



BluOr Bank

BluOr Bank AS

Unaudited interim report for the six months period ended 30 June 2025

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Report of the Council and the Board

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

The Group consists of the Bank, which is a Parent company of the Group and a number of subsidiaries. Those were set up to manage repossessed collaterals and real estate property.

BluOr Bank's activities in the first half of 2025 are characterized by stability and targeted development in accordance with the Bank's business model and strategic goals.

The Bank ended the reporting period with a profit of EUR 7.8 million. In the first half of 2025, the Bank's net operating income amounted to EUR 21.2 million. The amount of the Bank's equity capital is EUR 122.8 million, and the total amount of assets is EUR 1 106.6 million.

In the first six months of 2025, the Bank raised EUR 1 million in new Tier 1 capital through its own bond offering.

As of June 30, 2025, the Bank's liquidity coverage ratio (LCR) stood at 136.37% (LCR), and the capital adequacy ratio – 18.80%. Other key indicators of the Bank's financial performance for six months are also successful: return on equity (ROE) – 16.54% and return on assets (ROA) – 1.49%.

The Bank successfully implements its business strategy focused on providing services to Latvian corporate clients: over the past 12 months, the number of clients – Latvian companies has increased by 26%.

BluOr Bank continues to actively provide loans to companies, offering financing to entrepreneurs from a wide variety of industries. Over a six-month period, the Bank signed new loan agreements worth EUR 148.4 million, representing a 68% increase compared to the first half of the previous year. Of this amount, 87.3% was allocated to lending and business development for small and medium-sized enterprises (SMEs) in both Riga and the regions of Latvia.

As of June 30, 2025, the total loan portfolio (loans granted and disbursed) reached EUR 667.8 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. In response to the growing demand for accessing all financial services within a single banking institution, BluOr Bank has significantly accelerated the issuance of mortgage loans for home purchases during the reporting period. This marks a new phase in the Bank's development – alongside its established business services, the Bank is now strategically expanding its presence in the retail segment.

In addition to issuing new mortgage loans, the Bank has previously offered the option to refinance mortgage loans from other banks. This activity intensified notably in the first half of 2025, and the Bank plans to continue providing refinancing options in the second half of the year for clients who have already taken out a mortgage loan with another bank. This approach enables the Bank to offer more favourable terms and a wider range of choices.

To streamline payment processes, the Bank transitioned from the MasterCard payment system to the VISA payment system in the early months of the year.

The Bank has incorporated sustainability goals into its operational strategy, taking into account environmental, social, and governance (ESG) criteria, and is actively implementing this commitment through practical measures. One such initiative is the signing of a guarantee agreement with the European Investment Fund (EIF) under the InvestEU programme, aimed at promoting green investment financing for SMEs in Latvia. With the support of the EIF guarantee, the Bank can offer financing of up to EUR 30 million for projects that contribute to achieving the European Union's green and sustainable economic development goals and help mitigate the impact of climate change.

During the first half of the year, BluOr Bank actively developed its payment card acquiring business. The number of new clients grew significantly, resulting in a 40% increase in card transactions compared to the same period last year. At the same time, cooperation with partner banks in the Baltic states was expanded, enabling the introduction of new payment solutions across the Baltic region. A key step in this direction has been the implementation of Google Pay and Apple Pay payment systems, providing the Bank's clients with modern and convenient payment options.

With the aim of providing clients with safer, more convenient, and more efficient payment solutions, BluOr Bank has initiated a partnership with Nets – a leading payment processing service provider in Northern Europe and part of the Nexi Group, a top European payment technology company. Within the scope of the partnership, Nets provides BluOr Bank with card issuance transaction and payment processing services. To enhance service security and availability, the Bank also employs Nets' fraud prevention solutions, the 3D Secure protocol for secure e-commerce transactions, as well as call centre support outside of banking hours to assist with card-related inquiries.

Having steadily increased its market share in Latvia each year, the Bank plans to purposefully expand its range of services for retail clients. Gradually evolving from a specialized business partner to a full-service commercial bank, BluOr Bank is becoming the first among systemically important Latvian capital banks to offer a high-quality and comprehensive range of services to both businesses and individual clients.

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

On behalf of the Bank,

Dmitrijs Latiševs
Chairman of the Board

Vadims Morozs
Member of the Board

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Council and Board of the Bank

Council as of 30 June 2025

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

Board as of 30 June 2025

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
Pāvels Orlovs	Member of the Board	2 July 2025

On behalf of the Bank,

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 interim condensed financial statements of the Bank and of the Bank and its subsidiaries (hereinafter – the “Group”).

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

The interim condensed financial statements are prepared in accordance with the source documents and present the financial position of the Bank and the Group as of 30 June 2025 and the comparative date 31 December 2024 and the results of their operations, changes in shareholders' equity and cash flows for the six months periods ended 30 June 2025 and the comparative period 30 June 2024 in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. The management report presents fairly the financial results of the reporting period and future prospects of the Bank and the Group.

