42	0,50-1,12	82 (2022: 82)
Total	**2 934**					

Bank's investment properties

Type	Carrying amount, EUR '000	Valuation method	Significant unobservable inputs			Fair value, EUR '000
				2023	2022	
Buildings and land plot, Kungu iela, Liepāja, Latvia	93 (2022: 93)	Comparison approach	Sales price* varies from EUR to EUR per m^2	20-25,0	20-26,0	113 (2022: 124)
Zemes gabals, Dzirciema iela, Rīga, Latvija	226 (2022: 226)	Comparison approach	Sales price* varies from EUR to EUR per m^2	9,0-18,0	9,0-18,0	226 (2022: 226)
Buildings and land plot, Jurģu iela, Jūrmala, Latvia	95 (2022: 95)	Comparison approach	Sales price* varies from EUR to EUR per m^2	66-112	72-179	175 (2022: 175)
Land plot, Klaipeda, Lithuania	1 200 (2022: 1 200)	Comparison approach	Sales price* varies from EUR to EUR per m^2 for each land plot separately based on footage	0.37-0.57 for land plot over 8.2 ha 5 -5.8 for land plot 1 ha 2.42 – 6.41 for land plots till 300 m^2	0.37-0.57 for land plot over 8.2 ha 5 -5.8 for land plot 1 ha 2.42 – 6.41 for land plots till 300 m^2	1 203 (2022: 1 203)
Total	**1 614**					

* sales prices are market prices for similar properties adjusted for certain criteria such as land plot footage adjustment, location area adjustment, property condition, offer price adjustment, resulting in the significant unobservable inputs.

22. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

Property and equipment

	Land and buildings EUR'000		Leasehold improvements EUR'000		Vehicles EUR'000		Office equipment EUR'000		Total EUR'000	
	Group	Bank	Group	Bank	Group	Bank	Group	Bank	Group	Bank
Cost										
31 December 2021	**29 311**	**-**	**-**	**4 603**	**1 510**	**67**	**2 580**	**1 905**	**33 401**	**6 575**
Additions	-	-	-	-	-	-	22	22	22	22
Disposals	-	-	-	-	-	-	(1)	(1)	(1)	(1)
31 December 2022	**29 311**	**-**	**-**	**4 603**	**1 510**	**67**	**2 601**	**1 926**	**33 422**	**6 596**
Additions	-	-	-	-	-	-	143	136	153	136
Disposals	-	-	-	-	-	-	(138)	(99)	(138)	(99)
31 December 2023	**29 321**	**-**	**-**	**4 603**	**1 510**	**67**	**2 606**	**1 963**	**33 437**	**6 633**
Depreciation										
31 December 2021	**4 662**	**-**	**-**	**1 086**	**635**	**67**	**2 160**	**1 613**	**7 457**	**2 766**
Depreciation	942	-	-	231	144	-	270	162	**1 356**	**393**
Disposals	-	-	-	-	-	-	(1)	(1)	(1)	(1)
31 December 2022	**5 604**	**-**	**-**	**1 317**	**779**	**67**	**2 429**	**1 774**	**8 812**	**3 158**
Depreciation	943	-	-	230	144	-	127	112	**1 214**	**342**
Disposals	-	-	-	-	-	-	(138)	(99)	**(138)**	**(99)**
31 December 2023	**6 547**	**-**	**-**	**1 547**	**923**	**67**	**2 418**	**1 787**	**9 888**	**3 401**
Net carrying amount										
31 December 2022	**23 707**	**-**	**-**	**3 286**	**731**	**-**	**172**	**152**	**24 610**	**3 438**
31 December 2023	**22 774**	**-**	**-**	**3 056**	**587**	**-**	**188**	**176**	**23 549**	**3 232**

The two buildings that the Bank rents from its subsidiaries at Smilšu street and Jēkaba street are used as the Head office of the Bank. From the Group's perspective, these buildings are considered to be corporate assets and are classified as property and equipment. In 2023 and 2022, the management believes that there are no indications that these sites may be impaired.

Right-of-use assets – lease contracts (IFRS 16)

Bank

	Right-of-use assets EUR'000
Cost	
31 December 2021	**12 576**
31 December 2022	**12 576**
31 December 2023	**12 576**
Depreciation	
31 December 2021	**1 989**
Depreciation	663
31 December 2022	**2 652**
Depreciation	663
31 December 2023	**3 315**
Net carrying amount	
31 December 2022	**9 924**
31 December 2023	**9 261**

Lease liability

31 December 2021	**11 025**
Lease payments	(549)
Interest accrued	331
Interest paid	(331)
31 December 2022	**10 476**
Lease payments	(564)
Interest accrued	314
Interest paid	(314)
31 December 2023	**9 912**

The Bank leases a number of premises under operating lease. The leases typically run for 20 years, with an option to renew the lease after that date. All property leases are intragroup agreements.

23. INTANGIBLE ASSETS

Group

	Software EUR'000
Acquisition cost	
31 December 2021	**2 709**
Disposed in the reporting period	(4)
Acquired in the reporting period	93
31 December 2022	**2 798**
Disposed in the reporting period	-
Acquired in the reporting period	143
31 December 2023	**2 941**
Amortization	
31 December 2021	**2 357**
Amortization for the reporting period	189
Amortization of assets disposed in the reporting period	(4)
31 December 2022	**2 542**
Amortization for the reporting period	132
Amortization of assets disposed in the reporting period	-
31 December 2023	**2 674**
Net carrying amount	
31 December 2022	**256**
31 December 2023	**267**

Bank

	Software EUR'000
Acquisition cost	
31 December 2021	**2 689**
Disposed in the reporting period	(4)
Acquired in the reporting period	94
31 December 2022	**2 779**
Disposed in the reporting period	-
Acquired in the reporting period	143
31 December 2023	**2 922**
Amortization	
31 December 2021	**2 338**
Amortization for the reporting period	189
Amortization of assets disposed in the reporting period	(4)
31 December 2022	**2 523**
Amortization for the reporting period	132
Amortization of assets disposed in the reporting period	-
31 December 2023	**2 655**
Net carrying amount	
31 December 2022	**256**
31 December 2023	**267**

24. PREPAYMENTS AND ACCRUED INCOME

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Next period expense – Resident	102	92	64	64
Next period expense – Non Resident	729	729	1 303	1 303
Insurance premium	23	23	15	15
Other	-	-	279	275
Prepayments and accrued income total	**854**	**844**	**1 661**	**1 657**

25. OTHER ASSETS

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Guarantee deposits for credit card operations	5 414	5 414	5 330	5 330
Credit card claims and other payment services	822	822	562	562
Prepayments and receivables	516	450	761	720
Other	2 742	2 742	3 442	3 442
Total other assets	**9 494**	**9 428**	**10 095**	**10 054**
Allowances for other assets	-	-	(6)	-
Other assets, net	**9 494**	**9 428**	**10 089**	**10 054**

In 2023, security deposits of EUR 5 414 thousand (2022: EUR 5 330 thousand) were reserved for potential transactions connected with MasterCard Europe and VISA Card systems.

