BluOr Bank

Group's Consolidated and Bank's Separate Annual Report for the year ended 31 December 2024

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/)

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Management report

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

The 2024 financial results strongly affirm BluOr Bank's consistent growth, strengthened market position, and effective execution of its strategic objectives.

According to audited data, the Bank ended the reporting period with a profit of EUR 17.9 million (2023: EUR 12.6 million). The Bank's equity has reached EUR 122.4 million (2023: EUR 89.8 million), while total assets amount to EUR 1 049 million (2023: EUR 924 million).

As of December 31, 2024, the Bank's liquidity coverage ratio (LCR) stood at 156.28% (2023: 176.6%), while its capital adequacy ratio was 18.46% (2023: 16.11%). Other key indicators of the Bank's financial performance are equally strong: return on equity (ROE) stands at 20.03% (2023: 14.68%), and return on assets (ROA) is 1.83% (2023: 1.67%).

In the first half of the year, the Bank raised EUR 3 million in new Tier 1 and Tier 2 capital by offering to purchase bonds issued by the Bank and investing funds in a subordinated deposit. In the second half of the year, the Bank's clients invested EUR 2.6 million in a subordinated deposit, while EUR 20 million was raised through the public offering of subordinated bonds, with demand exceeding the initial offering by 2.6 times.

This clearly demonstrates investors' confidence in BluOr Bank's stability, strategic focus, and long-term operational strategy. The funds raised through the bond issuance enable the Bank to not only maintain but also accelerate its financing activities, supporting the interests of entrepreneurs while implementing the Bank's growth strategy. The strong demand highlights the market's recognition of bonds as a key financial tool.

During the reporting period, the Bank successfully continued to implement its business strategy focused on providing services to Latvian corporate clients: over the past 12 months, the number of clients – Latvian companies has increased by 34%.

BluOr Bank continues to actively provide loans to companies, offering financing to entrepreneurs across a wide range of industries. Over the past year, the Bank has signed new loan agreements totalling EUR 254.18 million, which is 12% higher than the previous year. The financing allocated for lending to small and medium-sized enterprises and promoting business development in both Riga and the regions of Latvia accounts for 82% of new loans issued.

The total loan portfolio (loans granted and issued) increased by 19% in 2024, reaching EUR 599.3 million.

As a bank founded by Latvian entrepreneurs, BluOr Bank focuses on long-term relationships with its clients, therefore it continuously improves and develops existing financial services in accordance with the needs of both companies and individuals.

The Bank has provided its clients with favourable terms for accumulating and increasing financial resources, as a result of which both the number of depositors and the size of deposits have grown.

2024 was also a year of significant growth in client asset management. Compared to the previous period, total assets managed increased by 35%, and the client base nearly doubled. Investment portfolios grew by an average of 20%, delivering strong returns on BluOr Bank clients' funds.

During the reporting period, considerable progress has been made in the e-commerce domain as well. In 2024, the number of transactions increased by 24%, transaction turnover rose by 28%, and, consequently, total e-commerce income grew by 20%.

Over the past year, the range of foreign correspondent banks has been expanded, offering more convenient options for the Bank's clients to conduct transactions in various currencies, while simultaneously strengthening the Bank's position and increasing income from such operations. In collaboration with its clearing partner, BluOr Bank began offering its clients direct access to stock trading in the United States and Asia in 2024.

BluOr Bank has included sustainability objectives in its business strategy, in accordance with environmental, social, and governance (ESG) criteria. A new structure has been established at the Bank to manage sustainability processes.

At the same time, during the past year, by providing financing, the Bank supported its clients in the development of various sustainability projects, such as renewable energy production, more efficient business development and transformation, and the reduction of environmental impact.

BluOr Bank also continuously improves its internal processes: a more advanced document management system and a new CRM system have been introduced to accelerate customer service processes.

BluOr Bank continues the development of technological processes in collaboration with international partners. Thus, thanks to its new payment card partner NETS, the Bank has implemented and expanded innovative technologies that have gained trust for their security across the European Union and beyond.

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

The Bank continues to maintain a high priority on all issues related to risk management and operational compliance, closely monitoring all changes on the international scene.

In 2025, the Bank will continue to enhance both its operational efficiency and the volume of corporate lending, thereby reaffirming its key role in financing business and the economy.

As at issuance of the annual report the Board proposes to distribute part of the profit amounting to EUR 9 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's management,

Dmitrijs Latiševs	**Vadims Morozs**
Chairman of the Board	*Member of the Board*

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Council and Board of the Bank

Council as of 31 December 2024

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

Board as of 31 December 2024

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

On behalf of the Bank's management,

Dmitrijs Latiševs
Chairman of the Board

Vadims Morozs
Member of the Board

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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 98 are prepared in accordance with the source documents and present fairly the financial position of the Group as at 31 December 2024 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 2024 and the results of its operations and cash flows for the year ended 31 December 2024.

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's management,

Dmitrijs Latiševs	**Vadims Morozs**
Chairman of the Board	*Member of the Board*

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

	Note	2024		2023	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest income at effective interest rate		50 363	50 363	36 720	36 720
Other interest income		*1 297*	*176*	*342*	*342*
Interest expenses		(22 442)	(22 792)	(11 523)	(11 838)
Net interest income	6	**29 218**	**27 747**	**25 539**	**25 224**
Fee and commission income		16 369	16 370	12 607	12 608
Fee and commission expense		(2 235)	(2 234)	(1 743)	(1 743)
Net fee and commission income	7	**14 134**	**14 136**	**10 864**	**10 865**
Net (loss) from trading and revaluation of financial instruments	8	(152)	(152)	(217)	(217)
Net foreign exchange trading and revaluation income	9	674	674	61	61
Other operating income	10	2 572	2 515	1 670	1 595
Total operating income		**46 446**	**44 920**	**37 917**	**37 528**
Administrative expenses	11	(19 524)	(18 558)	(16 200)	(15 539)
Other operating expenses	12	(2 016)	(2 024)	(1 879)	(1 882)
Credit loss allowances	16,17,18	(2 898)	(1 945)	(2 081)	(2 081)
Impairment of non-financial assets		-	-	-	(1 400)
Total operating expenses		**(24 438)**	**(22 527)**	**(20 160)**	**(20 902)**
Profit before taxation		**22 008**	**22 393**	**17 757**	**16 626**
Corporate income tax	13	(4 543)	(4 543)	(4 060)	(4 060)
Profit for the year		**17 465**	**17 850**	**13 697**	**12 566**

The accompanying notes on pages 15 to 98 form an integral part of these financial statements.

The Board of the Bank approved the issue of these financial statements as presented from page 8 to 98 on 17 March 2025. The financial statements are signed on behalf of the Board of the Bank by:

Dmitrijs Latiševs
Chairman of the Board

Vadims Morozs
Member of the Board/Chief accountant

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

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Profit for the year	**17 465**	**17 850**	**13 697**	**12 566**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Foreign exchange revaluation gain/(loss)	1	-	(9)	-
Revaluation gain – financial assets at fair value through other comprehensive income (debt instruments)	607	607	773	773
Total items that may be reclassified to profit or loss	**608**	**607**	**764**	**773**
Other comprehensive income	**608**	**607**	**764**	**773**
Total comprehensive income	**18 073**	**18 457**	**14 461**	**13 339**

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

Assets	**Note**	**31.12.2024**		**31.12.2023**		**01.01.2023**	
		Group EUR'000	**Bank EUR'000**	**Group EUR'000** (Restated)	**Bank EUR'000** (Restated)	**Group EUR'000** (Restated)	**Bank EUR'000** (Restated)
Cash and demand deposits with central bank	14	409 545	409 545	338 024	338 024	120 527	120 527
Loans and receivables from credit institutions	15	7 730	7 622	11 255	11 247	9 704	9 690
Demand deposits with credit institutions		*7 730*	*7 622*	*11 255*	*11 247*	*9 704*	*9 690*
Investment securities	16,18	69 506	69 506	97 835	97 835	162 968	162 968
Fixed income securities		*68 940*	*68 940*	*97 422*	*97 422*	*162 630*	*162 630*
Non fixed income securities		*566*	*566*	*413*	*413*	*338*	*338*
Loans and receivables	17	508 656	489 930	412 087	412 087	323 912	323 912
Investments in associates	19	827	-	827	-	827	-
Investments in subsidiary undertakings	19	-	47 715	-	28 871	-	30 266
Investment property	20	2 850	1 614	2 934	1 614	2 830	1 614
Property and equipment	21	22 470	3 011	23 549	3 232	24 610	3 438
Right-of-use assets	21	-	8 598	-	9 261	-	9 924
Intangible assets	22	203	193	267	267	256	256
Non-current assets classified as held for sale		-	-	11 150	11 150	11 150	11 150
Prepayments and accrued income	23	566	559	854	844	1 661	1 657
Other assets	24	10 876	10 854	9 494	9 428	10 095	10 060
Total assets		**1 033 229**	**1 049 147**	**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	31.12.2024		31.12.2023		01.01.2023	
		Group EUR'000	Bank EUR'000	Group EUR'000 (Restated)	Bank EUR'000 (Restated)	Group EUR'000 (Restated)	Bank EUR'000 (Restated)
Due to monetary financial institutions on demand	25	3 457	3 457	4 407	4 407	6 623	6 623
Financial liabilities carried at amortized cost		926 432	929 347	814 212	816 637	581 695	583 711
Deposits	26	886 537	889 452	800 584	803 009	573 707	575 723
Deposits (subordinated)	*26*	*5 711*	*5 711*	*2 623*	*2 623*	*1 984*	*1 984*
Additional Tier 1 Debt securities (subordinated)	*27*	*8 813*	*8 813*	*6 123*	*6 123*	*1 122*	*1 122*
Debt securities (subordinated)	*27*	*25 371*	*25 371*	*4 882*	*4 882*	*4 882*	*4 882*
Lease liabilities	*21*	-	*9 330*	-	*9 912*	-	*10 476*
Deferred income and accrued expenses		2 759	2 740	2 263	2 243	1 112	1 107
Provisions		121	121	298	298	129	130
Income tax liabilities	13	4 455	4 455	3 770	3 770	-	-
Other liabilities	28	5 610	5 551	2 004	1 904	3 120	3 065
Total liabilities		**942 834**	**955 001**	**826 954**	**839 171**	**592 679**	**605 112**
Shareholders' equity							
Share capital	29	44 493	44 493	44 493	44 493	44 493	44 493
Statutory reserves	29	24	24	24	24	24	24
Revaluation reserve – financial assets at fair value through other comprehensive income		(764)	(764)	(1 371)	(1 371)	(2 144)	(2 144)
Other reserves		(3 412)	(2 400)	(3 412)	(2 400)	(3 413)	(2 400)
Retained earnings		50 054	52 793	41 588	43 943	36 901	40 377
Total equity attributable to equity holders of the Bank		**90 395**	**94 146**	**81 322**	**84 689**	**75 861**	**80 350**
Total equity and liabilities		**1 033 229**	**1 049 147**	**908 276**	**923 860**	**668 540**	**685 462**

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

	Note	Share capital	Statutory reserves	Revaluation reserve – FVOCI	Other reserves	Retained earnings	Total equity attributable to equity holders of the parent	Total equity
		EUR`000	EUR`000	EUR`000	EUR'000	EUR`000	EUR`000	EUR`000
Balance as at 31 December 2022		**44 493**	**24**	**(2 144)**	**(3 413)**	**36 901**	**75 861**	**75 861**
Dividends paid		-	-	-	-	(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**
Dividends paid		-	-	-	-	(9 000)	**(9 000)**	**(9 000)**
Other comprehensive income for the year:		-	-	607	-	(1)	**608**	**608**
Revaluation of financial assets		-	-	607	-	-	**607**	**607**
Foreign exchange revaluation		-	-	-	-	1	**1**	**1**
Profit for the year		-	-	-	-	17 465	**17 465**	**17 465**
Total comprehensive income for the year		**-**	**-**	**607**	**-**	**17 466**	**18 073**	**18 073**
Balance as at 31 December 2024		**44 493**	**24**	**(764)**	**(3 412)**	**50 054**	**90 395**	**90 395**

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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 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 at 31 December 2023		**44 493**	**24**	**(2 400)**	**(1 371)**	**43 943**	**84 689**
Dividends paid		-	-	-	-	(9 000)	**(9 000)**
Other comprehensive income for the year:		-	-	-	607	-	**607**
Revaluation of financial assets		-	-	-	607	-	**607**
Profit for the year		-	-	-	-	17 850	**17 850**
Total comprehensive income for the year		**-**	**-**	**-**	**607**	**17 850**	**18 457**
Balance as at 31 December 2024		**44 493**	**24**	**(2 400)**	**(764)**	**52 793**	**94 146**