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

On behalf of the Bank,

Dmitrijs Latiševs
Chairman of the Board

Vadims Morozs
Member of the Board

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

	Note	6m 2025		6m 2024	
		Group EUR'000 Unaudited	Bank EUR'000 Unaudited	Group EUR'000 Unaudited	Bank EUR'000 Unaudited
Interest income		23 279	22 877	25 247	24 860
Interest expenses		(10 376)	(10 532)	(10 896)	(11 046)
Net interest income	6	12 903	12 345	14 351	13 814
Fee and commission income		8 239	8 239	6 804	6 805
Fee and commission expense		(1 252)	(1 252)	(914)	(914)
Net fee and commission income	7	6 987	6 987	5 890	5 891
Net profit from trading and revaluation of financial instruments	8	135	135	(209)	(209)
Net foreign exchange income	9	1 160	1 160	188	188
Other operating income		473	528	2 072	2 039
Total operating income		21 658	21 155	22 292	21 723
Administrative expenses	10	(11 026)	(10 669)	(8 645)	(8 179)
Other operating expenses	11	(322)	(324)	(1 171)	(1 177)
Credit loss allowances		(391)	(393)	(980)	(870)
Total operating expenses		(11 739)	(11 386)	(10 796)	(10 226)
Profit before taxation		9 919	9 769	11 496	11 497
Corporate income tax	12	(1 956)	(1 956)	(2 301)	(2 301)
Profit for the period		7 963	7 813	9 195	9 196

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Chairman of the Board

Vadims Morozs
Member of the Board

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

	6m 2025		6m 2024	
	Group EUR'000 Unaudited	Bank EUR'000 Unaudited	Group EUR'000 Unaudited	Bank EUR'000 Unaudited
Profit for the period	7 963	7 813	9 195	9 196
Other comprehensive income				
Items that may be reclassified to profit or loss				
Foreign exchange revaluation reserve	(1)	-	-	-
Revaluation reserve – financial assets at fair value through other comprehensive income (debt instruments)	165	165	340	340
Total items that may be reclassified to profit or loss	164	165	340	340
Other comprehensive (loss)/income	164	165	340	340
Total comprehensive income	8 127	7 978	9 535	9 536

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

Assets	Note	30/06/2025		31/12/2024	
		Group EUR'000 Unaudited	Bank EUR'000 Unaudited	Group EUR'000 Audited	Bank EUR'000 Audited
Cash and demand deposits with central bank	13	411 296	411 296	409 545	409 545
Loans and receivables from banks	14	17 549	17 379	7 730	7 622
<i>Demand deposits with credit institutions</i>		17 549	17 379	7 730	7 622
Investment securities	15	57 959	57 959	69 506	69 506
<i>Fixed income securities</i>		57 403	57 403	68 940	68 940
<i>Non fixed income securities</i>		556	556	566	566
Loans and receivables	16	566 181	547 930	508 656	489 930
Investments in associates	17	827	-	827	-
Investments in subsidiary undertakings	17	-	47 516	-	47 715
Investment property		2 772	1 614	2 850	1 614
Property and equipment		21 888	2 858	22 470	3 011
Right-of-use assets		-	8 266	-	8 598
Intangible assets		201	191	203	193
Prepayments and accrued income		330	325	566	559
Other assets		11 269	11 239	10 876	10 854
Total assets		1 090 272	1 106 573	1 033 229	1 049 147

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

Liabilities and Equity	Note	30/06/2025		31/12/2024	
		Group EUR'000 Unaudited	Bank EUR'000 Unaudited	Group EUR'000 Audited	Bank EUR'000 Audited
Due to monetary financial institutions on demand	18	3 541	3 541	3 457	3 457
Financial liabilities carried at amortized cost		984 760	988 474	926 432	929 347
<i>Deposits</i>	19	943 746	947 460	886 537	889 452
<i>Deposits (subordinated)</i>	19	5 727	5 727	5 711	5 711
<i>Additional Tier 1 Debt securities (subordinated)</i>	20	9 916	9 916	8 813	8 813
<i>Debt securities (subordinated)</i>	20	25 371	25 371	25 371	25 371
Lease liabilities		-	9 030	-	9 330
Deferred income and accrued expenses		2 941	2 941	2 759	2 740
Provisions		144	144	121	121
Income tax liabilities		5 051	5 051	4 455	4 455
Other liabilities		4 313	4 268	5 610	5 551
Total liabilities		1 000 750	1 013 449	942 834	955 001
Shareholders' equity					
Share capital	21	44 493	44 493	44 493	44 493
Statutory reserves		24	24	24	24
Revaluation reserve – financial assets at fair value through other comprehensive income		(599)	(599)	(764)	(764)
Other reserves		(3 412)	(2 400)	(3 412)	(2 400)
Retained earnings		49 016	51 606	50 054	52 793
Total equity attributable to equity holders of the Bank		89 522	93 124	90 395	94 146
Total equity and liabilities		1 090 272	1 106 573	1 033 229	1 049 147