26. DUE TO CREDIT INSTITUTIONS ON DEMAND

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Credit institutions registered in Latvia	4 147	4 147	6 586	6 586
Credit institutions registered in non- OECD countries	-	-	10	10
Credit institutions registered in OECD countries	260	260	27	27
Total due to credit institutions on demand	**4 407**	**4 407**	**6 623**	**6 623**

27. FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST:

DEPOSITS

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Current accounts:				
Financial institutions	172 635	172 635	91 059	91 059
Corporate entities	227 657	230 082	178 910	180 926
Individuals	50 645	50 645	57 229	57 229
	450 937	**453 362**	**327 198**	**329 214**
Term deposits:				
Subordinate liabilities	2 623	2 623	1 984	1 984
Other financial institutions	72 253	72 253	55 397	55 397
Corporate entities	14 148	14 148	1 661	1 661
Individuals	263 246	263 246	189 451	189 451
	352 270	**352 270**	**248 493**	**248 493**
Total deposits	**803 207**	**805 632**	**575 691**	**577 707**

Geographical segmentation of the deposits

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Deposits of residents registered in Latvia	232 212	234 637	172 031	174 047
Deposits of residents registered in OECD countries	526 313	526 313	356 697	356 697
Deposits of residents registered in other countries (non-OECD)	44 682	44 682	46 963	46 963
Total deposits	**803 207**	**805 632**	**575 691**	**577 707**

As at 31 December 2023, the Bank maintained customer deposit balances of EUR 2 475 thousand which were reserved by the Bank as collateral for loans and other credit instruments granted by the Bank (as at 31 December 2022: EUR 5 777 thousand).

As at 31 December 2023 the Bank had 1 customer group with deposits exceeding 10% of the total customer deposits – EUR 156 523 thousand (as at 31 December 2022 the Bank had 1 customer group with deposits exceeding 10% of the total customer deposits – EUR 104 186 thousand).

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

Subordinated bonds have a fixed term at their origination. Subordinated bonds are repayable before maturity only on winding up or bankruptcy of the Bank. Subordinated bonds rank before shareholders' claims.

By issuing subordinated bonds in 2022 (listed on Nasdaq Riga), Bank raised more than EUR 4.8 million in financial resources.

Issued subordinated bonds

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Issued subordinated bonds	4 855	4 855	4 855	4 855
Accrued interest payments	27	27	27	27
Total	**4 882**	**4 882**	**4 882**	**4 882**

ISIN	Currency	Issue size	Nominal value	Date of issue	Date of maturity	Discount/ coupon rate, %	Group/ Bank 31/12/2022	Group/ Bank 31/12/2021
Subordinated bonds								
LV0000802569	EUR	4 855	1 000	01.06.2022	01.06.2029	7.0	4 855	4 855
Issued debt securities, total ('000 EUR)							**4 855**	**4 855**

Additional Tier 1 debt securities (not listed)

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Additional Tier 1 debt securities	6 060	6 060	1 100	1 100
Accrued interest payments	63	63	22	22
Total	**6 123**	**6 123**	**1 122**	**1 122**

ISIN	Currency	Issue size	Nominal value	Date of issue	Date of maturity	Discount/ coupon rate, %	Group/ Bank 31/12/2023	Group/ Bank 31/12/2022
Additional Tier 1 debt securities								
LV0000802437	EUR	100	100 000	19.10.2020	-	10%	1 100	1 100
LV0000802775	EUR	5 550	5 550 000	08.12.2023	-	13%	4 960	-
Additional Tier 1 debt securities, total ('000 EUR)							**6 060**	**1 100**

29. OTHER LIABILITIES

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Other financial liabilities				
Credit card payments	243	243	253	253
Money in transit	24	24	1 705	1 705
Other liabilities, balances of closed customers' accounts	1 075	1 075	996	996
Other non-financial liabilities				
Operating and other liabilities	510	510	51	51
Tax settlements	52	52	60	60
Other liabilities	100	-	55	-
Total other liabilities	**2 004**	**1 904**	**3 120**	**3 065**

30. SHARE CAPITAL AND RESERVES

As of 31 December 2023, the authorized share capital comprised 31 781 081 ordinary shares (2022: 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.

	2023		2022	
	Quantity	EUR'000	Quantity	EUR'000
Share capital				
Ordinary shares with voting rights	31 781 081	44 493	31 781 081	44 493
	31 781 081	**44 493**	**31 781 081**	**44 493**

The statutory reserve of EUR 24 thousand is not subject to any restrictions and can be distributed to the shareholders following an appropriate decision.

Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to the legislation of Latvia. In accordance with the legislation of the Republic of Latvia, the amount of reserves available for distribution at the reporting date is EUR 43 943 thousand (2022: EUR 40 377 thousand).

During 2023, 9 million EUR dividends were distributed, 0.28 EUR per share.

During 2022, 7.5 million EUR dividends were distributed, 0.24 EUR per share.

31. CASH AND CASH EQUIVALENTS

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash and balances due from central banks	338 024	338 024	120 527	120 527
Due from credit institutions on demand and within 3 months	20 874	20 866	16 799	16 785
Due to credit institutions on demand and within 3 months	(4 407)	(4 407)	(6 623)	(6 623)
Total cash and cash equivalents	**354 491**	**354 483**	**130 703**	**130 689**

32. 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.

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Unused loan facilities	97 299	97 302	55 821	55 824
Unused credit card facilities	760	760	936	936
Guarantees and other	1 904	1 904	2 367	2 367
	99 963	**99 966**	**59 124**	**59 127**
Provisions	*(298)*	*(298)*	*(129)*	*(130)*

The total contractual amounts of the above loan commitments may differ from the cash flow that may actually be required in future as these commitments may expire before they are claimed.