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

		2024		2023	
		Group EUR'000	Bank EUR'000	Group EUR'000 (Restated)	Bank EUR'000 (Restated)
Cash flow from operating activities					
Profit before taxation		**22 008**	**22 393**	**17 757**	**16 626**
Amortisation of intangible assets		139	139	132	132
Depreciation of property, equipment and right-of-use assets		1 162	967	1 214	1 005
Revaluation of financial assets		(129)	(129)	(86)	(86)
Interest income		(51 660)	(50 539)	(37 062)	(37 062)
Interest expense		22 442	22 792	11 523	11 838
Impairment of assets (inc. expected credit loss)		2 898	1 945	2 081	3 481
Increase in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations		**(3 140)**	**(2 432)**	**(4 441)**	**(4 066)**
(Increase) decrease in loans and receivables		(98 487)	(78 808)	(88 674)	(88 674)
(Increase) decrease in term deposits with credit institutions		-	-	(419)	(419)
Decrease in investment securities		28 324	28 324	65 680	65 680
Decrease in trading financial assets		-	-	3	3
Decrease in prepayments and accrued income		288	285	807	813
(Increase)/ decrease in other assets		9 752	9 723	589	629
Increase/(decrease) in deposits and due to banks		87 151	87 641	221 870	222 279
Interest received		51 421	50 300	36 211	36 211
Interest paid		(21 502)	(21 852)	(8 093)	(8 408)
Increase/(decrease) in other liabilities and current tax liabilities		3 250	3 291	(949)	(995)
Increase/(decrease) in deferred income and accrued expenses		496	497	1 151	1 136
Net cash from operating activities before tax		**57 553**	**76 969**	**223 735**	**224 189**
Corporate income tax paid		(3 149)	(3 149)	(288)	(288)
Net cash from operating activities		**54 404**	**73 820**	**223 447**	**223 901**
Cash flows from investment activities					
Purchase of fixed and intangible assets		(157)	(147)	(296)	(279)
Disposal of investment property		100	-	84	-
Purchase of investment property		-	-	(188)	-
Capital increase in investment in subsidiaries	19	-	(19 944)	-	(5)
Capital decrease in investment in subsidiaries	19	-	1 100	-	-
Net cash (used in) investing activities		**(57)**	**(18 991)**	**(400)**	**(284)**
Cash flows from financing activities					
Lease liabilities repaid on right-of-use asset		-	(582)	-	(564)
Bonds issued		22 649	22 649	5 001	5 001
Dividends (paid)	29	(9 000)	(9 000)	(9 000)	(9 000)
Net cash (used in) financing activities		**13 649**	**13 067**	**(3 999)**	**(4 563)**
Net changes in cash and cash equivalents		**67 996**	**67 896**	**219 048**	**219 054**
Cash and cash equivalents at the beginning of the reporting year		**349 279**	**349 271**	**130 231**	**130 217**
Cash and cash equivalents at the end of the reporting year	30	**417 275**	**417 167**	**349 279**	**349 271**

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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 Joint Stock Company BBG that holds 100% of the 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 control the Group as at 31 December 2024. 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 31.12.2024 %	Holding 31.12.2023 %
SIA BluOr International	M. Pils iela 13, Riga, Latvia,	Real estate development	100	100
SIA CityCap Service	Kr. Valdemara iela 149, Riga, Latvia	Real estate development	-	100
SIA Zapdvina Development	Kr. Valdemara iela 149, Riga, Latvia	Real estate development	100	100
Kamaly Development EOOD	Etiera k-s ½B – 18, Sveti Vlas, Burgas obl., Nesebier 8256, Bulgaria	Real estate development	100	100
UAB Kamaly Development	Klaipedos m. sav. Klaipedos m., Karklu g. 12, Lithuania	Management of 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
Mazirbe Estate SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	-	100
Lielie Zaķi SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	-	100
Pulkarne Entity SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	100	100
Hazee Shipping Corp	Ajeltake Island, Majuro, Republic of the Marshall Islands, MH96960	Financial services	100	-

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

Investments in associated companies (the Group):

Company	Country of incorporation, address	Line of business	Holding (%) 31.12.2024	Holding (%) 31.12.2023
AS Termo biznesa Centrs	Kr. Valdemāra iela 149, Riga, Latvia	Real estate development	26.15	26.15

2. BASIS OF PREPARATION

(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 Bank of Latvia (LB) regulations in force as at 31 December 2024.

The Group's consolidated and the Bank's separate financial statements were authorized for issue by the Board on 17 March 2025. 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;
- 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. MATERIAL 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 2024	31 December 2023
USD	1.0389	1.1050

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 41.

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 2024 and 2023 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, 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. 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 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.

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 2024, but these did not have a material impact on the Bank and the Group:

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

- **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback** (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).

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

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

(a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;

(b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;

(c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and

(d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

- **IFRS 18 Presentation and Disclosure in Financial Statements** (effective for annual periods beginning on or after 1 January 2027, not yet endorsed by the EU). In April 2024, the IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information.

- **Amendments to IAS 21 Lack of Exchangeability** (effective for annual periods beginning on or after 1 January 2025).
- **Annual Improvements to IFRS Accounting Standards** (Issued in July 2024 and effective from 1 January 2026, not yet endorsed by the EU).
- **Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7** (effective for annual periods beginning on or after 1 January 2026, not yet endorsed by the EU).
- **IFRS 19 Subsidiaries without Public Accountability: Disclosures** (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027, not yet endorsed by the EU).

The management of the Group is still evaluating new standards and amendments (effective after 2024) 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.

(23) Changes in presentation – retrospective adjustments

In 2024, in order to achieve a better presentation, changes were made in the bank's accounting policy with respect to types of financial institutions that can be classified as "Loans and receivables from credit institutions" in the balance sheet. As a result, part of the receivables from financial institutions that are not banks were reclassified from "Loans and receivables from credit institutions" to "Loans and receivables". In accordance with the requirements of IFRS, the comparative information as of 31 December 2023 and 1 January 2023 was adjusted retrospectively.

Furthermore, it was identified that respective amounts due from financial institutions should be excluded from cash and cash equivalents. The Bank also concluded that cash and cash equivalents should not be reduced by the amounts classified as "due to credit institutions", therefore such amounts were excluded from cash and cash equivalents. Both cash flow statement reclassifications are considered as errors and correction was performed by restatement of comparative financial information of 31 December 2023 and 1 January 2023.

Quantitative impact on financial statements:

Bank, 31.12.2023

Adjustments made to statement of financial position	31.12.2023 Before restatement EUR'000	Restatement EUR'000	31.12.2023 Restated EUR'000
Loans and receivables from credit institutions	24 770	(13 523)	11 247
Loans and receivables	398 564	13 523	412 087
Total assets	**923 860**	**-**	**923 860**

Group, 31.12.2023

Adjustments made to statement of financial position	31.12.2023 Before restatement EUR'000	Restatement EUR'000	31.12.2023 Restated EUR'000
Loans and receivables from credit institutions	24 778	(13 523)	11 255
Loans and receivables	398 564	13 523	412 087
Total assets	**908 276**	**-**	**908 276**

Bank, 01.01.2023

Adjustments made to statement of financial position	2023 Before restatement EUR'000	Restatement EUR'000	2023 Restated EUR'000
Loans and receivables from credit institutions	25 292	(15 602)	9 690
Loans and receivables	308 310	15 602	323 912
Total assets	**685 462**	**-**	**685 462**

Group, 01.01.2023

Adjustments made to statement of financial position	2023 Before restatement EUR'000	Restatement EUR'000	2023 Restated EUR'000
Loans and receivables from credit institutions	25 306	(15 602)	9 704
Loans and receivables	308 310	15 602	323 912
Total assets	**668 540**	**-**	**668 540**

Bank, 2023

Adjustments made to cash flow statement	2023 Before restatement EUR'000	Restatement EUR'000	2023 Restated EUR'000
(Increase) / decrease in loans and receivables	(90 753)	2 079	(88 674)
(Increase) / decrease in term deposits with credit institutions	4 184	(4 603)	(419)
Increase / (decrease) in deposits and due to banks	224 495	(2 216)	222 279
Net cash from operating activities	**228 641**	**(4 740)**	**223 937**
Cash and cash equivalents at the beginning of the reporting year	130 689	(472)	130 217
Cash and cash equivalents at the end of the reporting year	354 483	(5 212)	349 271
Net changes in cash and cash equivalents	**223 794**	**(4 740)**	**219 054**

Group, 2023

Adjustments made to cash flow statement	2023 Before restatement EUR'000	Restatement EUR'000	2023 Restated EUR'000
(Increase) / decrease in loans and receivables	(90 753)	2 079	(88 674)
(Increase) / decrease in term deposits with credit institutions	4 184	(4 603)	(419)
Increase / (decrease) in deposits and due to banks	224 086	(2 216)	221 870
Net cash from operating activities	**228 187**	**(4 740)**	**223 483**
Cash and cash equivalents at the beginning of the reporting year	130 703	(472)	130 217
Cash and cash equivalents at the end of the reporting year	354 491	(5 212)	349 279
Net changes in cash and cash equivalents	**223 788**	**(4 740)**	**219 048**

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 Client 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, the Council and the Risk Committee regularly receive and review the information on risk management, implementation of the strategies and policies approved by the Council. The Risk Committee advises and supports the Council in relation to the current and future risk strategy of the Bank and the Group, including changes to it, taking into account changes in the type of activity of the Bank and the Group, and changes in external factors, and assists the Council in monitoring its implementation. Risk management is carried out at both the Group and Bank levels.

(1) Credit risk

Credit risk is the risk of incurring losses if the Group's or the Bank's counterparty or debtor fails or refuses to fulfil its obligations towards the Group or the Bank in accordance with the contractual terms.

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, except for one bond, for which 100% provisions was recognised (see Note 18). Also, the Bank does not have significant financial cooperation with financial institutions in Russia, Belarus 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.

Changes in residential real estate prices and transaction number are not significant, and the market is considered relatively stable. Although, in the new project segment, there is even an increase in prices for apartments in Riga neighbourhoods from ~2,500 EUR/m2 to ~2,700 EUR/m2 (within the 3rd quarter 2024, this may be due to the implementation of a specific higher-class real estate project). Since mid-2022, the market has been negatively impacted by the rise in Euribor rates. However, the number of transactions has remained (roughly) at the previous level, supported by prior apartment purchase reservations. Currently, there is a downward trend in Euribor rates (6-month Euribor has decreased from its peak of 4.14% to 2.69% by the end of 3d quarter 2024), resulting in a more optimistic outlook among market participants as they look toward 2025. The Bank remains cautious and continues to monitor the market and the situation of the Bank's borrowers.

While rental rates remain fairly stable, the commercial real estate market in previous periods was mainly influenced by Euribor rates, the growth of which led to a decrease in borrowers' DSCR indicators. In the previous quarter, Euribor rates continued to decline. The industry participant confidence index (CBRE research) in Latvia has remained almost unchanged over the year.

As of the end of 2024, 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 for financial assets measured at fair value through profit or loss (FVTPL), along with loan commitments and financial guarantee contracts.

The Bank's expected credit loss (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 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 data is accordingly applied to the external credit ratings of instruments or issuers. If an instrument does not have an external rating, it is conservatively assumed to apply historical data corresponding to a B- rating. For instruments with prime grades, where historical PD is equal to 0%, it is assumed to take PD=0.005%. According to this scenario, PD ranges from 0.005% for prime grade instruments to 7.06% 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 as 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. The Bank's loan portfolio is divided into five homogeneous groups based on historical default rates by performing various statistical tests.

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).

Loss given default (LGD) is determined at the level of the type of asset pledged in the portfolio by applying historical statistical data on the results of recovery processes.

To adjust the ECL with macroeconomic forecasts, the Bank 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. As the most relevant forward looking indicators were identified the changes in gross domestic product (GDP), unemployment rate, inflation rate and gross earnings.

For the calculations of ECL and forward looking adjustments of PD rates, the base scenario, one pessimistic scenario and one optimistic scenario are used. The scenarios were developed based on macroeconomic forecasts published by the Bank of Latvia and Latvia's Stability Program for 2024-2028.

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. This approach focuses on each of the variables PD, EAD, and LGD separately, applying them to each of the exposures, on a monthly cash flow basis, in order to obtain the projected ECL amount in the months up to the final maturity of the loan.

In 2023 multiple scenarios were 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.

In 2024 the Bank implemented some changes in the ECL calculation methodology. By applying the individual calculation approach, the Bank calculates the ECL over the loan's term as the difference between the future cash flows the Bank is entitled to under the loan agreement (the gross carrying amount) and the future cash flows it expects to receive from the loan (the recoverable amount), incorporating the probability of various scenarios occurring.

For Stage 1 and Stage 2 loans, in cases where the future expected cash flows from core operations are significant and can be reliably estimated, the Bank applies the going concern principle in the base scenario.

Applying the going concern principle, the recoverable amount of the loan is calculated in accordance with the Bank of Latvia [Latvijas Banka] Regulation No. 265, "Credit Risk Management Regulations", using one of the following methods:

- Detailed cash flow analysis;
- Steady state approach;
- Two step cash flow approach.

For Stage 1 and Stage 2 loans in the negative scenario, and for Stage 3 loans in the base scenario, the gone concern principle is applied, which assumes that the borrower's future cash flow from the principal activity is either not predictable or insufficient to meet most of the credit obligations and the collateral will be realised or taken over.