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Chairman of the Board

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

Note	Share capital EUR`000	Statutory reserves EUR`000	Revaluation reserve – FVOCI EUR`000	Other reserves EUR`000	Retained earnings EUR`000	Total equity attributable to equity holders of the parent EUR`000	Total equity EUR`000
Balance as at 31 December 2023	44 493	24	(1 371)	(3 412)	41 588	81 322	81 322
Dividends paid	-	-	-	-	(9 000)	(9 000)	(9 000)
Other comprehensive income for the period:							
Revaluation reserve – financial assets	-	-	340	-	-	340	340
Foreign exchange revaluation reserve	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	9 195	9 195	9 195
Total comprehensive income for the period	-	-	340	-	9 195	9 535	9 535
Balance as at 30 June 2024	44 493	24	(1 031)	(3 412)	41 783	81 857	81 857
Balance as at 31 December 2024	44 493	24	(764)	(3 412)	50 054	90 395	90 395
Dividends paid	-	-	-	-	(9 000)	(9 000)	(9 000)
Other comprehensive income for the period:							
Revaluation reserve – financial assets	-	-	165	-	-	165	165
Foreign exchange revaluation reserve	-	-	-	-	(1)	(1)	(1)
Profit for the period	-	-	-	-	7 963	7 963	7 963
Total comprehensive income for the period	-	-	165	-	7 962	8 127	8 127
Balance as at 30 June 2025	44 493	24	(599)	(3 412)	49 016	89 522	89 522

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

Note	Share capital EUR' 000	Statutory reserves EUR' 000	Other reserves EUR' 000	Revaluation reserve – FVOCI EUR' 000	Retained Earnings EUR' 000	Total capital and reserves EUR' 000
Balance as at 31 December 2023	44 493	24	(2 400)	(1 371)	43 943	84 689
Dividends paid	-	-	-	-	(9 000)	(9 000)
Other comprehensive income for the period:						
Revaluation reserve – financial assets	-	-	-	340	-	340
Profit for the period	-	-	-	-	9 196	9 196
Total comprehensive income for the period	-	-	-	340	9 196	9 536
Balance at 30 June 2024	44 493	24	(2 400)	(1 031)	44 139	85 225
Balance at 31 December 2024	44 493	24	(2 400)	(764)	52 793	94 146
Dividends paid	-	-	-	-	(9 000)	(9 000)
Other comprehensive income for the period:						
Revaluation reserve – financial assets	-	-	-	165	-	165
Profit for the period	-	-	-	-	7 813	7 813
Total comprehensive income for the period	-	-	-	165	7 813	7 978
Balance as at 30 June 2025	44 493	24	(2 400)	(599)	51 606	93 124

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

	Note	6m 2025		6m 2024	
		Group EUR'000 Unaudited	Bank EUR'000 Unaudited	Group EUR'000 Unaudited	Bank EUR'000 Unaudited
Cash flow from operating activities					
Profit before corporate income tax		9 919	9 769	11 496	11 497
Amortisation of intangible assets		37	37	69	69
Depreciation of property, equipment and right-of-use assets		582	485	583	486
Revaluation of financial assets		(135)	(135)	-	-
Interest income		(23 279)	(22 877)	(25 247)	(24 860)
Interest expense		10 376	10 532	10 896	11 046
Impairment of assets		391	393	980	870
Decrease in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations		(2 109)	(1 796)	(1 223)	(892)
(Increase)/decrease in loans and receivables		(57 710)	(58 187)	(34 476)	(23 702)
Decrease/(increase) in investment securities		11 853	11 853	27 152	27 152
Decrease/(increase) in prepayments and accrued income		236	234	91	87
(Increase)/ decrease in other assets		(407)	(398)	10 964	10 921
Increase/(decrease) in deposits and due to banks		57 883	58 682	39 439	39 941
Interest received		23 067	22 665	24 837	24 450
Interest paid		(10 950)	(11 106)	(9 588)	(9 738)
Increase/(decrease) in other liabilities and current tax liabilities		(1 223)	(1 209)	276	332
Increase/(decrease) in deferred income and accrued expenses		182	201	(694)	(674)
Net cash from operating activities before tax		20 822	20 939	56 778	67 877
Corporate income tax paid		(1 358)	(1 358)	(2 239)	(2 239)
Net cash from operating activities		19 464	19 581	54 539	65 638
Cash flows from investment activities					
Purchase of fixed and intangible assets		(22)	(22)	(69)	(59)
Sale of investment property		78	-	84	-
Capital increase in investment in subsidiaries		-	-	-	(10 900)
Capital decrease in investment in subsidiaries		-	199	-	74
Net cash (used in) investing activities		56	177	15	(10 885)
Cash flows from financing activities					
Lease liabilities repaid on right-of-use asset		-	(300)	-	(291)
Bonds issued		1 050	1 050	2 742	2 742
Dividends (paid)	21	(9 000)	(9 000)	(9 000)	(9 000)
Net cash (used in) financing activities		(7 950)	(8 250)	(6 258)	(6 549)
Net changes in cash and cash equivalents		11 570	11 508	48 296	48 204
Cash and cash equivalents at the beginning of the reporting period		417 275	417 167	354 491	354 483
Cash and cash equivalents at the end of the reporting period	22	428 845	428 675	402 787	402 687