Group EUR'000, 2023	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Contingent liabilities and commitments, Gross	98 940	91	932	99 963
Impairment allowance	(106)	(1)	(191)	(298)
Net	**98 834**	**90**	**741**	**99 665**

Bank EUR'000, 2023	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Contingent liabilities and commitments, Gross	98 943	91	932	99 966
Impairment allowance	(106)	(1)	(191)	(298)
Net	**98 837**	**90**	**741**	**99 668**

Group EUR'000, 2022	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Contingent liabilities and commitments, Gross	58 422	663	39	59 124
Impairment allowance	(103)	(2)	(24)	(129)
Net	**58 319**	**661**	**15**	**58 995**

Bank EUR'000, 2022	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Contingent liabilities and commitments, Gross	58 425	663	39	59 127
Impairment allowance	(104)	(2)	(24)	(130)
Net	**58 321**	**661**	**15**	**58 997**

Movements in the impairment allowance of contingent liabilities and commitments

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

Group EUR'000	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening balance at 1 January 2023	**103**	**2**	**24**	**129**
Transfers due to change in credit risk:				
-from Stage 1 to Stage 2	-	-	-	-
-from Stage 2 to Stage 1	-	-	-	-
-from Stage 2 to Stage 3	-	-	-	-
-remaining credit risk changes	(167)	-	167	-
New originated or purchased	209	-	-	209
Derecognised	(39)	(1)	-	(40)
Change for the year	**3**	**(1)**	**167**	**169**
FX and other movements				
Closing balance at 31 December 2023	**106**	**1**	**191**	**298**

Bank EUR'000	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening balance at 1 January 2023	**104**	**2**	**24**	**130**
Transfers due to change in credit risk:				
-from Stage 1 to Stage 2	-	-	-	-
-from Stage 2 to Stage 1	-	-	-	-
-from Stage 2 to Stage 3	-	-	-	-
-remaining credit risk changes	(167)	-	167	-
New originated or purchased	208	-	-	208
Derecognised	(39)	(1)	-	(40)
Change for the year	**2**	**(1)**	**167**	**168**
FX and other movements			-	
Closing balance at 31 December 2023	**106**	**1**	**191**	**298**

Movements in the impairment allowance of contingent liabilities and commitments

Movements in the loan impairment allowance for the year ended 31 December 2022 are as follows:

Group EUR'000	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening balance at 1 January 2022	**69**	**2**	**21**	**92**
Transfers due to change in credit risk:				
-from Stage 1 to Stage 2)	(1)	1	-	-
-from Stage 2 to Stage 1)	-	-	-	-
- from Stage 2 to Stage 3)	-	-	-	-
-remaining credit risk changes	33	1	11	45
New originated or purchased	32	-	-	32
Derecognised	(29)	(2)	(5)	(36)
Change for the year	**35**	**-**	**6**	**41**
FX and other movements	(1)	-	(3)	(4)
Closing balance at 31 December 2022	**103**	**2**	**24**	**129**

Bank EUR'000	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Opening balance at 1 January 2022	**69**	**2**	**21**	**92**
Transfers due to change in credit risk:				
-from Stage 1 to Stage 2)	(1)	1	-	-
-from Stage 2 to Stage 1)	-	-	-	-
-from Stage 2 to Stage 3)	-	-	-	-
-remaining credit risk changes	33	1	11	45
New originated or purchased	33	-	-	33
Derecognised	(29)	(2)	(5)	(36)
Change for the year	**36**	**-**	**6**	**42**
FX and other movements	(1)	-	(3)	(4)
Closing balance at 31 December 2022	**104**	**2**	**24**	**130**

33. LITIGATION

In the Klaipėda District Court, Lithuania, legal proceedings are underway, as a result of which it will be decided whether UAB Dognus has a right of action at all and whether it will be able to exist at all (the court hearing at which the substantive examination of the case will begin is scheduled for 12.04.2024). At the same time, the Court of Appeal of Lithuania, which re-examined the Bank's claim, has decided that the court of first instance must consider the merits and give a reasoned and justified decision on whether the claim of UAB Dognus is at all competent for consideration in the Republic of Lithuania. Previously, the court of first instance did not do this, while the Court of Appeal considered that it doesn't have competence to resolve the complaints about the decisions of the first instance regarding the jurisdiction of the cases. Re-examination in the Court of Appeal took place after the Supreme Court of the Republic of Lithuania, while considering the Bank's claim, indicated that the Court of Appeal should hear and make a decision on the Bank's complaint. At the moment, the Bank's legal position in the ongoing legal proceedings in Lithuania can be assessed as positive and its positions have been strengthened as a result of the decisions made by several courts. What remains unchanged is that even in the worst case scenario (if the claim of UAB Dognus will be heared by the court), the Bank could not suffer losses in any case, because the type of claim (actio pauliana) presented by UAB Dognus provides for restitution, i.e. restoration of the previous status of all persons. In this case, this would mean not only the Bank's obligation to repay the loan repayment payments received, but also the Bank's return to the status of a secured creditor. Considering that the original collateral (goods) no longer exists, the Bank's claims would be secured by the court's decision with the Bank's own refunded funds. In general, the claim of UAB Dognus is still assessed as insufficiently substantiated from the legal point of view, and the worst case scenario (i.e. a court decision on restitution) is also assessed as unlikely. On the other hand, if the Lithuanian court decides that the case is not within the jurisdiction of Lithuania, UAB Dognus will not be able to submit a similar claim in Latvia, because the laws of Latvia do not provide for such a basis for a claim or any other basis for a claim, as a result of which the Bank, taking into account the actual circumstances of the case, could be obliged to return the funds.

Management is unaware of any other significant actual, pending or likely claims against the Bank and its subsidiaries.

34. ASSETS AND LIABILITIES UNDER MANAGEMENT

	2023		2022	
Assets under management	**Group EUR'000**	**Bank EUR'000**	**Group EUR'000**	**Bank EUR'000**
Due from credit institutions registered in Latvia	1 763	1 763	1 191	1 191
Loans to customers	165	165	165	165
Non fixed income securities	35 208	35 208	16 228	16 228
Fixed income securities	9 085	9 085	1 382	1 382
Other assets	-	-	1	1
Total assets under management	**46 221**	**46 221**	**18 967**	**18 967**
Liabilities under management				
Non-resident trust liabilities	25 808	25 808	5 368	5 368
Resident trust liabilities	20 413	20 413	13 599	13 599
Total liabilities under management	**46 221**	**46 221**	**18 967**	**18 967**

The largest share of assets under management were invested in non-fixed income securities. Assets under management include loans granted on a trust basis (trust loans) made on behalf of a third party (the beneficiary).

35. RELATED PARTY TRANSACTIONS

Related parties are defined as shareholders who have a significant influence over the Bank (parent company), members of the Council and the Board and Other related parties, that are companies in which parent company and members of the Council and the Board have a controlling interest, key management personnel, their close relatives and companies in which they have a controlling interest, as well as associated and related companies. All transactions with related parties have been carried out at an arm's length.