The future cash flows from each pledged property are calculated on an individual basis. The Bank considers multiple sub-scenarios for the sale of the collateral and applies the expected solution to each pledged property, i.e., the collateral will be sold.

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.

For Stage 1 and Stage 2 loans in the negative scenario, the probability of occurrence is determined based on the PD rate for a comparable sub-portfolio evaluated in homogeneous groups. If the relevant loan has a sufficiently different risk profile from the established homogeneous groups, the PD rates are applied based on expert assumptions, with the rationale provided and documented in the calculation file. If the calculation includes multiple contracts, the total PD is calculated as the weighted average based on the exposure of each contract.

To calculate the resulting provision ratio, the provision amount calculated in each scenario is multiplied by the probability applicable to that scenario, and the results for all scenarios are summed.

For Stage 1 and Stage 2 loans in the negative scenario, and Stage 3 loans in the base scenario, it is assumed that cash flows are only generated as a result of collateral sale. In this case, sub-scenarios may be applied, providing for different collateral sale timelines and haircuts. The provision calculation assumes that if the recoverable amount is greater than the loan balance, a 0.5% loss ratio is applied, assuming that the sale of the collateral may not occur as a result of unlikely events.

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.

Bank estimates that the changes in methodology have not significant impact on overall amount of the impairments.

(2) Currency risk

Foreign exchange risk is the risk of potential loss as a result of the revaluation of loans, 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 open positions of foreign currencies and regularly assesses the structure of loans and liabilities by currency.

The analysis of sensitivity of the Bank's net profit or loss for the year and comprehensive income to changes in foreign currency exchange rates, based on the positions as of 31 December 2024 and 31 December 2023, and a simplified scenario of a 5% change in the USD to EUR exchange rates is as follows:

	2024		2023	
EUR'000	Profit or loss	Shareholders' equity	Profit or loss	Shareholders' equity
5% appreciation of USD against EUR	(639)	(639)	(115)	(115)
5% depreciation of USD against EUR	639	639	115	115

An analysis of the foreign currency position is presented in Note 37.

(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:

	2024 EUR'000	2023 EUR'000
EUR	894	703
USD	58	(51)

The interest reprising analysis is disclosed in Note 38.

(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.

	2024		2023	
EUR'000	Profit or loss	OCI	Profit or loss	OCI
10% increase in securities prices	-	1 431	-	2 067
10% decrease in securities prices	-	(1 431)	-	(2 067)

(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. By placing funds raised (through deposits) in loans, the Bank provides such a credit structure as to be able to ensure its operations (execution of customer payments) and compliance 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 Bank's liquidity risk management procedure is defined in the Liquidity Management Policy and consists of several components: liquidity risk indicator system, balance sheet planning, stress testing, and limits on investments in loans with 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.

Liquidity risk stress testing is aimed at measuring the deficit or surplus of the Bank's liquid loans 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 loans with limited liquidity.

The ratio of liquid loans to current liabilities at the end date of the reporting period was as follows:

	2024	2023
As at 31 December	70.48%	77.34%

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

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

	2024	2023
As at 31 December	156.28%	176.7%

Liquidity analysis is presented in Note 35.

(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 for placing loans in a particular 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, terrorist financing, and proliferation financing (hereinafter – ML/TF/PF), 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 for 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 for assessing, determining and successfully managing the client's ML/TF/PF and sanctions risk, defining risk mitigation measures;
- The basic principles for regular updating of the client file;
- The basic principles for identifying suspicious transactions in the field of ML/TF/PF and sanctions, and timely reporting to the competent government authorities;
- The procedure for terminating business relationship with clients, in whose activities disproportionate or difficult-to-manage risks of ML/TF/PF and sanctions have been identified.

The Bank has approved the Strategy for Managing the ML/TF/PF and Sanctions Risk, which sets out the key principles for the prevention of ML/TF/PF and managing the sanctions risk, creating an internal control system, and sets out measures for risk identification, as well as 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 monitor 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 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, and the State Security Service. 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 assessment of the ML/TF/PF and sanctions risk management and controls, including their effectiveness.

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 meeting the requirements for ML/TF/PF 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 Bank has established a Client Activity Compliance Control Committee responsible for making decisions regarding certain types of clients and/or transactions that carry an elevated or high ML/TF/PF and sanctions risk, both prior to the establishment of the business relationship and during the course of the relationship. The Client Activity Compliance Control Committee ensures the effective functioning of the internal control system, making decisions on risk management measures as well.

(9) Compliance risk management

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 may be damaged because the Group or the Bank fails to comply with or violates compliance requirements.

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, and 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 assessing whether the Bank will comply with the compliance requirements when performing this activity.

Operational compliance describes the Bank's ability to operate in accordance with binding compliance requirements, 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.

Unified principles and terms for receiving outsourcing services have been established, 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, ESG risk

The Group and the Bank define ESG (Environmental, Social, and Governance) risk as the risk arising from any negative impact on the Group's or the Bank's finances or reputation, resulting from the current or anticipated impact of ESG factors on the Group or the Bank, or on the Group's or the Bank's business partners, invested assets, or the Group's or the Bank's negative impact on ESG factors. ESG risks can manifest in traditional financial and non-financial risk types, such as credit risk, market risk, operational risk, reputational risk, liquidity risk, and related funding risks.

ESG factors can impact the Bank's and the Group's operations in the short, medium, and long term, specifically affecting the value of the loan portfolio, investment portfolios, and other assets of the Bank and of the commercial companies of the Group.

ESG risk management is based on the assessment of ESG factors while managing other types of risks inherent to the Bank and the Group, such as credit risk, market risks, operational risk, reputational risk, liquidity risk, and funding risk. ESG risk includes both environmental and climate physical risk, transition risk, social and governance risks.

The Bank has identified the following key principles in assessing and managing the impact of ESG factors in its daily activities:

- Setting short-term, medium-term, and long-term ESG goals in the Bank's strategy, while simultaneously determining the risk appetite and the level of risk tolerance;

- Incorporating the assessment of ESG factors into the credit risk evaluation process, by assessing the risks associated with the credit project and considering them when making a decision on granting a loan;

- Creating portfolios of financial instruments – evaluating publicly available information on the issuer's ESG rating upon making a decision to include a new financial instrument in the Bank's investment portfolio;

- Creating an overall ESG risk management mechanism within the Bank, i.e., identifying and assessing risks, determining employee responsibilities, improving regulatory documents, providing employee information and training, and regular reporting to the Board and Council on the progress of achieving the goals set in the Bank's strategy;

- Disclosing information and reporting on ESG risks in accordance with regulatory requirements.

(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 the inherent and potential risks arising from its current and future operations.

Under the capital requirements introduced by LB and the Regulation (EU) No 575/2013 of the European Parliament and of the Council, 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 of 31 December 2024 was 8%, the Bank is required to maintain a higher capital adequacy ratio of 11.20% from 1 January 2024 (additional own funds requirement – 2.2%, and capital buffer requirement – 1%), in accordance with a special requirement by the LB. 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 – 3.22% (capital conservation buffer – 2.50%, institution-specific countercyclical capital buffer – 0.47% (as of 31.12.2024), other systemically important institution buffer – 0.25%). The requirements of the total capital reserve should be met using Tier 1 capital.

As of 31 December 2024 and 31 December 2023, the Group and the Bank were in compliance with the capital adequacy and the minimum capital requirement specified in the Law On Credit Institutions and the LB regulations, as well as in compliance with the highest indicator set by LB. The capital adequacy calculation is included in Note 40.

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

	2024		2023	
Interest income	**Group EUR'000**	**Bank EUR'000**	**Group EUR'000**	**Bank EUR'000**
Interest income from financial assets at amortized cost (loans):	49 875	48 754	35 061	35 061
Deposits with credit institutions	*13 935*	*13 935*	*5 874*	*5 874*
Loans and receivables	*35 940*	*34 819*	*29 187*	*29 187*
including interest income on impaired loans	*470*	*470*	*627*	*627*
Interest income from financial assets measured at fair value through other comprehensive income	447	447	255	255
Interest income from financial assets measured at amortised cost (fixed income securities)	1 158	1 158	1 578	1 578
Other interest income	180	180	168	168
Total interest income	**51 660**	**50 539**	**37 062**	**37 062**
Interest expense				
Interest expense from liabilities measured at amortized cost:	18 615	18 668	9 311	9 311
Deposits	*18 615*	*18 668*	*9 311*	*9 311*
Interest expense on issued bonds	1 773	1 773	491	491
Payments to the Deposit Guarantee Fund and other funds	1 299	1 299	1 058	1 058
Other interest expense	755	1 052	663	978
Total interest expense	**22 442**	**22 792**	**11 523**	**11 838**
Net interest income	**29 218**	**27 747**	**25 539**	**25 224**

7. NET FEE AND COMMISSION INCOME

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Fee and commission income				
Money transfers	1 150	1 151	1 946	1 947
Commissions on loans monitoring and service	833	833	808	808
Securities transactions	1 500	1 500	1 147	1 147
Assets management	1 538	1 538	316	316
Client service	9 134	9 134	6 546	6 546
Payment card service	2 214	2 214	1 844	1 844
Total fee and commission income	**16 369**	**16 370**	**12 607**	**12 608**
Fee and commission expense				
Money transfers	78	77	57	57
Payment card service	1 618	1 618	1 326	1 326
Securities transactions	535	535	347	347
Other	4	4	13	13
Total fee and commission expenses	**2 235**	**2 234**	**1 743**	**1 743**
Net fee and commission income	**14 134**	**14 136**	**10 864**	**10 865**

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

	2024		2023	
	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)
Net profit from trading with financial assets not measured at fair value through profit or loss	(281)	(281)	(203)	(203)
Net profit/(loss) from revaluation of financial assets and liabilities at fair value through profit or loss	129	129	86	86
Net profit from trading and revaluation of financial instruments	**(152)**	**(152)**	**(217)**	**(217)**

9. NET FOREIGN EXCHANGE TRADING AND REVALUATION INCOME

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Net profit from foreign exchange transactions	783	783	222	222
Net (loss) from revaluation of foreign exchange	(109)	(109)	(161)	(161)
Net foreign exchange income	**674**	**674**	**61**	**61**

10. OTHER OPERATING INCOME

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Fines received	10	10	281	281
Dividends received	15	15	18	18
Other	2 547	2 490	1 371	1 296
Total other operating income	**2 572**	**2 515**	**1 670**	**1 595**

11. ADMINISTRATIVE EXPENSES

		2024		2023	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Salaries to the members of the Board and Council		1 368	1 368	978	978
Staff remuneration		10 107	9 896	7 985	7 864
Compulsory state social security contributions (Board and Council)		315	315	231	231
Compulsory state social security contributions (staff)		2 265	2 215	1 701	1 673
Other staff costs		65	63	68	66
Communications and transport		262	255	255	247
Professional services		1 037	803	595	578
Public utilities and maintenance		732	666	700	644
Depreciation costs	21	1 162	967	1 214	1 005
Amortization costs	22	139	139	132	132
Computer network		420	420	380	380
Advertisement and marketing expenses		265	265	355	355
Other taxes		823	631	674	469
Insurance		126	122	99	94
Audit fee		162	162	184	184
Other		276	271	649	639
Total administrative expenses		**19 524**	**18 558**	**16 200**	**15 539**

The average number of employees in the Group in 2024 was 241 (2023 – 216) and in the Bank was 236 (2023 – 211).

In 2024, the remuneration of the sworn auditor was 161.8 thousand EUR, including 149.8 thousand EUR for the audit of financial statements (consolidated financial statements), 6 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 the separation of financial instruments, the separate holding of financial instruments and funds of clients, and 6 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 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.

12. OTHER OPERATING EXPENSES

		2024		2023	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Membership fees		380	380	300	300
Royalties for the use of a trademark	43	1 162	1 162	1 163	1 163
Other		474	482	416	419
Total other operating expenses		**2 016**	**2 024**	**1 879**	**1 882**

In 2024, as part of its operating activities the Bank made payments of EUR 1 162 thousand (2023: EUR 1 163 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. CORPORATE INCOME TAX

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Profit before taxation	**22 008**	**22 393**	**17 757**	**16 626**
Corporate income tax for additional payment for credit institutions	(4 462)	(4 462)	(3 141)	(3 141)
Corporate income tax for dividends	-	-	(906)	(906)
Corporate income tax for the conditionally distributed profit	(81)	(81)	(13)	(13)
Total corporate income tax	**(4 543)**	**(4 543)**	**(4 060)**	**(4 060)**
Effective tax rate	21%	20%	23%	24%

Income tax liabilities

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Corporate income tax for additional payment for credit institutions	(4 462)	(4 462)	(3 141)	(3 141)
Corporate income tax for dividends	-	-	(629)	(629)
Corporate income tax for the conditionally distributed profit	7	7	-	-
Total income tax liabilities	**(4 455)**	**(4 455)**	**(3 770)**	**(3 770)**

From 1 January 2024, a change in corporate income tax (CIT) legislation was adopted 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 for the year ended 31 December 2023 was calculated and recognised in 2023 financial statements.