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Vadims Morozs
Member of the Board

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

1. GENERAL INFORMATION

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

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

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

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

Name of the company	Country of incorporation, address	Line of business	Holding 30.06.2025 %	Holding 31.12.2024 %
SIA BluOr International	M. Pils iela 13, Riga, Latvia,	Real estate development	100	100
SIA Zapdvina Development	Kr. Valdemara iela 149, Riga, Latvia	Real estate development	100	100
Kamaly Development EOOD	Etiera k-s 1/2B – 18, Sveti Vlas, Burgas obl., Nesebier 8256, Bulgaria	Real estate development	100	100
UAB Kamaly Development	Klaipėdos m. sav. Klaipėdos m., Karklu g. 12, Lithuania	Management of taken over collaterals	100	100
AS Pils Pakalpojumi	Smilšu iela, Riga, Latvia	Real estate development	100	100
Foxtran Management Ltd	Suite 102, Blake Building, Corner Eyre & Huston Str., Belize	Management of taken over collaterals	100	100
SIA Jēkaba 2	Jēkaba iela, Riga, Latvia	Real estate development	100	100
Pulkarne Entity SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	-	100
Hazee Shipping Corp	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Republic of the Marshall Islands, MH96960	Financial services	100	100

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

Investments in associated companies (the Group):

Company	Country of incorporation, address	Line of business	Holding (%)	Holding (%)
			30.06.2025	31.12.2024
AS Termo biznesa Centrs	Kr. Valdemāra iela 149, Rīga, Latvia	Real estate development	26.15	26.15

2. BASIS OF PREPARATION OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

(1) Statement of Compliance

These interim condensed financial statements are prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as adopted by European Union (EU) on a going concern basis. The interim condensed financial statements do not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the Bank separate and the Group consolidated financial statements for the year ended 31 December 2024. The financial information in these interim condensed financial statements is presented to a material extent in the same format as in the Bank separate and Group consolidated financial statements for the year ended 31 December 2024.

(2) Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those applied in the preparation of the financial statements for the year ended 31 December 2024, except for the adoption of new standards effective as of 1 January 2025. The Bank and the Group has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

4. FINANCIAL INSTRUMENTS FAIR VALUE MEASUREMENT

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

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

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

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

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

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

- Verifying that equity broker or pricing service is approved by the Group and Bank for use in pricing the relevant type of financial instrument;
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;

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

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

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

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

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

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

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 rate used to discount estimated cash flows are based on the prevailing money-market interest rates curve plus an adequate credit spread.

Shares and other non-fixed income securities

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

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

Derivatives

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

Liabilities to other credit institutions and customers

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

5. RISK MANAGEMENT

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

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

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

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

(1) Credit risk

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

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

(2) Currency risk

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

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

(3) Interest rate risk

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

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

(4) Debt securities price risk

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

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

(5) Liquidity risk

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

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

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

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

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

(6) Country risk

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

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

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

(7) Operational risk

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

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

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

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

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

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

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

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

(a) General Policy

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

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

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

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

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

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

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

- Tier 1 controls – employees of business structural units in charge of acquiring and servicing customers, ensuring compliance with the 'Know Your Customer' (KYC) and 'Know Your Customer's Customer' (KYCC) principles both when entering into a business relationship with the client and during business relationship. Each employee of the Bank's structural units is responsible for knowing and complying with ML/TPF and Sanctions risk requirements in cooperation with clients, as well as for promoting and respecting the professional internal culture in accordance with the Corporate Ethics Standards Code.
- Tier 2 controls – structural units in charge of client acceptance and due diligence prior to establishing business relationship, monitoring of client transactions and support function, that provide independent research and acceptance of clients, supervision of servicing, analysis of client transactions, issue of opinions on planned client transactions, and, through the use of automated tools, carry out transaction monitoring, reporting (Financial Intelligence Unit, the State Revenue Service, the State Security Service, the Finance and Capital Market Commission, the Register of Enterprises of the Republic of Latvia), as well as risk management and operational compliance directors and heads of departments responsible for supervision. In addition to monitoring the Sanctions risk, the Bank has appointed a responsible employee in charge of considering matters related to International, OFAC and National sanctions at the Bank, consulting other employees of the Bank and issuing opinions on Sanctions-related matters.
- Tier 3 controls are implemented by the Internal Audit Service through independent and regular management of ML/TPF and Sanctions risk and assessment of controls.