Loans, deposits and other claims and liabilities to related parties include the following:

	2023		2022	
	Group EUR'000	**Bank EUR'000**	**Group EUR'000**	**Bank EUR'000**
Loans to related parties	3 691	3 691	5 700	5 700
incl. members of the Council and the Board	*412*	*412*	*903*	*903*
incl. relatives of members of the Council and the Board	*2 227*	*2 227*	*2 583*	*2 583*
incl. companies related to members of the Council and the Board	*1 052*	*1 052*	*2 214*	*2 214*
Impairment allowance	(39)	(39)	(111)	(111)
Net loans to related parties	**3 652**	**3 652**	**5 589**	**5 589**
Other investments – debt securities	1 016	1 016	4 535	4 535
Right-of-use assets – lease contracts	-	9 261	-	9 924
Total loans and other claims	**4 668**	**13 929**	**10 124**	**20 048**
Term and demand deposits and loans	162 184	164 609	108 545	110 785
incl. from the parent company	*667*	*667*	*94*	*94*
incl. from subsidiaries	-	*2 425*	-	*2 240*
incl. from the members of the Council and Board	*1 554*	*1 554*	*1 585*	*1 585*
incl. relatives of members of the Council and the Board	*1 439*	*1 439*	*843*	*843*
incl. companies related to members of the Council and the Board	*158 524*	*158 524*	*106 023*	*106 023*
Lease liability	-	9 912	-	10 476
Total deposits and liabilities	**158 524**	**168 436**	**108 545**	**121 261**
Contingent liabilities and commitments	**1 824**	**1 827**	**2 080**	**2 083**

	2023		2022	
	Group Interest rate %	Bank Interest rate %	Group Interest rate %	Bank Interest rate %
Loans to related parties	3.57	3.57	2.70	2.70
Term and demand deposits	2.77	2.77	0.44	0.44

Remuneration to the member of Council and Board during 2023 amounted to EUR 978 thousand (2022: EUR 869 thousand) (see Note 11).

	2023		2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Income from related party transactions				
Commission income	276	276	213	214
Interest income	398	398	609	609
Expenses from related party transactions				
Interest expense	3 292	3 607	722	1 054
Public utilities and maintenance	-	392	-	401

36. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (BANK)

The table below reflects the maturity analysis of financial assets and liabilities based on the contractual term from the reporting date until the maturity dates of the respective assets and liabilities. The remaining period to maturity of assets and liabilities as at 31 December 2023 was as follows:

2023 EUR'000	Up to 1 month including	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	5 years and over, or no maturity	Total EUR'000
Financial assets							
Cash and demand deposits with central banks	338 024	-	-	-	-	-	**338 024**
Deposits with credit institutions	20 866	-	3 904	-	-	-	**24 770**
Loans and receivables	50 932	8 549	11 687	48 059	277 494	1 843	**398 564**
Investment securities	81 045	497	2 339	2 775	11 179	-	**97 835**
Other financial assets	4 014	-	-	-	-	5 414	**9 428**
Total financial assets	**494 881**	**9 046**	**17 930**	**50 834**	**288 673**	**7 257**	**868 621**
Financial liabilities							
Demand deposits with credit institutions	4 407	-	-	-	-	-	**4 407**
Financial liabilities carried at amortized cost	459 616	201 051	30 453	85 955	33 439	6 123	**816 637**
Lease liabilities	73	146	146	440	4 323	4 784	**9 912**
Other financial liabilities	-	-	-	-	-	1 342	**1 342**
Total financial liabilities	**464 096**	**201 197**	**30 599**	**86 395**	**37 762**	**12 249**	**832 298**
Maturity gap	**30 785**	**(192 151)**	**(12 669)**	**(35 561)**	**250 911**	**(4 992)**	**36 323**
Contingent liabilities and commitments	**99 966**	**-**	**-**	**-**	**-**	**-**	**99 966**

The maturity analysis of the Group is different from the Bank disclosed above only due to lease liabilities.

The negative gap positions are managed in accordance with the Bank's Liquidity risk management policy. There are limits for maturity gap positions, which are set and monitored by the Bank's Investment committee.

The table below reflects the maturity analysis of financial assets and liabilities based on the contractual term from the reporting date until the maturity dates of the respective assets and liabilities. The remaining period to maturity of assets and liabilities as at 31 December 2022 was as follows:

2022 EUR'000	Up to 1 month including	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	5 years and over, or no maturity	Total EUR'000
Financial assets							
Cash and demand deposits with central banks	120 527	-	-	-	-	-	**120 527**
Deposits with credit institutions	16 785	-	8 507	-	-	-	**25 292**
Trading financial assets	3	-	-	-	-	-	**3**
Loans and receivables	47 348	6 986	10 689	43 119	177 591	22 577	**308 310**
Investment securities	30 529	7 538	10 954	41 899	70 519	1 529	**162 968**
Other financial assets	1 282	-	-	-	-	8 772	**10 054**
Total financial assets	**216 474**	**14 524**	**30 150**	**85 018**	**248 110**	**32 878**	**627 154**
Financial liabilities							
Demand deposits with credit institutions	6 623	-	-	-	-	-	**6 623**
Financial liabilities carried at amortized cost	336 536	51 906	27 760	56 649	86 842	24 018	**583 711**
Lease liabilities	73	146	146	438	4 307	5 366	**10 476**
Other financial liabilities	-	-	-	-	-	2 954	**2 954**
Total financial liabilities	**343 232**	**52 052**	**27 906**	**57 087**	**91 149**	**32 338**	**603 764**
Maturity gap	**(126 758)**	**(37 528)**	**2 244**	**27 931**	**156 961**	**540**	**23 390**
Contingent liabilities and commitments	**59 127**	**-**	**-**	**-**	**-**	**-**	**59 127**

The maturity analysis of the Group is different from the Bank disclosed above only due to lease liabilities.

The negative gap positions are managed in accordance with the Bank's Liquidity risk management policy. There are limits for maturity gap positions, which are set and monitored by the Bank's Investment committee.

37. FINANCIAL RISK MANAGEMENT

Liquidity risk (Bank)

Residual contractual maturities of financial liabilities of the Bank are presented below. The amounts disclosed in the tables are the contractual undiscounted cash flows in comparison with the carrying amounts of financial liabilities The Group's residual contractual maturities of financial liabilities have not been presented as the difference to the Bank's analysis is insignificant.

EUR'000

31 December 2023	Carrying amount	Gross nominal inflow / (outflow)	Less than 1 month	1– 3 months	3 months to 1 year	1-5 years and more
Non-derivative liabilities						
Demand deposits with credit institutions	4 407	(4 407)	(4 407)	-	-	-
Lease liabilities	9 912	(12 279)	(73)	(146)	(659)	(11 401)
Financial liabilities carried at amortized cost: deposits	805 632	(811 025)	(459 568)	(201 052)	(116 407)	(33 998)
Financial liabilities carried at amortized cost: subordinated debt securities	11 005	(29 680)	-	-	(821)	(28 859)
Total non-derivative liabilities	**830 956**	**(857 391)**	**(464 048)**	**(201 198)**	**(117 887)**	**(74 258)**
Unused loan and credit card commitments	98 062	(98 062)	(98 062)	-	-	-
Guarantees given	1 904	(1 904)	(1 904)	-	-	-
Total Liabilities	**930 922**	**(957 357)**	**(564 014)**	**(201 198)**	**(117 887)**	**(74 258)**