14. CASH AND DEMAND DEPOSITS WITH CENTRAL BANK

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash	391	391	576	576
Balance with the Bank of Latvia (including the minimum reserve deposit)	409 154	409 154	337 448	337 448
Total	**409 545**	**409 545**	**338 024**	**338 024**

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 2024 was EUR 8 415 thousand (2023: EUR 6 888 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.

15. LOANS AND RECEIVABLES FROM CREDIT INSTITUTIONS

	31.12.2024		31.12.2023	
	Group EUR'000	Bank EUR'000	Group EUR'000 (Restated)	Bank EUR'000 (Restated)
Demand deposits with credit institutions				
Credit institutions registered in OECD countries	5 029	4 921	5 318	5 310
Credit institutions of other countries	2 701	2 701	5 937	5 937
Total demand deposits with credit institutions	**7 730**	**7 622**	**11 255**	**11 247**

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

Deposits with credit institutions 2024
Group, EUR'000

	Stage 1	Stage 2	Stage 3	Total
Net	**7 730**	**-**	**-**	**7 730**

Deposits with credit institutions 2024
Bank, EUR'000

	Stage 1	Stage 2	Stage 3	Total
Net	**7 622**	**-**	**-**	**7 622**

Deposits with credit institutions 2023
Group, EUR'000

(Restated)	Stage 1	Stage 2	Stage 3	Total
Net	**11 255**	**-**	**-**	**11 255**

Deposits with credit institutions 2023
Bank, EUR'000

(Restated)	Stage 1	Stage 2	Stage 3	Total
Net	**11 247**	**-**	**-**	**11 247**

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

	31.12.2024 EUR'000	31.12.2023 EUR'000
Rated from AAA to A-	3 819	8 587
Rated from BB+ to BB-	8	690
Rated below BB-	718	-
Not rated	3 077	1 970
Total deposits with credit institutions	**7 622**	**11 247**

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 limits, where maximum exposure limits are assigned for each counterparty based on the external rating assigned by a rating agency or internal individual credit risk assessment performed by the Bank.

As at 31 December 2024, the Bank had correspondent accounts with 15 banks (2023: 19). The largest account balances exceeding 10% of total deposits with credit institutions were with EUROCLEAR BANK – 2 200 thousand EUR (2023 – 2 595 thousand EUR).

16. INVESTMENT SECURITIES

Investment securities

	31.12.2024		31.12.2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Non- fixed income securities				
SWIFT	23	23	18	18
VISA INC	543	543	395	395
Non- fixed income securities	**566**	**566**	**413**	**413**
Fixed income securities				
At fair value through other comprehensive income	14 314	14 314	20 648	20 648
At amortised cost (see Note 19)	54 626	54 626	76 774	76 774
Fixed income securities	**68 940**	**68 940**	**97 422**	**97 422**
Investment securities total	**69 506**	**69 506**	**97 835**	**97 835**

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

Fixed income securities	2024 EUR'000	2023 EUR'000
Fixed income securities issued by credit institutions of Latvia		
Rated from BBB+ to BBB-	1 903	1 815
Total fixed income securities issued by credit institutions of Latvia	**1 903**	**1 815**
Fixed income securities issued by corporates of Latvia		
Not rated	676	379
Total fixed income securities issued by corporates of Latvia	**676**	**379**
Fixed income securities issued by central governments of OECD countries		
Rated from AAA to A-	4 879	13 538
Total fixed income securities issued by central governments of OECD countries	**4 879**	**13 538**
Fixed income securities issued by credit institutions of OECD countries		
Rated from BBB+ to BB-	1 054	-
Total fixed income securities issued by credit institutions of OECD countries	**1 054**	**-**
Fixed income securities issued by corporates of OECD countries		
Rated from BBB+ to BB-	5 802	4 916
Total fixed income securities issued by corporates of OECD countries	**5 802**	**4 916**
Total fixed income securities	**14 314**	**20 648**
Expected credit loss allowance	**(74)**	**(53)**

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

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Shares and other non-fixed income securities				
Shares in VISA INC	543	543	395	395
Total of shares and other securities with non-fixed income	**543**	**543**	**395**	**395**

Financial assets measured at fair value through other comprehensive income (fixed income securities), 2024

Group and Bank, EUR'000

	Stage 1	Stage 2	Stage 3	Total
Gross	14 314	-	-	**14 314**
Expected credit loss allowance	(74)	-	-	(74)
Net	**14 240**			**14 240**

Financial assets measured at fair value through other comprehensive income (fixed income securities), 2023

Group and Bank, EUR'000

	Stage 1	Stage 2	Stage 3	Total
Gross	**20 648**	**-**	**-**	**20 648**
Expected credit loss allowance	(53)	-	-	(53)
Net	**20 595**	**-**	**-**	**20 595**

Information about credit loss allowances, 2024

Group and Bank, EUR'000

	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 January 2024	**53**	**-**	**-**	**53**
Transfers due to change in credit risk:				
-remaining credit risk changes	-	-	-	
New originated or purchased	21	-	-	21
Derecognised		-	-	
Change for the year	**-**	**-**	**-**	
FX and other movements		-	-	
Closing balance at 31 December 2024	**74**	**-**	**-**	**74**

Information about credit loss allowances, 2023

Group and Bank, EUR'000

	Stage 1	Stage 2	Stage 3	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**

17. LOANS AND RECEIVABLES

(a) Loans

	31.12.2024		31.12.2023	
	Group EUR'000	Bank EUR'000	Group EUR'000 (Restated)	Bank EUR'000 (Restated)
Financial institutions	29 712	29 712	22 035	22 035
Corporates	470 378	450 699	379 091	379 091
Individuals	13 881	13 881	14 630	14 630
Total loans and receivables	**513 971**	**494 292**	**415 756**	**415 756**
Expected credit loss allowance				
Financial institutions	(437)	(437)	(446)	(446)
Corporates	(4 574)	(3 621)	(3 030)	(3 030)
Individuals	(304)	(304)	(193)	(193)
Total expected credit loss allowance	**(5 315)**	**(4 362)**	**(3 669)**	**(3 669)**
Net loans and receivables	**508 656**	**489 930**	**412 087**	**412 087**

b) Analysis of loans by type

	31.12.2024		31.12.2023	
	Group EUR'000	Bank EUR'000	Group EUR'000 (Restated)	Bank EUR'000 (Restated)
Loan portfolio				
Corporate loans	306 738	306 738	251 505	251 505
Industrial loans	-	-	5 099	5 099
Payment cards loans	523	523	787	787
Loans secured by real estate collateral	165 540	165 540	147 136	147 136
Finance lease	23 921	4 242	4 267	4 267
Trade finance	11 266	11 266	2 435	2 435
Other loans	2 740	2 740	2 120	2 120
Total loan portfolio	**510 728**	**491 049**	**413 349**	**413 349**
Securities-backed loans				
Securities-backed financing	3 243	3 243	2 407	2 407
Total securities-backed loans	**3 243**	**3 243**	**2 407**	**2 407**
Total loans and receivables	**513 971**	**494 292**	**415 756**	**415 756**
Total expected credit loss allowance	(5 315)	(4 362)	(3 669)	(3 669)
Net loans and receivables	**508 656**	**489 930**	**412 087**	**412 087**

(c) Geographical segmentation of loans

	31.12.2024		31.12.2023	
	Group EUR'000	Bank EUR'000	Group EUR'000 (Restated)	Bank EUR'000 (Restated)
Loans to residents of Latvia	355 221	355 221	297 634	297 634
Loans to residents of OECD countries	56 374	56 374	52 815	52 815
Loans to residents of non-OECD countries	102 376	82 697	65 307	65 307
Total loans and receivables	**513 971**	**494 292**	**415 756**	**415 756**
Total expected credit loss allowance	(5 315)	(4 362)	(3 669)	(3 669)
Net loans and receivables	**508 656**	**489 930**	**412 087**	**412 087**

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 2024							
Net carrying amount	**489 930**	476 597	10 598	105	777	1 853	13 333
Out of which impaired	**4 853**	2 091	41	91	777	1 853	2 762
As at 31 December 2023 (Restated)							
Net carrying amount	**412 087**	405 619	4 249	340	-	1 879	6 468
Out of which impaired	**6 472**	2 538	1 929	126	-	1 879	3 934

Group

	Total EUR'000	Of which not past due on the reporting date	Of which past due by the following terms				Net carrying amount of overdue loans
			Less than 30 days	31-90 days	91-180 days	More than 180 days	
As at 31 December 2024							
Net carrying amount	**508 656**	486 868	10 598	8 560	777	1 853	21 788
Out of which impaired	**13 308**	2 091	41	8 546	777	1 853	11 217
As at 31 December 2023 (Restated)							
Net carrying amount	**412 087**	405 619	4 249	340	-	1 879	6 468
Out of which impaired	**6 472**	2 538	1 929	126	-	1 879	3 934

The Bank's ageing structure.

Expected credit loss allowance, 2024

	Stage 1	Stage 2	Stage 3	Total
Gross	**472 528**	**13 064**	**8 700**	**494 292**
(Less) expected credit loss allowance	(502)	(13)	(3 847)	(4 362)
Net	**472 026**	**13 051**	**4 853**	**489 930**

Expected credit loss allowance, 2023

(Restated)

	Stage 1	Stage 2	Stage 3	Total
Gross	**385 423**	**21 140**	**9 193**	**415 756**
(Less) expected credit loss allowance	(779)	(169)	(2 721)	(3 669)
Net	**384 644**	**20 971**	**6 472**	**412 087**

The Group's ageing structure.

Expected credit loss allowance, 2024

	Stage 1	Stage 2	Stage 3	Total
Gross	**482 842**	**13 064**	**18 065**	**513 971**
(Less) expected credit loss allowance	(545)	(13)	(4 757)	(5 315)
Net	**482 297**	**13 051**	**13 308**	**508 656**

Expected credit loss allowance, 2023

(Restated)

	Stage 1	Stage 2	Stage 3	Total
Gross	**385 423**	**21 140**	**9 193**	**415 756**
(Less) expected credit loss allowance	(779)	(169)	(2 721)	(3 669)
Net	**384 644**	**20 971**	**6 472**	**412 087**

(e) Impaired loans

	31.12.2024 EUR '000		31.12.2023 EUR '000	
	Group	Bank	Group (Restated)	Bank (Restated)
Impaired loans, gross	**18 065**	**8 700**	**9 193**	**9 193**
Expected credit loss allowance	(4 757)	(3 847)	(2 721)	(2 721)
Net loans and receivables	**13 308**	**4 853**	**6 472**	**6 472**

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 2024 is as follows.

Bank	**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	**4 462**	**13 266**	**-**	**-**
Loans to SME	4 462	13 266	-	-
Loans to individuals	**391**	**1 046**	**-**	**-**
Consumer loans	391	1 046	-	-

The effect of collateral on credit impaired assets at 31 December 2023 is as follows:

Bank (Restated)

EUR'000	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	**Value of collateral**	**Carrying value of the assets**	**Value of collateral**
Loans to corporate customers	**6 431**	**14 640**	**-**	**-**
Loans to SME	6 431	14 640	-	-
Loans to individuals	**41**	**91**	**-**	**-**
Consumer loans	41	91	-	-

The effect of collateral on credit impaired assets at 31 December 2024 is as follows:

Group

EUR'000	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	**Value of collateral**	**Carrying value of the assets**	**Value of collateral**
Loans to corporate customers	**12 917**	**28 098**	**-**	**-**
Loans to SME	12 917	28 098	-	-
Loans to individuals	**391**	**1 046**	**-**	**-**
Consumer loans	391	1 046	-	-

The effect of collateral on credit impaired assets at 31 December 2023 is as follows:

Group (Restated)

EUR'000	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	**Value of collateral**	**Carrying value of the assets**	**Value of collateral**
Loans to corporate customers	**6 431**	**14 640**	**-**	**-**
Loans to SME	6 431	14 640	-	-
Loans to individuals	**41**	**91**	**-**	**-**
Consumer loans	41	91	-	-

(f) Movements in the expected credit loss allowance

Movements in the loan impairment allowance for the year ended 31 December 2024 are as follows:

Bank, EUR'000

Corporates and financial institutions

	Credit loss allowance				Gross carrying amount of loans			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 January 2024	**746**	**166**	**2 564**	**3 476**	**373 572**	**18 559**	**8 995**	**401 126**
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(307)	307	-	**-**	(2 778)	2 778	-	**-**
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(124)	-	124	**-**	(968)	-	968	**-**
-to Stage 1 from Stage 2	32	(32)	-	**-**	7 456	(7 456)	-	**-**
-remaining credit risk changes	60	(428)	1 716	**1 348**	(660)	-	(671)	**(1 331)**
New originated or purchased	65	-	-	**65**	190 351	-	-	**190 351**
Derecognised	(56)	(3)	(772)	**(831)**	(105 978)	(2 559)	(1 198)	**(109 735)**
Change for the year	**(330)**	**(156)**	**1 068**	**582**	**87 423**	**(7 237)**	**(901)**	**79 285**
FX and other movements	-	-	-	**-**	-	-	-	**-**
Closing balance at 31 December 2024	**416**	**10**	**3 632**	**4 058**	**460 995**	**11 322**	**8 094**	**480 411**

The amount of new originated or purchased loans represents loans in the portfolio as at 31 December 2024 while the amount of derecognised loans represent loans in the portfolio as at 1 January 2024 and derecognised during 2024.