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

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

(9) Management of compliance risk

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

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

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

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

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

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

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

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

6. NET INTEREST INCOME

	6m 2025		6m 2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Interest income				
Interest income from financial assets at amortized cost	22 947	22 545	24 968	24 581
<i>Loans and receivables</i>	17 507	17 105	17 159	16 772
<i>Demand deposits with central bank</i>	4 960	4 960	7 211	7 211
<i>Debt instruments</i>	480	480	598	598
Interest income from financial assets measured at fair value through other comprehensive income	273	273	187	187
Other interest income	59	59	92	92
Total interest income	23 279	22 877	25 247	24 860
Interest expense				
Interest expense from liabilities measured at amortized cost:	9 395	9 412	9 846	9 846
Payments to the Deposit Guarantee Fund and other funds	601	601	656	656
Other interest expense	380	519	394	544
Total interest expense	10 376	10 532	10 896	11 046
Net interest income	12 903	12 345	14 351	13 814

7. NET FEE AND COMMISSION INCOME

	6m 2025		6m 2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Fee and commission income				
Money transfers	842	842	711	712
Commissions on loans monitoring and service	596	596	348	348
Securities transactions	657	657	937	937
Assets management	597	597	308	308
Client service	4 721	4 721	3 798	3 798
Payment card service	826	826	702	702
Total fee and commission income	8 239	8 239	6 804	6 805
Fee and commission expense				
Money transfers	68	68	42	42
Payment card service	982	982	694	694
Securities transactions	200	200	176	176
Other	2	2	2	2
Total fee and commission expenses	1 252	1 252	914	914
Net fee and commission income	6 987	6 987	5 890	5 891

8. NET PROFIT FROM TRADING AND REVALUATION OF FINANCIAL INSTRUMENTS

	6m 2025		6m 2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Net profit from trading with financial assets at fair value through profit or loss	81	81	(229)	(229)
Net profit/(loss) from revaluation of financial assets and liabilities	54	54	20	20
Net profit from trading and revaluation of financial instruments	135	135	(209)	(209)

9. NET FOREIGN EXCHANGE INCOME

	6m 2025		6m 2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Net profit from foreign exchange transactions	1 201	1 201	231	231
Net loss from revaluation of foreign exchange	(41)	(41)	(43)	(43)
Net foreign exchange income	1 160	1 160	188	188

10. ADMINISTRATIVE EXPENSES

	6m 2025		6m 2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Salaries to the members of the Board and Council	719	719	578	578
Staff remuneration	5 738	5 647	4 254	4 164
Compulsory state social security contributions	1 517	1 496	1 259	1 238
Other staff costs	30	30	32	31
Communications and transport	147	142	133	129
Professional services	941	928	429	308
Rent, public utilities and maintenance	457	434	368	333
Depreciation costs	582	485	583	486
Amortization costs	37	37	69	69
Computer network	302	302	273	273
Advertisement and marketing expenses	79	79	110	110
Other taxes	337	237	402	311
Insurance	71	68	62	59
Other	69	65	93	90
Total administrative expenses	11 026	10 669	8 645	8 179

11. OTHER OPERATING EXPENSES

	6m 2025		6m 2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Membership fees	214	214	186	186
Royalties for the use of a trademark	-	-	626	626
Other	108	110	359	365
Total other operating expenses	322	324	1 171	1 177

12. CORPORATE INCOME TAX

	6m 2025		6m 2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Corporate income tax for dividends and additional payment for credit institutions	(1 956)	(1 956)	(2 301)	(2 301)
Total corporate income tax	(1 956)	(1 956)	(2 301)	(2 301)

13. CASH AND DEMAND DEPOSITS WITH CENTRAL BANK

	30/06/2025		31/12/2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash	782	782	391	391
Balance with the Bank of Latvia (including the minimum reserve deposit)	410 514	410 514	409 154	409 154
Total	411 296	411 296	409 545	409 545

14. LOANS AND RECEIVABLES FROM BANKS

	30/06/2025		31/12/2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Demand deposits with credit institutions				
Credit institutions registered in OECD countries	10 822	10 652	5 029	4 921
Credit institutions of other countries	6 727	6 727	2 701	2 701
Total deposits with credit institutions	17 549	17 379	7 730	7 622

15. INVESTMENT SECURITIES

	30/06/2025		31/12/2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Non- fixed income securities				
SWIFT	24	24	23	23
VISA INC	532	532	543	543
Non-fixed income securities	556	556	566	566
Fixed income securities				
At fair value through other comprehensive income	13 692	13 692	14 314	14 314
At amortised cost	43 711	43 711	54 626	54 626
Fixed income securities	57 403	57 403	68 940	68 940
Investment securities total	57 959	57 959	69 506	69 506