EUR'000

31 December 2022	Carrying amount	Gross nominal inflow / (outflow)	Less than 1 month	1– 3 months	3 months to 1 year	1-5 years and more
Non-derivative liabilities						
Demand deposits with credit institutions	6 623	(6 623)	(6 623)	-	-	-
Lease liabilities	10 476	(13 157)	(73)	(146)	(659)	(12 279)
Financial liabilities carried at amortized cost: deposits	577 707	(576 622)	(336 836)	(52 357)	(85 049)	(102 380)
Financial liabilities carried at amortized cost: subordinated debt securities	6 004	(8 480)	-	-	(449)	(8 031)
Total non-derivative liabilities	**600 810**	**(604 882)**	**(343 532)**	**(52 503)**	**(86 157)**	**(122 690)**
Derivative liabilities						
Trading: outflow	5 958	(5 958)	(5 958)	-	-	-
Trading: inflow	(5 961)	5 961	5 961	-	-	-
Total derivative liabilities	**(3)**	**3**	**3**	**-**	**-**	**-**
Unused loan and credit card commitments	56 760	(56 760)	(56 760)	-	-	-
Guarantees given	2 367	(2 367)	(2 367)	-	-	-
Total Liabilities	**659 934**	**(664 006)**	**(402 656)**	**(52 503)**	**(86 157)**	**(122 690)**

38. CURRENCY ANALYSIS OF ASSETS AND LIABILITIES (BANK)

The Latvian banking legislation requires that the total foreign currency open position may not exceed 20% of the equity.

The EUR equivalent of assets and liabilities as at 31 December 2023 by the currencies in which they are denominated is as follows:

2023 EUR'000	EUR EUR'000	USD EUR'000	Other currencies EUR'000	Total EUR'000
Financial assets				
Cash and demand deposits with central banks	338 018	6	-	**338 024**
Loans and receivables from banks	9 027	10 149	5 594	**24 770**
Trading financial assets	-	-	-	**-**
Loans and receivables	392 404	6 160	-	**398 564**
Investment securities	91 473	6 362	-	**97 835**
Other financial assets	9 424	4	-	**9 428**
Total financial assets	**840 346**	**22 681**	**5 594**	**868 621**
Financial liabilities				
Demand deposits with credit institutions	(4 398)	(7)	(2)	**(4 407)**
Trading financial liabilities	-	-	-	**-**
Financial liabilities carried at amortized cost	(800 557)	(11 116)	(4 964)	**(816 637)**
Other financial liabilities	(881)	(343)	(118)	**(1 342)**
Total financial liabilities	**(805 836)**	**(11 466)**	**(5 084)**	**(822 386)**
Assets (liabilities) arising from currency exchange				
Spot and forward transaction receivables	27 400	14 014	31	**41 445**
Spot and forward transaction liabilities	(13 700)	(27 519)	(310)	**(41 529)**
Net long/short currency position	**48 210**	**(2 290)**	**231**	**46 151**

The currency analysis of the Group is not significantly different from that of the Bank disclosed above.

The currency gap positions are managed in accordance with the Bank's Currency risk management policy. There are limits for currency gap positions.

CURRENCY ANALYSIS OF ASSETS AND LIABILITIES (BANK) (continued)

The Latvian banking legislation requires that the total foreign currency open position may not exceed 20% of the equity.

The EUR equivalent of assets and liabilities as at 31 December 2022 by the currencies in which they are denominated is as follows:

2022 EUR'000	EUR EUR'000	USD EUR'000	Other currencies EUR'000	Total EUR'000
Financial assets				
Cash and demand deposits with central banks	120 412	115	-	**120 527**
Loans and receivables from banks	11 937	11 279	2 076	**25 292**
Trading financial assets	3	-	-	**3**
Loans and receivables	301 115	7 195	-	**308 310**
Investment securities	154 768	8 200	-	**162 968**
Other financial assets	9 763	291	-	**10 054**
Total financial assets	**597 998**	**27 080**	**2 076**	**627 154**
Financial liabilities				
Due to central banks	-	-	-	**-**
Demand deposits with credit institutions	(6 528)	(74)	(21)	**(6 623)**
Trading financial liabilities	-	-	-	**-**
Financial liabilities carried at amortized cost	(562 493)	(19 943)	(1 275)	**(583 711)**
Other financial liabilities	(2 429)	(269)	(256)	**(2 954)**
Total financial liabilities	**(571 450)**	**(20 286)**	**(1 552)**	**(593 288)**
Assets (liabilities) arising from currency exchange				
Spot and forward transaction receivables	*15 000*	*6 274*	-	**21 274**
Spot and forward transaction liabilities	*(5 958)*	*(14 958)*	*(314)*	**(21 230)**
Net long/short currency position	**35 590**	**(1 890)**	**210**	**33 910**

The currency analysis of the Group is not significantly different from that of the Bank disclosed above.

The currency gap positions are managed in accordance with the Bank's Currency risk management policy. There are limits for currency gap positions.

39. REPRICING MATURITY ANALYSIS (BANK)

Interest rate risk relates to the changes in the value of the financial instrument as a result of changes in the market rates. As at 31 December 2023, interest rate re-pricing categories were:

2023 EUR'000	Up to 1 month including	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing	Total EUR'000
Financial assets								
Cash and demand deposits with central banks	337 448	-	-	-	-	-	576	**338 024**
Loans and receivables from banks	24 770	-	-	-	-	-	-	**24 770**
Investment securities	2 178	995	25 066	1 962	65 163	2 471	-	**97 835**
Loans and receivables	172 761	76 416	109 410	29 987	6 992	529	2 469	**398 564**
Other financial assets	-	-	-	-	-	-	9 428	**9 428**
Total financial assets	**537 157**	**77 411**	**134 476**	**31 949**	**72 155**	**3 000**	**12 473**	**868 621**
FINANCIAL LIABILITIES								
Demand deposits with credit institutions	-	-	-	-	-	-	4 407	**4 407**
Financial liabilities carried at amortized cost	424 679	197 862	29 790	84 480	27 515	11 303	41 008	**816 637**
Other financial liabilities	-	-	-	-	-	-	1 342	**1 342**
Total financial Liabilities	**424 679**	**197 862**	**29 790**	**84 480**	**27 515**	**11 303**	**46 757**	**822 386**
Interest rate risk net position	**112 478**	**(120 451)**	**104 686**	**(52 531)**	**44 640**	**(8 303)**	**(34 284)**	**46 235**
Interest rate risk gross (cumulative) position	**112 478**	**(7 973)**	**96 713**	**44 182**	**88 822**	**80 519**	**46 235**	

The reprising maturity analysis of the Group is not significantly different from that of the Bank disclosed above.