The Group's expected credit loss allowance and gross value of loans as of 31.12.2024 differ significantly from the Bank's data only for loans (stage 1 - EUR 10,315 thousand, stage 3 - EUR 9,365 thousand) and provisions (stage 1 - EUR 43 thousand, stage 3 - EUR 910 thousand) in the balance sheet of the Bank's subsidiary (differences between the Group's and the Bank's data as of 31.12.2023 none).

Group and Bank, EUR'000

Individuals	Credit loss allowance				Gross carrying amount of loans			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 January 2024	**33**	**3**	**157**	**193**	**11 851**	**2 581**	**198**	**14 630**
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(1)	1	-	**-**	(43)	43	-	**-**
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1)	(1)	2	**-**	(52)	(458)	510	**-**
- from Stage 2 to Stage 1	20	(20)	-	**-**	220	(220)	-	**-**
-remaining credit risk changes	(17)	21	81	**85**	(948)	-	-	**(948)**
New originated or purchased	67	-	-	**67**	3 846	-	-	**3 846**
Derecognised	(15)	(1)	(25)	**(41)**	(3 342)	(204)	(101)	**(3 647)**
Change for the year	**53**	**-**	**58**	**111**	**(319)**	**(839)**	**409**	**(749)**
FX and other movements	-	-	-	**-**	-	-	-	**-**
Closing balance at 31 December 2024	**86**	**3**	**215**	**304**	**11 532**	**1 742**	**607**	**13 881**

The amount of new originated or purchased loans represents loans in the portfolio as at 31 December 2024 while the amount of derecognised loans represent loans in the portfolio as at 1 January 2024 and derecognised during 2024.

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

Group and Bank, EUR'000 (Restated)

Corporates and financial institutions

	Credit loss allowance				Gross carrying amount of loans			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 January 2023	**418**	**321**	**2 424**	**3 163**	**263 364**	**45 270**	**4 763**	**313 397**
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)	1 501	**1 313**	15 148	(21 261)	63	**(6 050)**
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)**	**140**	**313**	**110 208**	**(29 347)**	**4 232**	**85 093**
FX and other movements	-	-	-	**-**	-	2 636	-	**2 636**
Closing balance at 31 December 2023	**746**	**166**	**2 564**	**3 476**	**373 572**	**18 559**	**8 995**	**401 126**

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.

Group and Bank, EUR'000

Individuals

	Credit loss allowance				Gross carrying amount of loans			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**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.

(g) Analysis of loans by type of collateral (Bank)

EUR'000	31 December 2024	% of loan portfolio	31 December 2023 (Restated)	% of loan portfolio (Restated)
Commercial buildings	197 234	40	152 746	37
Real estate – first mortgage	88 152	18	69 578	17
Commercial assets pledge	69 124	14	71 038	16
Commercial assets: ships/vessels	87 120	18	74 380	18
Trading securities	3 178	1	2 400	1
Deposit	2 962	-	2 475	1
Inventories	27 482	6	24 001	6
Other, no collateral	14 678	3	15 469	4
Net loans and receivables	**489 930**	**100**	**412 087**	**100**

EUR'000	2024		2023	
	Carrying value of the assets	Value of collateral	Carrying value of the assets (Restated)	Value of collateral (Restated)
Stage 1	472 026	1 216 944	384 644	892 797
Stage 2	13 051	22 806	20 971	59 171
Stage 3	4 853	14 312	6 472	14 731
Total	**489 930**	**1 254 062**	**412 087**	**966 699**

Analysis of loans by type of collateral (Group)

EUR'000	31 December 2024	% of loan portfolio	31 December 2023 (Restated)	% of loan portfolio (Restated)
Commercial buildings	197 234	39	152 746	37
Real estate – first mortgage	88 152	17	69 578	17
Commercial assets pledge	69 124	14	71 038	16
Commercial assets: ships/vessels	105 846	20	74 380	18
Trading securities	3 178	1	2 400	1
Deposit	2 962	1	2 475	1
Inventories	27 482	5	24 001	6
Other, no collateral	14 678	3	15 469	4
Net loans and receivables	**508 656**	**100**	**412 087**	**100**

EUR'000	2024		2023	
	Carrying value of the assets	Value of collateral	Carrying value of the assets (Restated)	Value of collateral (Restated)
Stage 1	482 297	1 233 109	**384 644**	892 797
Stage 2	13 051	22 806	20 971	59 171
Stage 3	13 308	29 144	6 472	14 731
Total	**508 656**	**1 285 059**	**412 087**	**966 699**

(h) Restructured loans

As at 31 December 2024 and 2023, the loans restructured by the Group and the Bank possessed the following signs of restructuring:

EUR'000	31.12.2024 EUR '000	31.12.2023 EUR '000
Grace period/payment moratorium	9 649	6 896
Extension of maturity/term	1 081	1 131
Other	756	8 759
Total restructured loans	**11 486**	**16 786**

(i) Significant credit exposures

As at 31 December 2024 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 2023 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 2024 and 2023, the Bank was in compliance with this requirement.

(j) Analysis of loans by internal risk ratings

EUR'000	31.12.2024		31.12.2023	
Internal risk rating	**Group**	**Bank**	**Group** (Restated)	**Bank** (Restated)
10	18 588	18 588	26 284	26 284
9	13 745	3 473	5 554	5 554
8	107 615	107 615	88 608	88 608
7	188 355	188 355	183 453	183 453
6	116 485	116 485	60 484	60 484
5	33 204	33 204	21 151	21 151
4	9 340	885	4 861	4 861
3	2 673	2 673	2 115	2 115
2	1 045	1 045	3 520	3 520
Not rated*	17 606	17 606	16 057	16 057
Net loans and receivables	**508 656**	**489 930**	**412 087**	**412 087**

In order to determine internal rating, an individual assessment of credit risk is performed for each loan by a credit risk analyst in accordance with internally developed "Methodology for assessing the credit risk of borrowers". In general, the overall rating is based both on combination of creditworthiness assessment and collateral evaluation on a scale from 1 to 10, where 1 is the lowest rating and 10 is the highest rating, i.e. 1 is the highest risk and 10 is the lowest risk. For example, ratings from 1 to 4 represent loans with weak – relatively weak creditworthiness, ratings from 5 to 7 – relatively weak and rather good, and from 8-10 – rather good and good creditworthiness. The internal rating is assigned during the credit granting process and is reviewed quarterly as part of monitoring.

*Includes financial institutions balances with the following external ratings:

EUR'000	31.12.2024		31.12.2023	
External credit risk rating	**Group**	**Bank**	**Group** (Restated)	**Bank** (Restated)
Rated from AAA to A-	-	-	-	-
Rated from BBB+ to BBB-	3 682	3 682	5 034	5 034
Rated from BB+ to BB-	-	-	-	-
Rated below BB- - -	-	-	-	-
Not rated	7 575	7 575	8 489	8 489
Net loans and receivables	**11 257**	**11 257**	**13 523**	**13 523**

(k) Industry analysis of the loan portfolio

EUR'000	31.12.2024		31.12.2023	
	Group	**Bank**	**Group** (Restated)	**Bank** (Restated)
Shipping	105 846	87 120	74 380	74 380
Financial services	14 033	14 033	18 905	18 905
Wholesale	66 839	66 839	35 829	35 829
Real Estate	154 626	154 626	128 180	128 180
Working capital loans	29 922	29 922	45 462	45 462
Transport and storage	5 615	5 615	5 827	5 827
Private customers – mortgage loans and consumer loans	5 523	5 523	9 191	9 191
Manufacture of food products	17 800	17 800	16 617	16 617
Processing factory	13 309	13 309	11 669	11 669
Forestry	-	-	144	144
Other services	95 143	95 143	65 883	65 883
Net loans and receivables	**508 656**	**489 930**	**412 087**	**412 087**

18. INVESTMENT SECURITIES AT AMORTISED COST

Financial assets measured at amortised cost

	31.12.2024		31.12.2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Fixed income securities				
Fixed income securities issued by the government of LR	1 028	1 028	1 031	1 031
Fixed income securities issued by companies and credit institutions of LR	1 725	1 725	3 106	3 106
Fixed income securities issued by the government of OECD countries	31 142	31 142	40 245	40 245
Fixed income securities issued by companies and credit institutions of OECD countries	21 891	21 891	29 770	29 770
Fixed income securities issued by companies and credit institutions of other countries	2 093	2 093	4 979	4 979
Expected credit loss allowance	(3 253)	(3 253)	(2 357)	(2 357)
Total fixed income securities	**54 626**	**54 626**	**76 774**	**76 774**

Financial assets measured at amortised cost 2024

Group and Bank, EUR'000

	Stage 1	Stage 2	Stage 3	Total
Gross	**54 003**	**816**	**3 060**	**57 879**
(Less) expected credit loss allowance	(158)	(35)	(3 060)	(3 253)
Net	**53 845**	**781**	**-**	**54 626**

Financial assets measured at amortised cost 2023

Group and Bank, EUR'000

	Stage 1	Stage 2	Stage 3	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**

Movements in expected credit loss allowances, 2024

Group and Bank, EUR'000

	Stage 1	Stage 2	Stage 3	Total
Opening ECL balance at 1 January 2024	**204**	**278**	**1 875**	**2 357**
Transfers due to change in credit risk:				
-from Stage 1 to Stage 2				
-remaining credit risk changes	(46)	-	1 185	1 139
-from Stage 2 to Stage 3				
New originated or purchased				
Derecognised	-	(243)	-	(243)
Change for the year				
FX and other movements	-	-	-	-
Closing ECL balance at 31 December 2024	**158**	**35**	**3 060**	**3 253**

Movements in expected credit loss allowances, 2023

Group and Bank, EUR'000

	Stage 1	Stage 2	Stage 3	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**

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

Debt securities and other fixed income securities	2024 EUR'000	2023 EUR'000
Central governments		
Rated from AAA to A-	26 073	35 101
Rated from BBB+ to BBB-	6 097	6 174
Total central governments	**32 170**	**41 275**
Credit institutions		
Rated from AAA to A-	-	1 003
Rated from BBB+ to BB-	3 599	3 618
Total credit institutions	**3 599**	**4 621**
Corporates		
Rated from AAA to A-	5 577	10 635
Rated from BBB+ to BBB-	487	1 491
Rated from BB+ to BB-	8 898	10 063
Below BB-	1 863	4 593
No rating*	5 285	6 453
Total corporate bonds	**22 110**	**33 235**
Expected credit loss allowance	**(3 253)**	**(2 357)**
Debt securities and other fixed income securities	**54 626**	**76 774**

* Not-rated exposures includes securities with no rating assigned as well as securities with rating withdrawn.

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

19. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries (Bank)

Company	*Ownership share*	Carrying amount at 31.12.2024 EUR'000	Carrying amount at 31.12.2023 EUR'000
SIA BluOr International	*100%*	25 709	5 709
Impairment allowance		*(3 649)*	*(3 649)*
SIA Zapdvina Development	*100%*	10 124	10 474
Impairment allowance		*(964)*	*(806)*
SIA CityCap Service	*100%*	-	570
Impairment allowance		-	*(158)*
UAB Kamaly Development	*100%*	20	3
AS Pils Pakalpojumi	*100%*	15 281	15 281
Impairment allowance		*(548)*	*(548)*
Non-reciprocal capital contribution by a parent into subsidiary		*(2 400)*	*(2 400)*
SIA Jēkaba 2	*100%*	4 049	4 049
Impairment allowance		*(106)*	*(106)*
SIA Darzciems Entity	*100%*	-	73
SIA Mazirbe Estate	*100%*	-	92
SIA Lielie Zaki	*100%*	-	88
SIA Pulkarne Entity	*100%*	199	199
		47 715	**28 871**

Investments in subsidiaries (Bank)

	31.12.2024 EUR'000	31.12.2023 EUR'000
Investments in subsidiaries	55 382	36 538
Non-reciprocal capital contribution by a parent into subsidiary according to IFRS 10 (AS „Pils pakalpojumi”)	(2 400)	(2 400)
Impairment allowance	(5 267)	(5 267)
Investments in subsidiaries net	**47 715**	**28 871**

The share capital of SIA Zapdvina Development consisted of 8 848 018 shares with nominal value of EUR 1 amounting to EUR 8 848 018. In 2024, the Bank decreased the share capital of its subsidiary SIA Zapdvina Development by 1 100 000 shares with nominal value of EUR 1 for a total of EUR 1 100 000. 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 2024, based on the appraisal, no additional impairment allowances were recognised. SIA Zapdvina Development owns a land plot in Daugavpils.

In 2024, the bank's subsidiaries SIA "Mazirbe Estate", SIA "Lielie Zaķi" and SIA "CityCap Service" were merged to SIA "ZapDvina Development".