16. LOANS AND RECEIVABLES

(a) Analysis of loans by type

	30/06/2025		31/12/2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Loan portfolio				
Corporate loans	335 844	335 844	306 738	306 738
Payment cards loans	539	539	523	523
Mortgage loans	202 536	202 536	165 540	165 540
Finance lease	22 083	2 881	23 921	4 242
Trade finance	7 226	7 226	11 266	11 266
Other loans	1 096	1 096	2 740	2 740
Securities-backed financing	2 533	2 533	3 243	3 243
Total loans and receivables	571 857	552 655	513 971	494 292
Impairment allowance	(5 676)	(4 725)	(5 315)	(4 362)
Net loans and receivables	566 181	547 930	508 656	489 930

(b) Geographical segmentation of loans

	30/06/2025		31/12/2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Loans to residents of Latvia	391 413	391 413	355 221	355 221
Loans to residents of OECD countries	55 309	55 309	56 374	56 374
Loans to residents of non-OECD countries	125 135	105 933	102 376	82 697
Total loans and receivables	571 857	552 655	513 971	494 292
Impairment allowance	(5 676)	(4 725)	(5 315)	(4 362)
Net loans and receivables	566 181	547 930	508 656	489 930

(c) Ageing structure of the loan portfolio

Group EUR'000	Total EUR'000	Of which not past due on the reporting date	Of which past due by the following terms				Net carrying amount of overdue loans
			Less than 30 days	31-90 days	91-180 days	More than 180 days	
As at 30 June 2025							
Net carrying amount	566 181	521 910	17 836	15 503	-	10 932	44 271
Out of which impaired	13 046	1 867	185	62	-	10 932	11 179
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

d) Movements in the impairment allowance

Movements in the loan impairment allowance for the period ended 30 June 2025 are as follows:

Group and Bank, EUR' 000

Corporates

	Credit loss allowance				Gross carrying amount of loans			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit- impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit- impaired)	Total
Opening balance at 1 January 2025	416	10	3 632	4 058	460 995	11 322	8 094	480 411
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(165)	165	-	-	(38 866)	38 866	-	-
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(5)	-	5	-	(25)	-	25	-
-to Stage 1 from Stage 2	12	(12)	-	-	3 670	(3 670)	-	-
-remaining credit risk changes	-	403	-	403	-	-	-	-
New originated or purchased	73	-	-	73	134 631	-	-	134 631
Derecognised	(15)	(12)	(47)	(74)	(72 134)	(6 748)	(336)	(79 218)
Change for the period	<u>(100)</u>	<u>544</u>	<u>(42)</u>	<u>402</u>	<u>27 276</u>	<u>28 448</u>	<u>(311)</u>	<u>55 413</u>
Closing balance at 30 June 2025	<u>316</u>	<u>554</u>	<u>3 590</u>	<u>4 460</u>	<u>488 271</u>	<u>39 770</u>	<u>7 783</u>	<u>535 824</u>

The amount of new originated or purchased loans represents loans in the portfolio as at 30 June 2025 while the amount of derecognised loans represent loans in the portfolio as at 1 January 2025 and derecognised during 2025.

d) Movements in the impairment allowance

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

Group, EUR' 000

Corporates and financial institutions

	Credit loss allowance				Gross carrying amount of loans			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit- impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit- impaired)	Total
Opening balance at 1 January 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
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.

Movements in the loan impairment allowance for the period ended 30 June 2025 are as follows:

Group, EUR' 000

Individuals

	Credit loss allowance				Gross carrying amount of loans			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit- impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit- impaired)	Total
Opening balance at 1 January 2025	86	3	215	304	11 532	1 742	607	13 881
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(1)	1	-	-	(3)	3	-	-
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(1)	1	-	(5)	(17)	22	-
-remaining credit risk changes								
New originated or purchased	74	-	-	74	9 495	-	-	9 495
Derecognised	(84)	-	(29)	(113)	(5 571)	(929)	(45)	(6 545)
Change for the period	(11)	-	(28)	(39)	3 916	(943)	(23)	2 950
Closing balance at 30 June 2025	75	3	187	265	15 448	799	584	16 831

The amount of new originated or purchased loans represents loans in the portfolio as at 30 June 2025 while the amount of derecognised loans represent loans in the portfolio as at 1 January 2025 and derecognised during 2025.

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

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	<u>33</u>	<u>3</u>	<u>157</u>	<u>193</u>	<u>11 851</u>	<u>2 581</u>	<u>198</u>	<u>14 630</u>
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	<u>53</u>	<u>-</u>	<u>58</u>	<u>111</u>	<u>(319)</u>	<u>(839)</u>	<u>409</u>	<u>(749)</u>
FX and other movements	-	-	-	-	-	-	-	-
Closing balance at 31 December 2024	<u>86</u>	<u>3</u>	<u>215</u>	<u>304</u>	<u>11 532</u>	<u>1 742</u>	<u>607</u>	<u>13 881</u>

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.