REPRICING MATURITY ANALYSIS (BANK) (continued)

Interest rate risk relates to the changes in the value of the financial instrument as a result of changes in the market rates. As at 31 December 2022, interest rate re-pricing categories were:

2022 EUR'000	Up to 1 month including	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing	Total EUR'000
Financial assets								
Cash and demand deposits with central banks	119 875	-	-	-	-	-	652	**120 527**
Loans and receivables from banks	-	-	-	-	-	-	25 292	**25 292**
Trading financial assets	3	-	-	-	-	-	-	**3**
Investment securities	4 412	7 299	10 861	52 314	84 346	2 941	795	**162 968**
Loans and receivables	181 486	10 228	66 109	39 635	7 690	1 456	1 706	**308 310**
Other financial assets	-	-	-	-	-	-	10 054	**10 054**
Total financial assets	**305 776**	**17 527**	**76 970**	**91 949**	**92 036**	**4 397**	**38 499**	**627 154**
FINANCIAL LIABILITIES								
Due to central banks	-	-	-	-	-	-	-	**-**
Demand deposits with credit institutions	-	-	-	-	-	-	6 623	**6 623**
Trading financial liabilities	-	-	-	-	-	-	-	**-**
Financial liabilities carried at amortized cost	298 627	117 893	27 758	56 227	37 714	6 160	39 332	**583 711**
Other financial liabilities	-	-	-	-	-	-	2 954	**2 954**
Total financial Liabilities	**298 627**	**117 893**	**27 758**	**56 227**	**37 714**	**6 160**	**48 909**	**593 288**
Interest rate risk net position	**7 149**	**(100 366)**	**49 212**	**35 722**	**54 322**	**(1 763)**	**(10 410)**	**33 866**
Interest rate risk gross (cumulative) position	**7 149**	**(93 217)**	**(44 005)**	**(8 283)**	**46 039**	**44 276**	**33 866**	

The reprising maturity analysis of the Group is not significantly different from that of the Bank disclosed above.

40. MAXIMUM CREDIT EXPOSURE ANALYSIS

The Bank's maximum exposure to credit risk is set out below. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Maximum credit exposure

At 31 December EUR'000	Notes	Gross maximum credit exposure Bank 2023	Bank 2022
Cash and balances with central banks	15	338 024	120 527
Loans and receivables from banks	16	24 770	25 292
Trading financial assets	17, 32	-	3
Investment securities	19, 21	97 835	162 968
Loans and receivables	20	398 564	308 310
Other financial assets	26	9 428	10 054
Total financial assets		**868 621**	**627 154**
Unused loan facilities	35	97 302	55 824
Unused credit card facilities	35	760	936
Guarantees an others	35	1 904	2 367
Total guarantees and commitments		**99 966**	**59 127**
Total maximum credit risk exposure		**968 587**	**686 281**

The maximum credit risk exposure analysis of the Group is not significantly different from that of the Bank disclosed above.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Limits. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review

Credit risks policies are presented in Note 4.1.

41. CAPITAL ADEQUACY CALCULATION (BANK)

	2023 EUR '000	2022 EUR '000
Equity	**89 835**	**82 785**
Total Tier 1	**83 092**	**76 424**
Tier 1	**77 032**	**75 324**
Share capital	44 493	44 493
Statutory reserves	24	24
Retained earnings for the previous periods	31 377	29 915
Profit for the reporting period	12 566	10 462
Dividends proposed	(7 000)	(5 000)
Changes on application of IFRS 9	-	554
Revaluation reserve	(3 771)	(4 545)
Intangible assets	(267)	(256)
Other deductions	(21)	(26)
Insufficient coverage for non-performing exposures	(5)	-
Reduction of Tier 1 capital (Pillar 2 adjustments)	(364)	(297)
Additional Tier 1	**6 060**	**1 100**
Tier 2 capital	**6 743**	**6 361**
Subordinated debt	6 743	6 361
Risk-weighted value		
Banking portfolio	500 840	409 723
Operating risk	56 935	45 554
Total risk exposure amount loan adjustment	-	16
Total risk weighted assets	**557 775**	**455 293**
Total capital as a percentage of risk weighted assets (total capital ratio)	**16.11%**	**18.18%**
Total tier 1 capital expressed as a percentage of risk-weighted assets ("tier 1 capital ratio")	**14.90%**	**16.79%**

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

As at 31 December 2023, the Bank's capital adequacy ratio was 16.19% (2022: 18.18%) 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 31 December 2023 was 8%, according to a special request by the Bank of Latvia the Bank was required to ensure a higher capital adequacy of 11.60% during the period from 1 January 2023 (additional capital requirement - 2.6% 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 -2.93% (Capital conservation buffer – 2.50%, institution-specific countercyclical capital buffer – 0.18% (as at 31.12.2023), other reserve -0.25%). 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.com/lv/finansu-informacija).

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. There were no transfers between the fair value hierarchy levels.

The Group and the Bank

31 December 2023	Published price quotations (1)	Valuation techniques based on market observable inputs (2)	Valuation techniques based on unobservable inputs (3)	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Non fixed income securities	-	395	-	**395**
Derivatives	-	-	-	**-**
Financial assets at fair value through other comprehensive income				
Fixed income securities	20 269	-	379	**20 648**
Non fixed income securities and shares	-	18	-	**18**
	20 269	**413**	**379**	**21 061**

31 December 2022	Published price quotations (1)	Valuation techniques based on market observable inputs (2)	Valuation techniques based on unobservable inputs (3)	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Non fixed income securities	-	320	-	**320**
Derivatives	-	3	-	**3**
Financial assets at fair value through other comprehensive income				
Fixed income securities	25 592	-	379	**25 971**
Non fixed income securities and shares	-	18	-	**18**
	25 592	**341**	**379**	**26 312**

Included in category "Published price quotations" (Level 1) are financial assets and liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The main asset classes included in this category are financial assets for which the fair value is obtained via pricing vendors or binding broker quotes and assets for which the fair value is determined by reference to indices.

Included in category 2 "Valuation methods based on market observable data" are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument or based on available market data.

Not based upon market observable (Level 3) input means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The following table shows the valuation techniques used in measuring Level 2 fair values:

Type	Valuation technique
Financial assets and liabilities designated as at fair value through profit or loss.	Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.
Financial assets measured at fair value through other comprehensive income.	Valuation is based on financial indicators, including discounted cash flows and value of Bank's position with the price hedge.

The following table shows the valuation techniques used in measuring Level 3 fair values:

Type	Valuation method	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Assets at fair value through profit or loss (illiquid bonds).	Valuation is based on financial indicators, including discounted cash flows.	Net assets	The estimated fair value would increase (decrease), if: Increase/(decrease) in net assets
Financial assets at fair value through profit or loss.	Outlook of the court case and estimated proceeds	Court case's order	The estimated fair value would increase (decrease) if: Positive (negative) court case's order
Financial assets measured at fair value through other comprehensive income.	Valuation is based discounted dividend model	Future net revenues; CAPEX	The estimated fair value would increase (decrease) if: revenue increases/ (decreases/ CAPEX decreases/ (increases)

Changes in financial instruments of the Group/Bank classified as Level 3 in Fair Value Hierarchy:

31.12.2023 Financial assets at fair value	31.12.2022.	(Sold)	Fair value adjustment	31.12.2023.
Fixed income securities	**379**	-	-	**379**
Non fixed income securities	**-**	-	-	**-**
Total financial assets at fair value	**379**	**-**	**-**	**379**

31.12.2022 Financial assets at fair value	31.12.2021.	Acquired	Fair value adjustment	31.12.2022.
Fixed income securities	**3 514**	(3 135)	-	**379**
Non fixed income securities	**218**	(218)	-	**-**
Total financial assets at fair value	**3 732**	**(3 353)**	**-**	**379**

The table below analyses the fair values of financial instruments other than measured at fair value by the level in the fair value hierarchy into which each fair value measurement is categorised. There were no transfers between the fair value hierarchy levels.