The share capital of SIA BluOr International consisted of 25 686 658 shares with nominal value of EUR 1 amounting to EUR 25 686 658. In 2024, the Bank increased the share capital of its subsidiary SIA BluOr International by 20 000 000 shares with nominal value of EUR 1 for a total of EUR 20 000 000.
In previous years, the Bank recognised an impairment allowance for its investment in SIA BluOr International in the amount of EUR 3 649 thousand EUR triggered by impairment of this investment in subsidiaries.

SIA BluOr International has three subsidiaries (Kamaly Development EOOD, Foxtran Management Ltd. and Hazee Shipping Corp) and an associate AS „Termo biznesa Centrs"). 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 1 959 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.
SIA Darzciems Entity was liquidated and excluded from the commercial register in 2024.

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.

The share capital of the bank's subsidiary UAB Kamaly Development consists of 20,909 shares with a nominal value of EUR 1 for a total amount of 20,909. In 2024, the Bank increased the share capital of the subsidiary UAB "Kamaly Development" by 18,013 shares with a nominal value of EUR 1 for a total amount of EUR 18,013.

(b) Equity-accounted investments in associates (Group)

Company	**Capital contribution**	**Carrying amount at 31.12.2024 EUR'000 Koncerns**	**Carrying amount at 31.12.2023 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 62 thousand in 2024 (EUR 72 thousand in 2023).

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 2024												
AS „Termo biznesa Centrs"	**94**	**314**	**408**	**-**	**(29)**	**(29)**	**379**	**274**	**(257)**	**17**	**93**	**4**
31 December 2023												
AS „Termo biznesa Centrs"	**75**	**318**	**393**	**-**	**(27)**	**(27)**	**366**	**289**	**(264)**	**25**	**96**	**7**

As earnings for 2024 are insignificant they have no impact on the Group results.

20. INVESTMENT PROPERTY

Investment property of the Group and the Bank represents the following:

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Real estate in Latvia	2 362	414	2 346	414
Real estate in Lithuania	2 807	2 807	2 807	2 807
Real estate in Bulgaria	421	-	521	-
Impairment allowance	*(2 740)*	*(1 607)*	*(2 740)*	*(1 607)*
	2 850	**1 614**	**2 934**	**1 614**

Investment property is recognized at cost. Investment property consists of land, commercial properties and apartments.

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 (2023: EUR 5 thousand).

Rental income on investment property during the reporting year (the Group and the Bank) amounted to EUR 8 thousand (2023: 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			Fair value, EUR '000
				2024	2023	
Buildings and land plot, Kungu iela, Liepāja, Latvia	93 (2023: 93)	Comparison approach	Sales price* varies from EUR to EUR per m^2	20-25,0	20-25,0	113 (2023: 113)
Buildings and a land plot, Jurģu iela, Jūrmala, Latvia	95 (2023: 95)	Comparison approach	Sales price* varies from EUR to EUR per m^2	92-112	66-112	175 (2023: 175)
Land plot, Klaipeda, Lithuania	1 200 (2023: 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 over 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 over 1 ha 2,42–6,41 for land plots till 300 m^2	1 203 (2023: 1 203)
Apartments, Bulgaria	226 (2023: 328)	Comparison approach	Sales price* varies from EUR to EUR per m^2	1 124-1 337	1 130-1 309	227 (2023: 328)
Land plot, Mūku purvs, Latvia	387 (2023: 387)	Comparison approach	Sales price* varies from EUR to EUR per m^2	82-129	82-129	433 (2023: 433)
Land plot, Akācijas iela, Daugavpils, Latvia	443 (2023: 437)	Comparison approach	Sales price* varies from EUR to EUR per m^2	12-23	12-23	443 (2023: 581)
Land plot in Ķekavas pagasts, Ķekavas novads, Latvia	12 (2023: -)	Comparison approach	Sales price* varies from EUR to EUR per m^2	5,5-8,0	5,5-8,0	13 (2023: -)
Zemes gabals, Dzirciema iela, Rīga, Latvija	226 (2023: 226)	Comparison approach	Sales price* varies from EUR to EUR per m^2	9,0-18,0	9,0-18,0	226 (2023: 226)
Land plot in Kolkas pagasts, Dundaga novads, Latvia	86 (2023: 86)	Comparison approach	Sales price* varies from EUR to EUR per m^2	4,4-5,0	4,4-5,0	128 (2023: 128)
Land plot in Lejas akmeņi, Ķekavas novads, Latvia	82 (2023: 82)	Comparison approach	Sales price* varies from EUR to EUR per m^2	0,6-2,7	0,27-1,42	82 (2023: 82)
Total	**2 850**					

Bank's investment properties

Type	Carrying amount, EUR '000	Valuation method	Significant unobservable inputs			Fair value, EUR '000
				2024	2023	
Buildings and land plot, Kungu iela, Liepāja, Latvia	93 (2023: 93)	Comparison approach	Sales price* varies from EUR to EUR per m^2	20-25,0	20-25,0	113 (2023: 113)
Land plot, Dzirciema iela, Rīga, Latvija	226 (2023: 226)	Comparison approach	Sales price* varies from EUR to EUR per m^2	9,0-18,0	9,0-18,0	226 (2023: 226)
Buildings and land plot, Jurģu iela, Jūrmala, Latvia	95 (2023: 95)	Comparison approach	Sales price* varies from EUR to EUR per m^2	92-112	66-112	175 (2023: 175)
Land plot, Klaipeda, Lithuania	1 200 (2023: 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 (2023: 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.

21. 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 2022	**29 311**	**-**	**-**	**4 603**	**1 510**	**67**	**2 601**	**1 926**	**33 422**	**6 596**
Additions	10	-	-	-	-	-	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**
Additions	-	-	-	-	-	-	83	83	83	83
Disposals	-	-	-	-	-	-	(26)	(26)	(26)	(26)
31 December 2024	**29 321**	**-**	**-**	**4 603**	**1 510**	**67**	**2 663**	**2 020**	**33 494**	**6 690**
Depreciation										
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**
Depreciation	943		-	230	144		75	74	**1 162**	**304**
Disposals	-	-	-	-	-	-	(26)	(26)	**(26)**	**(26)**
31 December 2024	**7 490**		**-**	**1 777**	**1 067**	**67**	**2 467**	**1 835**	**11 024**	**3 679**
Net carrying amount										
31 December 2023	**22 774**	**-**	**-**	**3 056**	**587**	**-**	**188**	**176**	**23 549**	**3 232**
31 December 2024	**21 831**	**-**	**-**	**2 826**	**443**	**-**	**196**	**185**	**22 470**	**3 011**

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 2024 and 2023, the management believes that there are no indications that these sites may be impaired.

Right-of-use assets

Bank

	Right-of-use assets EUR'000
Cost	
31 December 2022	**12 576**
31 December 2023	**12 576**
31 December 2024	**12 576**
Depreciation	
31 December 2022	**2 652**
Depreciation	663
31 December 2023	**3 315**
Depreciation	663
31 December 2024	**3 978**
Net carrying amount	
31 December 2023	**9 261**
31 December 2024	**8 598**

Lease liability

31 December 2022	**10 476**
Lease payments	(564)
Interest accrued	314
Interest paid	(314)
31 December 2023	**9 912**
Lease payments	(582)
Interest accrued	297
Interest paid	(297)
31 December 2024	**9 330**

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.

22. INTANGIBLE ASSETS

Group

	Software EUR'000
Acquisition cost	
31 December 2022	**2 798**
Acquired in the reporting period	143
31 December 2023	**2 941**
Disposed in the reporting period	74
Acquired in the reporting period	(30)
31 December 2024	**2 985**
Amortization	
31 December 2022	**2 542**
Amortization for the reporting period	132
31 December 2023	**2 674**
Amortization for the reporting period	139
Amortization of assets disposed in the reporting period	(31)
31 December 2024	**2 782**
Net carrying amount	
31 December 2023	**267**
31 December 2024	**203**

Bank

	Software EUR'000
Acquisition cost	
31 December 2022	**2 779**
Acquired in the reporting period	143
31 December 2023	**2 922**
Disposed in the reporting period	64
Acquired in the reporting period	(30)
31 December 2024	**2 956**
Amortization	
31 December 2022	**2 523**
Amortization for the reporting period	132
31 December 2023	**2 655**
Amortization for the reporting period	139
Amortization of assets disposed in the reporting period	(31)
31 December 2024	**2 763**
Net carrying amount	
31 December 2023	**267**
31 December 2024	**193**

23. PREPAYMENTS AND ACCRUED INCOME

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Next period expense – Resident	81	74	102	92
Next period expense – Non Resident	180	180	729	729
Accrued income	274	274	-	-
Insurance premium	31	31	23	23
Prepayments and accrued income total	**566**	**559**	**854**	**844**

24. OTHER ASSETS

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Guarantee deposits for credit card operations	5 798	5 798	5 414	5 414
Credit card claims and other payment services	3 187	3 187	822	822
Prepayments and receivables	454	432	516	450
Other	1 445	1 445	2 742	2 742
Total other assets	**10 884**	**10 862**	**9 494**	**9 428**
Allowances for other assets	(8)	(8)	-	-
Other assets, net	**10 876**	**10 854**	**9 494**	**9 428**

In 2024, security deposits of EUR 5 798 thousand (2023: EUR 5 414 thousand) were reserved for potential transactions connected with MasterCard Europe and VISA Card systems.

25. DUE TO MONETARY FINANCIAL INSTITUTIONS ON DEMAND

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Monetary financial institutions registered in Latvia	3 457	3 457	4 147	4 147
Monetary financial institutions registered in OECD	-	-	260	260
Total due to monetary financial institutions on demand	**3 457**	**3 457**	**4 407**	**4 407**

26. FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST:

DEPOSITS

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Current accounts:				
Financial institutions	197 523	197 523	172 635	172 635
Corporate entities	275 862	278 777	227 657	230 082
Individuals	71 703	71 703	50 645	50 645
	545 088	**548 003**	**450 937**	**453 362**
Term deposits:				
Subordinate liabilities	5 711	5 711	2 623	2 623
Other financial institutions	99 577	99 577	72 253	72 253
Corporate entities	15 178	15 178	14 148	14 148
Individuals	226 694	226 694	263 246	263 246
	347 160	**347 160**	**352 270**	**352 270**
Total deposits	**892 248**	**895 163**	**803 207**	**805 632**

Geographical segmentation of the deposits

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Deposits of residents registered in Latvia	270 302	271 931	232 212	234 637
Deposits of residents registered in OECD countries	583 899	583 899	526 313	526 313
Deposits of residents registered in other countries (non-OECD)	38 047	39 333	44 682	44 682
Total deposits	**892 248**	**895 163**	**803 207**	**805 632**

As at 31 December 2024, the Bank maintained customer deposit balances of EUR 986 thousand which were reserved by the Bank as collateral for loans and other credit instruments granted by the Bank (as at 31 December 2023: EUR 2 475 thousand).

As at 31 December 2024 the Bank had 1 customer group with deposits exceeding 10% of the total customer deposits – EUR 218 280 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).

27. 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 2024 (listed on Nasdaq Riga), Bank raised more than EUR 20 million in financial resources.

Issued subordinated bonds

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Issued subordinated bonds	24 855	24 855	4 855	4 855
Accrued interest payments	516	516	27	27
Total	**25 371**	**25 371**	**4 882**	**4 882**

ISIN	Currency	Issue size	Nominal value	Date of issue	Date of maturity	Discount/ coupon rate, %	Group/ Bank 31/12/2024	Group/ Bank 31/12/2023
Subordinated bonds								
LV0000802569	EUR	4 855	1 000	01.06.2022	01.06.2029	7%	4 855	4 855
LV0000804060	EUR	20 000	1 000	02.10.2024	02.10.2034	10%	20 000	-
Issued debt securities, total ('000 EUR)							**24 855**	**4 855**

Additional Tier 1 perpetual debt securities (not listed)

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Additional Tier 1 debt securities	8 709	8 709	6 060	6 060
Accrued interest payments	104	104	63	63
Total	**8 813**	**8 813**	**6 123**	**6 123**

ISIN	Currency	Issue size	Nominal value	Date of issue	Date of maturity	Discount/ coupon rate, %	Group/ Bank 31/12/2024	Group/ Bank 31/12/2023
Additional Tier 1 debt securities								
LV0000802437	EUR	11	100 000	19.10.2020	-	10%	1 100	1 100
LV0000802775	EUR	4 960	1 000	08.12.2023	-	13%	4 960	4 960
LV0000803195	EUR	300	1 000	31.05.2024	-	12%	300	-
LV0000803062	EUR	2 349	1 000	08.05.2024	-	11%	2 349	-
Additional Tier 1 debt securities, total ('000 EUR)							**8 709**	**6 060**

28. OTHER LIABILITIES

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Other financial liabilities				
Credit card payments	1 948	1 948	243	243
Money in transit	1 082	1 082	24	24
Other liabilities, balances of closed customers' accounts	1 583	1 583	1 075	1 075
Other financial liabilities total	**4 613**	**4 613**	**1 342**	**1 342**
Other non-financial liabilities				
Operating and other liabilities	823	764	510	510
Tax settlements	174	174	52	52
Other liabilities	-	-	100	-
Total other liabilities	**5 610**	**5 551**	**2 004**	**1 904**

29. SHARE CAPITAL AND RESERVES

As of 31 December 2024, the authorized share capital comprised 31 781 081 ordinary shares (2023: 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.