e) Loans and expected credit losses by ECL stages

Group, EUR' 000	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
30 June 2025				
Gross loans	513 556	40 569	17 732	571 857
(Less) expected credit loss	(433)	(557)	(4 686)	(5 676)
Net loans	513 123	40 012	13 046	566 181

Loans and expected credit losses by ECL stages

Group, EUR' 000	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
31 December 2024				
Gross loans	482 842	13 064	18 065	513 971
(Less) expected credit loss	(545)	(13)	(4 757)	(5 315)
Net loans	482 297	13 051	13 308	508 656

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

EUR' 000	30/06/2025		31/12/2024	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Stage 1	513 123	1 254 371	482 297	1 233 109
Stage 2	40 012	81 957	13 051	22 806
Stage 3	13 046	28 368	13 308	29 144
Total	566 181	1 364 696	508 656	1 285 059

g) Industry analysis of the loan portfolio (Group)

	30/06/2025 EUR '000	31/12/2024 EUR '000
Shipping	121 333	105 846
Financial services	19 518	14 033
Wholesale	38 602	66 839
Real Estate	172 594	154 626
Overdrafts	50 520	29 922
Transport and storage	8 244	5 615
Private customers – mortgage loans and consumer loans	9 665	5 523
Manufacture of food products	19 053	17 800
Processing factory	18 023	13 309
Other services	108 629	95 143
Net loans and receivables	566 181	508 656

17. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

(a) Investments in subsidiaries (Bank)

Company	Ownership share	Carrying amount at 30/06/2025 EUR'000	Carrying amount at 31/12/2024 EUR'000
SIA BluOr International	100%	25 709	25 709
<i>Impairment allowance</i>		(3 649)	(3 649)
SIA Zapdvina Development	100%	10 124	10 124
<i>Impairment allowance</i>		(964)	(964)
UAB Kamaly Development	100%	20	20
AS Pils Pakalpojumi	100%	15 281	15 281
<i>Impairment allowance</i>		(548)	(548)
<i>Non-reciprocal capital contribution by a parent into subsidiary</i>		(2 400)	(2 400)
SIA Jēkaba 2	100%	4 049	4 049
<i>Impairment allowance</i>		(106)	(106)
SIA Pulkarne Entity	100%	-	199
		47 516	47 715

Investments in subsidiaries (Bank)

	30/06/2025 EUR'000	31/12/2024 EUR'000
Investments in subsidiaries	55 183	55 382
Non-reciprocal capital contribution by a parent into subsidiary according to IFRS 10 (AS „Pils pakalpojumi”)	(2 400)	(2 400)
Total		
Impairment allowance	(5 267)	(5 267)
Investments in subsidiaries net	47 516	47 715

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

Company	Capital contribution	Carrying amount at 30/06/2025 EUR'000 Group	Carrying amount at 31/12/2024 EUR'000 Group
AS „Termo biznesa Centrs”	26.15%	1 848	1 848
<i>Impairment allowance</i>		(1 021)	(1 021)
Total		827	827

18. DUE TO MONETARY FINANCIAL INSTITUTIONS ON DEMAND

	30/06/2025		31/12/2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Monetary financial institutions registered in Latvia	3 541	3 541	3 457	3 457
Total due to credit institutions on demand	3 541	3 541	3 457	3 457

19. FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST: DEPOSITS

	30/06/2025		31/12/2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Current accounts:				
Financial institutions	241 517	241 517	197 523	197 523
Corporate entities	238 511	242 225	275 862	278 777
Individuals	74 697	74 697	71 703	71 703
	554 725	558 439	545 088	548 003
Term deposits:				
Subordinated liabilities	5 727	5 727	5 711	5 711
Other financial institutions	99 130	99 130	99 577	99 577
Corporate entities	19 396	19 396	15 178	15 178
Individuals	270 495	270 495	226 694	226 694
	394 748	394 748	347 160	347 160
Total deposits	949 473	953 187	892 248	895 163

Geographical segmentation of the deposits

	30/06/2025		31/12/2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Deposits of residents registered in Latvia	307 916	309 686	270 302	271 931
Deposits of residents registered in OECD countries	606 685	606 685	583 899	583 899
Deposits of residents registered in other countries (non-OECD)	34 872	36 816	38 047	39 333
Total deposits	949 473	953 187	892 248	895 163

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

	30/06/2025		31/12/2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Additional Tier 1 debt securities	9 916	9 916	8 813	8 813
Issued subordinated bonds (listed on the stock exchange)	25 371	25 371	25 371	25 371
Total	35 287	35 287	34 184	34 184

21. SHARE CAPITAL AND RESERVES

As of 30 June 2025, the authorized share capital comprised 31 797 742 registered shares :

- 31 781 081 A category ordinary shares (nominal value of one share is EUR 1.40);
- 16 661 B category shares (notional share capital by issuing staff shares as a result of staff option conversion, nominal value of one share is EUR 5.16).

The holders of A category ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at the shareholders' meetings. All shares rank equally with regard to the Bank's residual assets.