31 December 2023	Level 1: EUR'000	Level 2: EUR'000	Level 3: EUR'000	Total fair value EUR'000	Total carrying amount EUR'000
Financial assets					
Cash and demand deposits with central bank	576	337 448	-	338 024	338 024
Loans and receivables from banks	-	-	24 770	24 770	24 770
Loans to customers	-	-	397 937	397 937	398 564
Investment securities at amortised cost	-	71 288	2 051	73 339	76 774
Other financial assets	-	-	9 428	9 428	9 428
Financial liabilities					
Deposits and balances due to financial institutions	-	-	4 407	4 407	4 407
Financial liabilities carried at amortized cost	-	-	816 300	816 300	816 637
Other financial liabilities	-	-	1 342	1 342	1 342

31 December 2022	Level 1: EUR'000	Level 2: EUR'000	Level 3: EUR'000	Total fair value EUR'000	Total carrying amount EUR'000
Financial assets					
Cash and demand deposits with central bank	652	119 875	-	120 527	120 527
Loans and receivables from banks	-	-	25 292	25 292	25 292
Loans to customers	-	-	307 022	307 022	308 310
Investment securities at amortised cost	-	122 902	6 330	129 232	136 659
Other financial assets	-	-	10 054	10 054	10 054
Financial liabilities					
Balances due to central bank	-	-	-	-	-
Deposits and balances due to financial institutions	-	-	6 623	6 623	6 623
Financial liabilities carried at amortized cost	-	-	582 587	582 587	583 711
Other financial liabilities	-	-	2 954	2 954	2 954

The following table shows the valuation techniques use in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation method	Significant unobservable inputs
Loans and advances due from financial institutions	Discounted cash flows	Discount rates
Loans	Discounted cash flows	Discount rates
Due to financial institutions	Discounted cash flows	Discount rates
Deposits	Discounted cash flows	Discount rates

43. 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.

	2023			2022		
	Corporate EUR'000	Other EUR'000	Total EUR'000	Corporate EUR'000	Other EUR'000	Total EUR'000
Net interest and similar income	25 539	-	**25 539**	17 589	-	**17 589**
Net fee and commission income	10 864	-	**10 864**	8 442	-	**8 442**
Net other finance income	(156)	-	**(156)**	(533)	-	**(533)**
Other operating income	1 598	72	**1 670**	870	72	**942**
Total operating income	**37 845**	**72**	**37 917**	**26 368**	**72**	**26 440**
Total operating expense	(17 995)	(84)	**(18 079)**	(15 228)	(58)	**(15 286)**
Credit loss allowance	(2 081)	-	**(2 081)**	(890)	-	**(890)**
Profit before tax	**17 769**	**(12)**	**17 757**	**10 250**	**14**	**10 264**

	2023			2022		
	Corporate EUR'000	Other EUR'000	Total EUR'000	Corporate EUR'000	Other EUR'000	Total EUR'000
Fee and commission income						
Money transfers	1 949	-	**1 949**	1 096	-	**1 096**
Commissions on loans monitoring and service	808	-	**808**	551	-	**551**
Securities transactions	999	-	**999**	910	-	**910**
Assets management	316	-	**316**	322	-	**322**
Client service	7 169	-	**7 169**	6 072	-	**6 072**
Payment card service	1 366	-	**1 366**	1 421	-	**1 421**
Total net fee and commission income	**12 607**	**-**	**12 607**	**10 372**	**-**	**10 372**
Total assets	907 449	827	**908 276**	667 713	827	**668 540**
Total liabilities	(826 954)	-	**(826 954)**	(592 679)	-	**(592 679)**

44. EVENTS AFTER THE REPORTING PERIOD

Corporate income tax for additional payment for credit institutions

In December 2023 a change in corporate income tax (CIT) legislation was introduced in Latvia stipulating an advance CIT payable at 20% rate on profit after tax. The CIT advance is applicable to banks and leasing entities. Advance corporate income tax paid is eligible to fully offset dividend distribution tax with no expiry date. As the changes in the Corporate income tax las were substantively enacted before 31 December 2023, corporate income tax expense was accordingly recognised in the 2023 financial statements.

Mortgage Borrower Protection Fee

From 1 January 2024, a mortgage borrower protection fee has been introduced in Latvia. The fee is paid by credit institutions and capital companies registered in Latvia, which have received a special permit (licence) for the provision of consumer lending services. The fee is paid for loans issued to consumers (individuals – borrowers), the repayment of which is secured by a mortgage on real estate located in Latvia. The mortgage borrower protection fee is set at 0.5 percent per quarter of the total amount of the outstanding mortgage credits issued by the fee payer as at 31 October 2023. As the Bank's mortgage loan portfolio is small, no material impact is expect on the Bank in 2024.

Non-current assets classified as held for sale

Non-current assets classified as held for sale as at 31 December 2023 included one building (shopping centre) that is a collateral recovered from defaulted loan during 2022. The Bank sold the asset in the beginning of 2024, contract with a buyer was signed in January 2024.

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.

Independent Auditor's Report

To the Shareholder of BluOr Bank AS

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of BluOr Bank AS (the "Bank") and its subsidiaries (together "the Group") as at 31 December 2023, and of the Group's consolidated and the Bank's separate financial performance and the Group's consolidated and the Bank's separate cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union (EU).

Our opinion is consistent with our additional report to the Audit Committee dated 11 March 2024.

What we have audited

The Group's consolidated and the Bank's separate financial statements (together "the financial statements") comprise:

- the Group's Consolidated and the Bank's Separate Income Statements for the year ended 31 December 2023;
- the Group's Consolidated and the Bank's Separate Statements of Other Comprehensive Income for the year ended 31 December 2023;
- the Group's Consolidated and the Bank's Separate Statements of Financial Position as at 31 December 2023;
- the Group's Consolidated Statement of Changes in Shareholders' Equity for the year ended 31 December 2023;
- the Bank's Separate Statement of Changes in Shareholders' Equity for the year ended 31 December 2023;
- the Group's Consolidated and the Bank's Separate Statements of Cash Flows for the year ended 31 December 2023; and
- the notes to the consolidated and Bank's financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

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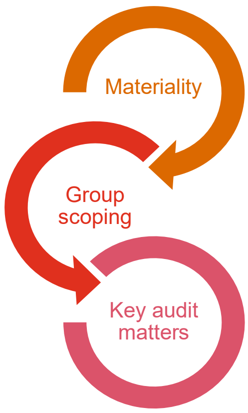
Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Audit Services.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Bank, its parent company and subsidiaries are in accordance with the applicable laws and regulations in the Republic of Latvia and that we have not provided non-audit services that are prohibited under Article 37.[6] of the Law on Audit Services of the Republic of Latvia.