	2024		2023	
	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 52 793 thousand (2023: EUR 43 943 thousand).

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

During 2023, 9 million EUR dividends were distributed, 0.28 EUR per share.

30. CASH AND CASH EQUIVALENTS

	2024		2023	
	Group EUR'000	**Bank EUR'000**	**Group EUR'000** (Restated)	**Bank EUR'000** (Restated)
Cash and balances due from central banks	409 545	409 545	338 024	338 024
Due from credit institutions on demand and within 3 months	7 730	7 622	11 255	11 247
Total cash and cash equivalents	**417 275**	**417 167**	**349 279**	**349 271**

31. 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.

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Unused loan facilities	115 190	115 190	97 299	97 302
Unused credit card facilities	729	729	760	760
Guarantees and other	5 474	5 474	1 904	1 904
	121 393	**121 393**	**99 963**	**99 966**
Provisions	*(121)*	*(121)*	*(298)*	*(298)*

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, 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Contingent liabilities and commitments, Gross	121 140	160	93	121 393
Impairment allowance	(107)	(1)	(13)	(121)
Net	**121 033**	**159**	**80**	**121 272**

Bank EUR'000, 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Contingent liabilities and commitments, Gross	121 140	160	93	121 393
Impairment allowance	(107)	(1)	(13)	(121)
Net	**121 033**	**159**	**80**	**121 272**

Group EUR'000, 2023	**Stage 1**	**Stage 2**	**Stage 3**	**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**	**Stage 2**	**Stage 3**	**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**

Movements in the impairment allowance of contingent liabilities and commitments

Movements in the loan impairment allowance for the year ended 31 December 2024 are as follows:

Group EUR'000	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 January 2024	**106**	**1**	**191**	**298**
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	-	-	-	-
New originated or purchased	1	-	-	1
Derecognised	-	-	(178)	(178)
Change for the year	**1**	**-**	**(178)**	**(177)**
Closing balance at 31 December 2024	**107**	**1**	**13**	**121**

Bank EUR'000	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 January 2024	**106**	**1**	**191**	**298**
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	-	-	-	-
New originated or purchased	1	-	-	1
Derecognised	-	-	(178)	(178)
Change for the year	**1**	**-**	**(178)**	**(177)**
Closing balance at 31 December 2024	**107**	**1**	**13**	**121**

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

Group EUR'000	**Stage 1**	**Stage 2**	**Stage 3**	**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**
Closing balance at 31 December 2023	**106**	**1**	**191**	**298**

Bank EUR'000	**Stage 1**	**Stage 2**	**Stage 3**	**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**
Closing balance at 31 December 2023	**106**	**1**	**191**	**298**

32. LITIGATION

On 15 September 2022, BluOr Bank ("Bank") received a claim filed by UAB Dongus, a company registered in Lithuania, in the Lithuanian District Court against the Bank, the Bank's former client UAB Baltijos šaliu industrinio perdirbimo centras (previous name UAB Alfagra) and the Bank's client SIA AOC Invest EUR (amount of the claim is 6,420,274.76). The said claim is an actio pauliana claim. UAB Dognus states that the loan repayment payments made by the Bank's former client UAB Baltijos šaliu industrinio perdirbimo centras in 2021 in accordance with the concluded Credit Line Agreements should be restituted, indicating that when making these loan repayment payments, the Bank's client did not take into account the interests of its other creditors.

On 27 October 2024, Vilnius District Court examined the jurisdiction of UAB Dognus' claim. The examination of this issue took place after the Lithuanian Court of Appeal and the Supreme Court of Lithuania already indicated the need to assess the jurisdiction issue in this case. On 30 October 2024, Vilnius District Court has issued a decision stating that UAB Dognus' claim is not admissible for consideration in a Lithuanian court in accordance with Lithuanian law. This decision was appealed by all parties (Bank appealed because of the wrong sum that was approved for the compensation of the litigation expenses in favour of the Bank). In December, 2024 the Lithuanian Court of Appeal issued decision contrary to the previous decision of the Lithuanian Court of Appeal and the Supreme Court of Lithuania in this case on this matter. Now the matter of jurisdiction of the case is brought before the Supreme Court of Lithuania once more to make a final decision on jurisdiction of the case. It is possible and expected that the Supreme Court of Lithuania will request for an opinion of the Court of Justice of the European Union on the matter of applicable jurisdiction. The matter of jurisdiction became a central matter of this case, because such a claim is possible only in Lithuania, UAB Dolgus will not be able to submit a similar claim in Latvia as legislation of Latvia doesn't provide such grounds for a claim. The hearing date is not announced yet.

The Bank (including the involving of the legal service providers in Lithuania) assessed all possible scenarios and found that in the specific case, even in the worst-case scenario, the Bank would not suffer losses in any case, since this type of claim (actio pauliana) provides for restitution, i.e. the restoration of the previous position of all persons. In this case, this would mean not only the Bank's obligation to repay the received loan repayment payments, but also the Bank's return to the status of a secured creditor. Considering that the initial collateral (goods) no longer exists, the Bank's claims would be secured by the money repaid by the Bank itself by a court decision.

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

33. ASSETS AND LIABILITIES UNDER MANAGEMENT

	2024		2023	
Assets under management	**Group EUR'000**	**Bank EUR'000**	**Group EUR'000**	**Bank EUR'000**
Due from credit institutions registered in Latvia	1 414	1 414	1 763	1 763
Loans to customers	165	165	165	165
Non fixed income securities	59 116	59 116	35 208	35 208
Fixed income securities	1 416	1 416	9 085	9 085
Other assets	105	105	-	-
Total assets under management	**62 216**	**62 216**	**46 221**	**46 221**
Liabilities under management				
Non-resident trust liabilities	22 614	22 614	25 808	25 808
Resident trust liabilities	39 602	39 602	20 413	20 413
Total liabilities under management	**62 216**	**62 216**	**46 221**	**46 221**

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).

34. 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:

	2024		2023	
	Group EUR'000	**Bank EUR'000**	**Group EUR'000**	**Bank EUR'000**
Loans to related parties	**309**	**309**	**3 691**	**3 691**
incl. members of the Council and the Board	*129*	*129*	*412*	*412*
incl. relatives of members of the Council and the Board	*173*	*173*	*2 227*	*2 227*
incl. companies related to members of the Council and the Board	*7*	*7*	*1 052*	*1 052*
Impairment allowance	(27)	(27)	(39)	(39)
Net loans to related parties	**282**	**282**	**3 652**	**3 652**
Debt securities (parent company)	-	-	1 016	1 016
Right-of-use assets – lease contracts (subsidiaries)	-	8 598	-	9 261
Total loans and other claims	**282**	**8 880**	**4 668**	**13 929**
Term and demand deposits and loans	229 897	232 813	162 184	164 609
incl. from the parent company	*1 683*	*1 683*	*667*	*667*
incl. from subsidiaries	-	*2 916*	-	*2 425*
incl. from the members of the Council and Board	*2 684*	*2 684*	*1 554*	*1 554*
incl. relatives of members of the Council and the Board	*4 702*	*4 702*	*1 439*	*1 439*
incl. companies related to members of the Council and the Board	*220 828*	*220 828*	*158 524*	*158 524*
Lease liability	-	9 330	-	9 912
Total deposits and liabilities	**229 897**	**242 143**	**162 184**	**174 521**

	2024		2023	
	Group Interest rate %	Bank Interest rate %	Group Interest rate %	Bank Interest rate %
Loans to related parties	3.73	3.73	3.57	3.57
Term and demand deposits	3.26	3.26	2.77	2.77

Remuneration to the member of Council and Board during 2024 amounted to EUR 1 368 thousand (2023: EUR 978 thousand) (see Note 11).

	2024		2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Income from related party transactions				
Commission income	424	424	276	276
Interest income	79	79	398	398
Expenses from related party transactions				
Interest expense	6 980	7 330	3 292	3 607
Amortisation - right-of-use assets – lease contracts (subsidiaries)	-	663	-	663
Public utilities and maintenance (subsidiaries)	-	390	-	392

35. 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 2024 was as follows:

2024 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	409 545	-	-	-	-	-	**409 545**
Deposits with credit institutions	7 622	-	-	-	-	-	**7 622**
Loans and receivables	54 802	25 183	16 331	56 624	336 234	756	**489 930**
Investment securities	57 488	1 220	5	3 448	7 345	-	**69 506**
Other financial assets	5 056	-	-	-	-	5 798	**10 854**
Total financial assets	**534 513**	**26 403**	**16 336**	**60 072**	**343 579**	**6 554**	**987 457**
Financial liabilities							
Due to monetary financial institutions on demand	3 457	-	-	-	-	-	**3 457**
Financial liabilities carried at amortized cost	579 940	160 677	52 928	85 213	41 776	8 813	**929 347**
Lease liabilities	73	146	146	440	4 323	4 202	**9 330**
Other financial liabilities	-	-	-	-	-	4 613	**4 613**
Total financial liabilities	**583 470**	**160 823**	**53 074**	**85 653**	**46 099**	**17 628**	**946 747**
Maturity gap	**(48 957)**	**(134 420)**	**(36 738)**	**(25 581)**	**297 480**	**(11 074)**	**40 710**

The maturity analysis of the Group is different from the Bank disclosed above only due to lease liabilities EUR (9 330 thousand - Bank) and loans in the balance sheet of the Bank's subsidiary (EUR 18 727 thousand).

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 2023 was as follows:

2023 **EUR'000** (Restated)	**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	11 247	-	-	-	-	-	**11 247**
Loans and receivables	60 551	8 549	15 591	48 059	277 494	1 843	**412 087**
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							
Due to monetary financial institutions on demand	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**

The maturity analysis of the Group is different from the Bank disclosed above only due to lease liabilities (9 912 thousand - Bank).

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.

36. 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 2024	**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 monetary financial institutions on demand	3 457	(3 457)	(3 457)	-	-	-
Lease liabilities	9 330	(11 400)	(73)	(146)	(657)	(10 524)
Financial liabilities carried at amortized cost: deposits	895 163	(905 433)	(583 225)	(141 550)	(160 703)	(19 955)
Financial liabilities carried at amortized cost: subordinated debt securities	34 184	(76 128)	(500)	(320)	(2 571)	(72 737)
Total non-derivative liabilities	**942 134**	**(996 418)**	**(587 255)**	**(142 016)**	**(163 931)**	**(103 216)**
Unused loan and credit card commitments	115 919	(115 919)	(115 919)	-	-	-
Guarantees given	5 474	(5 474)	(5 474)	-	-	-
Total Liabilities	**1 063 527**	**(1 117 811)**	**(708 648)**	**(142 016)**	**(163 931)**	**(103 216)**

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						
Due to monetary financial institutions on demand	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)**

Residual contractual maturities of financial liabilities of the Group is different from the Bank disclosed above only due to lease liabilities (Bank).

37. 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 2024 by the currencies in which they are denominated is as follows:

2024 EUR'000	EUR EUR'000	USD EUR'000	Other currencies EUR'000	Total EUR'000
Financial assets				
Cash and demand deposits with central banks	409 545	-	-	**409 545**
Loans and receivables from banks	3 687	2 678	1 257	**7 622**
Loans and receivables	479 220	10 598	112	**489 930**
Investment securities	63 771	5 735	-	**69 506**
Other financial assets	10 854	-	-	**10 854**
Total financial assets	**967 077**	**19 011**	**1 369**	**987 457**
Financial liabilities				
Due to monetary financial institutions on demand	(3 431)	(23)	(3)	**(3 457)**
Financial liabilities carried at amortized cost	(915 669)	(12 526)	(1 152)	**(929 347)**
Other financial liabilities	(3 703)	(687)	(223)	**(4 613)**
Total financial liabilities	**(922 803)**	**(13 236)**	**(1 378)**	**(937 417)**
Assets (liabilities) arising from currency exchange				
Spot and forward transaction receivables	18 500	-	-	**18 500**
Spot and forward transaction liabilities	-	(18 546)	-	**(18 546)**
Net long/short currency position	**62 774**	**(12 771)**	**(9)**	**49 994**

The currency analysis of the Group is significantly different from that of the Bank disclosed above only for loans in the balance sheet of the Bank's subsidiary (EUR 18 727 thousand), balances in EUR.

The currency gap positions are managed in accordance with the Bank's Currency risk management policy. There are limits for currency gap positions.

37. 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 2023 by the currencies in which they are denominated is as follows:

2023 **EUR'000** (Restated)	**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	1 895	3 824	5 528	**11 247**
Loans and receivables	399 536	12 485	66	**412 087**
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				
Due to monetary financial institutions on demand	(4 398)	(7)	(2)	**(4 407)**
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.