Dividends

During 2025, 9 million EUR dividends were distributed.

22. CASH AND CASH EQUIVALENTS

	30/06/2025		31/12/2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash and balances due from central banks	411 296	411 296	409 545	409 545
Due from credit institutions on demand and within 3 months	17 549	17 379	7 730	7 622
Total cash and cash equivalents	428 845	428 675	417 275	417 167

23. CONTINGENT LIABILITIES AND COMMITMENTS

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

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

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

	30/06/2025		31/12/2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Unused loan facilities	129 600	129 600	115 190	115 190
Unused credit card facilities	645	645	729	729
Guarantees and other	11 050	11 050	5 474	5 474
	141 295	141 295	121 393	121 393
<i>Provisions</i>	<i>(144)</i>	<i>(144)</i>	<i>(121)</i>	<i>(121)</i>

24. ASSETS UNDER MANAGEMENT

Assets under management	30/06/2025		31/12/2024	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Due from credit institutions registered in Latvia	3 207	3 207	1 414	1 414
Loans to customers	165	165	165	165
Non fixed income securities	70 098	70 098	59 116	59 116
Fixed income securities	571	571	1 416	1 416
Other assets	62	62	105	105
Total assets under management	74 103	74 103	62 216	62 216

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

25. CAPITAL ADEQUACY CALCULATION (BANK)

	30/06/2025 EUR '000	31/12/2024 EUR '000
Equity	122 849	122 423
Total Tier 1	94 500	93 284
Tier 1	84 741	84 575
Share capital	44 493	44 493
Statutory reserves	24	24
Retained earnings for the previous periods	43 793	34 943
Profit for the reporting period	-	17 850
Dividends proposed	-	(9 000)
Revaluation reserves	(2 999)	(3 163)
Intangible assets	(191)	(193)
Other deductions	(15)	(15)
Reduction of Tier 1 capital (Pillar 2 adjustments)	(364)	(364)
Additional Tier 1	9 759	8 709
Tier 2 capital	28 349	29 139
Subordinate debt	28 349	29 139
Risk-weighted value		
Banking portfolio	616 438	595 274
Operating risk	37 109	68 006
Total risk weighted assets	653 547	663 280
Total capital as a percentage of risk weighted assets (total capital ratio)	18.80%	18.46%
Total tier 1 capital expressed as a percentage of risk-weighted assets ("tier 1 capital ratio")	14.46%	14.06%

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

As at 30 June 2025, the Bank's capital adequacy ratio was 18.80% (2024: 18.46%) which corresponds to the requirements set in the Basel Capital Accord and the regulations of the Bank of Latvia.

Under the capital requirements introduced by Regulation (EU) No 575/2013 of the European Parliament and of the Council and the Bank of Latvia, banks need to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. Although the minimum required level as at 30 June 2025 was 8%, according to a special request by the Bank of Latvia the Bank was required to ensure a higher capital adequacy of 10.90% during the period from 1 January 2025 (additional capital requirement - 1.9% 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 35²², 35²³, 35²⁴ or 35²⁵ of the Credit Institution Law - 3.62% (Capital conservation buffer - 2.50%, institution-specific countercyclical capital buffer - 0.87% (as at 30.06.2025), other reserve - 0.25% (as at 30.06.2025)). 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 adequacy 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.

26. OPERATING SEGMENTS

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

	6m 2025			6m 2024		
	Corporate EUR'000	Other EUR'000	Total EUR'000	Corporate EUR'000	Other EUR'000	Total EUR'000
Net interest and similar income	12 903	-	12 903	14 351	-	14 351
Net fee and commission income	6 987	-	6 987	5 890	-	5 890
Net other finance income	1 295	-	1 295	(21)	-	(21)
Other operating income	439	34	473	2 039	33	2 072
Total operating income	21 624	34	21 658	22 259	33	22 292
Total operating expense	(11 283)	(65)	(11 348)	(9 751)	(65)	(9 816)
Credit loss allowance	(391)	-	(391)	(980)	-	(980)
Profit before tax	9 950	(31)	9 919	11 528	(32)	11 496

	6m 2025			6m 2024		
	Corporate EUR'000	Other EUR'000	Total EUR'000	Corporate EUR'000	Other EUR'000	Total EUR'000
Fee and commission income						
Money transfers	842	-	842	711	-	711
Commissions on loans monitoring and service	596	-	596	348	-	348
Securities transactions	657	-	657	937	-	937
Assets management	597	-	597	308	-	308
Client service	4 721	-	4 721	3 798	-	3 798
Payment card service	826	-	826	702	-	702
Total net fee and commission income	8 239	-	8 239	6 804	-	6 804

	30/06/2025			31/12/2024		
Total assets	1 089 445	827	1 090 272	1 032 402	827	1 033 229
Total liabilities	1 000 750	-	1 000 750	942 834	-	942 834

27. EVENTS AFTER THE REPORTING PERIOD

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