The non-audit services that we have provided to the Group and the Bank in the period from 1 January 2023 to 31 December 2023 are disclosed in note 11 to the financial statements.

Our audit approach

Overview



- Overall Group and Bank materiality: EUR 800 thousand which represents approximately 5% of profit before tax.

- We have audited the separate financial statements of the Bank.
- We have performed selected audit procedures over the significant balances and transactions of subsidiaries.
- Our audit scope covered substantially all of the Group's revenues and substantially all of the Group's total assets.

- Expected credit losses on loans (Group and Bank).

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

Materiality

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

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

Overall materiality	Overall materiality applied to the Group and the Bank was EUR 800 thousand.
How we determined it	Approximately 5% of the Group's and the Bank's profit before tax for 2023.
Rationale for the materiality benchmark applied	We chose profit before tax as the base benchmark because, in our view, it is the benchmark against which the performance of the Group and the Bank is most commonly measured by users, and it is a generally accepted benchmark. We chose the threshold of 5%, which is within the range of acceptable quantitative materiality thresholds for this benchmark for a public-interest entity.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 40 thousand for the Group and the Bank, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans (Group and Bank) Refer to Note 18 "Loans and receivables" to the financial statements. We focused on this area because application of IFRS 9 "Financial instruments" expected credit loss (ECL) model for loans impairment losses requires complex and subjective judgements over both timing of recognition of expected credit losses and their extent. The key features of the expected credit losses model include classification of loans to 3 stages, assessment of credit risk parameters and application of forward-looking information. The amount of expected credit losses for the Group's and the Bank's loans is based on calculations taking into consideration the exposure at default, probability of default, changes in customer credit rating and taking into account estimated future cash flows from the loan repayments or sale of collateral (loss given default), and ECL adjustments	We assessed whether the Group's and the Bank's accounting policies in relation to the ECL of loans to customers are in compliance with IFRS 9 by assessing each significant model component: exposure at default, probability of default and loss given default, definitions of default and significant increase in credit risk, use of macroeconomic scenarios. We assessed the design and operating effectiveness of the controls over relevant loan data and ECL calculations. These controls included controls over monitoring of loan quality, the non-retail loans credit file periodic reviews and related credit rating assessment, timely transfer into overdue accounts where relevant and accuracy of overdue days calculation, appropriate classification into individual or collective assessment, and staging assessment. Further, we performed detailed testing over reliability of loan data, including contract dates, interest rates, collateral values and types, performing/non-performing status and other inputs used in ECL calculation engine as at 31 December 2023. For a sample of individually significant loans to legal entities we evaluated reasonableness of assumptions

by expected impact of future macroeconomic scenarios. For individually significant loans ECL are calculated on individual basis and expert judgement is applied to determine probability of default (PD) and loss give default (LGD). For other loans the expected credit losses are calculated using the ECL model. As at 31 December 2023 expected credit losses amounted to EUR 3 253 thousand at the Group and the Bank (refer to Note 18).	made by the Bank's credit expert regarding future cash flow scenarios, PD and LGD, appropriateness of ECL stage applied, accuracy of ECL calculation as well as existence and valuation of collateral. We involved our expert to assess the ECL model and recalculate the credit loss allowance for loans and advances assessed on the collective basis. We tested the accuracy of input information used in the ECL model. Finally, we have reviewed the credit risk disclosures.

How we tailored our Group audit scope

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

The Group engagement team carried out audit work on the Bank's financial statements and performed selected audit procedures over the significant balances and transactions of other subsidiaries. Our audit work addressed substantially all of the Group's revenues and the Group's total assets.

Reporting on other information including the Management report

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

- Report of the Council and the Board, as set out on pages 3 to 5 of the Annual Report;
- information on the Council and the Board of the Bank, as set out on page 6 of the Annual Report;
- Statement of Management's Responsibility, as set out on page 7 of the Annual Report; and,
- Statement of Corporate Governance, set out in a separate statement prepared and signed by the Bank's Management Board on 20 December 2023 and available on the Bank's website http://bluorbank.lv as at the date of this audit report,

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

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

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

With respect to the Report of the Council and the Board, we also performed the procedures required by the Law on Audit Services of the Republic of Latvia and the Financial and Capital Market Commission Regulation No 113 "Regulation on preparation of the annual report and consolidated annual report of credit institutions, investment brokerage companies and investment management companies". Those procedures include considering whether the Report of the Council and the Board is prepared in accordance with the requirements of the applicable legislation.

In addition, in accordance with the Law on Audit Services of the Republic of Latvia, with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required by section (3) of Article 56.2 of the Financial Instruments Market Law.

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

- the information given in the other information identified above for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Report of the Council and the Board has been prepared in accordance with requirements of the Financial and Capital Market Commission Regulation No. 113 "Regulation on preparation of the annual report and consolidated annual report of credit institutions, investment brokerage companies and investment management companies"; and
- the Statement of Corporate Governance, available on the Bank's website https://bluorbank.lv as at the date of this audit report, includes the information required by section (3) of Article 56.2 of the Financial Instruments Market Law.

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the IFRS Accounting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged based on our agreement of 20 September 2023 by the Board of the Bank to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of BluOr Bank AS for the year ended 31 December 2023 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been applied by the Board of the Bank to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and the Council

The Board of the Bank is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Members of the Council are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 (R) - 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (ISAE 3000(R)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000 (R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality management requirements and professional ethics

We apply International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;

- evaluating the completeness of marking up the consolidated financial statements using the XBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

Appointment and period of our audit engagement

We were first appointed as auditors by the Bank's shareholder's resolution on 28 November 2018. Our appointment has been renewed annually by shareholder's resolution representing a total period of uninterrupted engagement appointment of 6 years.

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

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

/signed digitally/

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

Riga, Latvia
11 March 2024

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

This version of our report is a copy of the original independent auditor's report, which was issued on the Financial Statements of BluOr Bank AS prepared in accordance with the requirements of the European Single Electronic Format. This pdf version of independent auditor's report does not relate to the Latvian version of the financial statements prepared in a pdf format and prepared to make the format more accessible to the Company's shareholders. The original financial statements in machine-readable .xhtml format together with an original independent auditor's report have been submitted to the Nasdaq Riga Stock Exchange (link: https://nasdaqbaltic.com).