38. 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:

2024 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	409 154	-	-	-	-	-	391	**409 545**
Loans and receivables from banks	7 622	-	-	-	-	-	-	**7 622**
Investment securities	-	8 661	2 214	3 734	52 527	2 370	-	**69 506**
Loans and receivables	455 948	16 106	10 856	1 637	5 383	-	-	**489 930**
Other financial assets							10 854	**10 854**
Total financial assets	**872 724**	**24 767**	**13 070**	**5 371**	**57 910**	**2 370**	**11 245**	**987 457**
FINANCIAL LIABILITIES								
Due to monetary financial institutions on demand	-	-	-	-	-	-	3 457	**3 457**
Financial liabilities carried at amortized cost	571 824	130 885	61 539	93 701	10 574	-	20 929	**889 452**
Other financial liabilities							4 613	**4 613**
Total financial Liabilities	**571 824**	**130 885**	**61 539**	**93 701**	**10 574**	**-**	**28 999**	**897 522**
Interest rate risk net position	**300 900**	**(106 118)**	**(48 469)**	**(88 330)**	**47 336**	**2 370**	**(17 754)**	**89 935**

The reprising maturity analysis of the Group is significantly different from that of the Bank disclosed above only for loans in the balance sheet of the Bank's subsidiary (EUR 18 727 thousand).

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 2023, interest rate re-pricing categories were:

2023 EUR'000 (Restated)	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	11 247	-	-	-	-	-	-	**11 247**
Investment securities	2 178	995	25 066	1 962	65 163	2 471	-	**97 835**
Loans and receivables	186 284	76 416	109 410	29 987	6 992	529	2 469	**412 087**
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								
Due to monetary financial institutions on demand	-	-	-	-	-	-	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**

The reprising maturity analysis of the Group is not significantly different from that of the Bank disclosed above.

39. 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 2024	 Bank 2023 (Restated)
Cash and balances with central banks	14	409 545	338 024
Loans and receivables from banks	15	7 622	11 247
Investment securities	16, 18	69 506	97 835
Loans and receivables	17	489 930	412 087
Other financial assets	24	10 854	9 428
Total financial assets		**987 457**	**868 621**
Unused loan facilities	31	115 190	97 302
Unused credit card facilities	31	729	760
Guarantees an others	31	5 474	1 904
Total guarantees and commitments		**121 393**	**99 966**
Total maximum credit risk exposure		**1 108 850**	**968 587**

The Group'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 Group 2024	Group 2023 (Restated)
Cash and balances with central banks	14	409 545	338 024
Loans and receivables from banks	15	7 730	11 255
Investment securities	16, 18	69 506	97 835
Loans and receivables	17	508 656	412 087
Other financial assets	24	10 876	9 494
Total financial assets		**1 006 313**	**868 695**
Unused loan facilities	31	115 190	97 299
Unused credit card facilities	31	729	760
Guarantees an others	31	5 474	1 904
Total guarantees and commitments		**121 393**	**99 963**
Total maximum credit risk exposure		**1 127 706**	**968 658**

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.

40. CAPITAL ADEQUACY CALCULATION (BANK)

	2024 EUR '000	2023 EUR '000
Equity	**122 423**	**89 835**
Total Tier 1	**93 284**	**83 092**
Tier 1	**84 575**	**77 032**
Share capital	44 493	44 493
Statutory reserves	24	24
Retained earnings for the previous periods	34 943	31 377
Profit for the reporting period	17 850	12 566
Dividends proposed	(9 000)	(7 000)
Revaluation reserve	(3 163)	(3 771)
Intangible assets	(193)	(267)
Other deductions	(15)	(21)
Insufficient coverage for non-performing exposures	-	(5)
Reduction of Tier 1 capital (Pillar 2 adjustments)	(364)	(364)
Additional Tier 1	**8 709**	**6 060**
Tier 2 capital	**29 139**	**6 743**
Subordinated debt	29 139	6 743
Risk-weighted value		
Banking portfolio	595 274	500 840
Operating risk	68 006	56 935
Total risk weighted assets	**663 280**	**557 775**
Total capital as a percentage of risk weighted assets (total capital ratio)	**18.46%**	**16.11%**
Total tier 1 capital expressed as a percentage of risk-weighted assets ("tier 1 capital ratio")	**14.06%**	**14.90%**

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

As at 3l December 2024, the Bank's capital adequacy ratio was 18.46% (2023: 16.11%) which corresponds to the requirements set in the Basel Capital Accord and the regulations of the Bank of Latvia. Under the capital requirements introduced by Regulation (EU) No 575/2013 of the European Parliament and of the Council and the Bank of Latvia, banks need to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. Although the minimum required level as at 31 December 2024 was 8%, according to a special request by the Bank of Latvia the Bank was required to ensure a higher capital adequacy of 11.20% during the period from 1 January 2024 (additional capital requirement - 2.2% and capital reserve requirement - 1%). In addition to the above capital requirement for the overall risk coverage, the Bank is required to maintain compliance with the total capital reserve requirement calculated in accordance with Section 35^{22}, 35^{23}, 35^{24} or 35^{25} of the Credit Institution Law -3.22% (Capital conservation buffer – 2.50%, institution-specific countercyclical capital buffer – 0.47% (as at 31.12.2024), 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 assessment process' No. 321 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).

41. 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 2024	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	-	543	-	**543**
Financial assets at fair value through other comprehensive income				
Fixed income securities	9 060	4 879	375	**14 314**
Non fixed income securities and shares	-	23	-	**23**
	9 060	**5 445**	**375**	**14 880**

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**
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**

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:

31.12.2024 Financial assets at fair value	31.12.2023	(Sold)	Fair value adjustment	31.12.2024
Fixed income securities	**379**		(4)	**375**
Non fixed income securities	**-**	-	-	**-**
Total financial assets at fair value	**379**		**(4)**	**375**

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**

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. The fair value of financial instruments of the Group is significantly different from the Bank only for loans in the balance sheet of the Bank's subsidiary (EUR 18 727 thousand).

31 December 2024	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	391	409 154	-	409 545	**409 545**
Loans and receivables from banks	-	-	7 622	7 622	**7 622**
Loans to customers	-	-	489 395	489 395	**489 930**
Investment securities at amortised cost		53 891	191	54 082	**54 626**
Other financial assets	-	-	10 854	10 854	**10 854**
Financial liabilities					
Due to monetary financial institutions on demand	-	-	3 457	3 457	**3 457**
Financial liabilities carried at amortized cost	-	-	934 763	934 763	**929 347**
Other financial liabilities	-	-	4 613	4 613	**4 613**

31 December 2023 (Restated)	**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	-	-	11 247	11 247	**11 247**
Loans to customers	-	-	411 460	411 460	**412 087**
Investment securities at amortised cost	-	71 288	2 051	73 339	**76 774**
Other financial assets	-	-	9 428	9 428	**9 428**
Financial liabilities					
Due to monetary financial institutions on demand	-	-	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**

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

42. 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 therefore included in the Corporate segment. The results of all other operations are included in the "Other" segment.

	2024			2023		
	Corporate EUR'000	Other EUR'000	Total EUR'000	Corporate EUR'000	Other EUR'000	Total EUR'000
Net interest and similar income	29 218	-	**29 218**	25 539	-	**25 539**
Fee and commission income	16 369	-	**16 369**	12 607		**12 607**
Fee and commission expense	(2 235)	-	**(2 235)**	(1 743)	-	**(1 743)**
Net other finance income	522	-	**522**	(156)	-	**(156)**
Other operating income	2 511	61	**2 572**	1 598	72	**1 670**
Total operating income	**46 385**	**61**	**46 446**	**37 845**	**72**	**37 917**
Total operating expense	(21 477)	(63)	**(21 540)**	(17 995)	(84)	**(18 079)**
Credit loss allowance	(2 898)	-	**(2 898)**	(2 081)	-	**(2 081)**
Profit before tax	**22 010**	**(2)**	**22 008**	**17 769**	**(12)**	**17 757**

	2024			2023		
	Corporate EUR'000	Other EUR'000	Total EUR'000	Corporate EUR'000	Other EUR'000	Total EUR'000
Fee and commission income						
Money transfers	1 150	-	**1 150**	1 946	-	**1 946**
Commissions on loans monitoring and service	833	-	**833**	808	-	**808**
Securities transactions	1 500	-	**1 500**	1 147	-	**1 147**
Assets management	1 538	-	**1 538**	316	-	**316**
Client service	9 134	-	**9 134**	6 546	-	**6 546**
Payment card service	2 214	-	**2 214**	1 844	-	**1 844**
Total net fee and commission income	**16 369**	**-**	**16 369**	**12 607**	**-**	**12 607**
Total assets	1 032 402	827	**1 033 229**	907 449	827	**908 276**
Total liabilities	942 834	-	**942 834**	(826 954)	-	**(826 954)**

43. EVENTS AFTER THE REPORTING PERIOD

Solidarity Contribution Law

On December 4, 2024, the Solidarity Contribution Law (hereinafter referred to as the Law) was adopted.

The Law establishes the obligation for credit institutions registered in Latvia, as well as branches of credit institutions from other countries in Latvia, to make a solidarity contribution. The Law provides that the contribution must be made for three payment periods – 2025, 2026, and 2027.

The purpose of the Law is to protect public security in the face of increased national security risks by raising additional financial resources to meet the fiscal needs of the national security system. The Law sets the solidarity contribution at a rate of 60% applied to the solidarity contribution base. This base is defined as the portion of the credit institution's calendar year net interest income that exceeds the average annual net interest income over the five financial years from January 1, 2018, to December 31, 2022, by more than 50%.

'BluOr' Trademark

In 2025, the Bank acquired the 'BluOr' trademark from its owner. 2024 was the last year when the Bank made payments for the use of the licensed 'BluOr' trademark.

The financial report was prepared by BluOr Bank AS Member of the Board/Chief accountant Vadims Morozs.

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 2024, 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 17 March 2025.

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 2024;
- the Group's Consolidated and the Bank's Separate Statements of Other Comprehensive Income for the year ended 31 December 2024;
- the Group's Consolidated and the Bank's Separate Statements of Financial Position as at 31 December 2024;
- the Group's Consolidated Statement of Changes in Shareholders' Equity for the year ended 31 December 2024;
- the Bank's Separate Statement of Changes in Shareholders' Equity for the year ended 31 December 2024;
- the Group's Consolidated and the Bank's Separate Statements of Cash Flows for the year ended 31 December 2024; 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 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 Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Audit Services.

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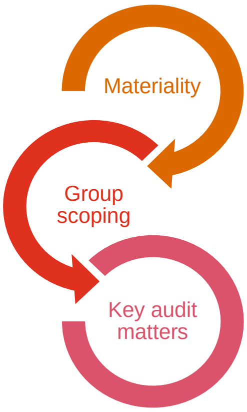
To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Bank, its parent company and subsidiaries are in accordance with the applicable laws and regulations in the Republic of Latvia and that we have not provided non-audit services that are prohibited 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 2024 to 31 December 2024 are disclosed in note 11 to the financial statements.

Our audit approach

Overview



- Group overall materiality is EUR 1.05 million, which represents approximately 5% of profit before tax.
- Bank overall materiality: EUR 1 million, 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 was EUR 1.05 million. Overall materiality applied to the Bank was EUR 1 million.
How we determined it	Approximately 5% of the Group's and the Bank's profit before tax for 2024.
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 50 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 17 "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	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, loss given default, definitions of default and significant increase in credit risk, use of macroeconomic scenarios, and use of post-model expert credit adjustments. 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 the reliability of loan data, including contract dates,

adjustments by expected impact of future macroeconomic scenarios.

For individually significant loans ECL are calculated on an individual basis and expert judgement is applied to determine probability of default (PD) and loss given default (LGD). For other loans the expected credit losses are calculated using the ECL model.

As at 31 December 2024 expected credit losses amounted to EUR 5 315 and EUR 4 362 thousand for the Group and the Bank respectively (refer to Note 17).

interest rates, collateral values and types, performing/non-performing status, overdue days and other inputs used in the ECL calculation engine as at 31 December 2024.

For a sample of individually significant loans to legal entities we evaluated the reasonableness of assumptions made by the Bank's credit expert regarding future cash flow scenarios, PD and LGD, appropriateness of ECL stage applied, existence and valuation of collateral and the accuracy of the ECL calculation

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 and assessed its consistency with the prior year.

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

Reporting on other information including the Management report

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

- Management report, 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; and,
- Statement of Management's Responsibility, as set out on page 7 of the Annual Report,
- Statement of Corporate Governance, set out in a separate statement prepared and signed by the Bank's Management Board on 8 February 2024 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.

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

With respect to the Management Report, we also performed the procedures required by the Law on Audit Services of the Republic of Latvia. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of the Latvijas Banka's Regulation No 326 "Regulation on the annual reports and consolidated annual reports of credit institutions, investment brokerage companies, investment management companies and private pension funds".

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; and
- the Management Report has been prepared in accordance with requirements of the Latvijas Banka's Regulation No 326 "Regulation on the annual reports and consolidated annual reports of credit institutions, investment brokerage companies, investment management companies and private pension funds".
- the Statement of Corporate Governance, available on the Bank's website https://bluorbank.lv as at the date of our 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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 8 October 2024 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 2024 (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 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 7 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
17 March 2025

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).