

BluOr Bank AS

Interim report for the six months
period ended 30 June 2023

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Report of the Council and the Board

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

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

BluOr Bank's activity in the 1st half of 2023 is characterised by stability and targeted development, in line with the bank's business model and strategic goals.

The bank ended the reporting period with a profit of EUR 7.6 million (in the first half of 2022: EUR 4.1 million). The bank's operating net income in the first half of 2023 was EUR 16.8 million (in the first half of 2022: EUR 10.5 million). As of 30 June 2023 the Bank's equity amounted to EUR 83 million (as of 31 December 2022: EUR 80 million), total assets amount to EUR 708 million (as of 31 December 2022: EUR 685 million).

As of June 30, 2023, the bank's liquidity (LCR) reached 171% (as of June 30, 2022: 198%) , capital adequacy – 17.2% (as of June 30, 2022: 17.5%). The most important financial performance indicators for six months have also been successful: return on equity (ROE) is 18.3% (as of June 30, 2022: 10.4%) and return on assets (ROA) is 2.1% (as of June 30, 2022: 1.0%).

The bank successfully implements its business strategy, which is focused on serving Latvian corporate clients: over the past 12 months, the number of Latvian corporate clients increased by 19%.

BluOr Bank continues to actively lend to enterprises, providing financing to entrepreneurs of various industries. Within the first six months of this year, the bank has signed EUR 61 million of new loan agreements, 83% of new loans by value were issued to small and medium-sized enterprises in order to promote business not only in Riga, but also in several regions of Latvia.

The bank closely follows economic developments both in Latvia and internationally. After assessing the current market situation, BluOr Bank has raised the deposit term rates several times during the six months of this year. And as for the still rising EURIBOR rates, the bank seeks solutions that help clients adapt to the market situation, thereby confirming that each client is important to the bank and that the bank is interested in continuous development of the client business.

As of June 30, 2023, the total amount of outstanding loans and undrawn commitments to lend was EUR 372 million.

The bank closely follows economic developments both in Latvia and internationally. After assessing the current market situation, BluOr Bank has raised term deposit rates several times during the six months of this year. And as for the continuously rising EURIBOR rates, the Bank seeks for solutions in order to help its clients to adapt to the market situation, thereby confirming that each client is important to the Bank and that the Bank is interested in the continuous development of its clients' business.

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

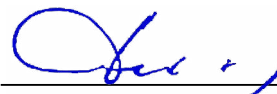
As sanctions imposed on Russia, Belarus and other countries intensify, the bank continues to maintain a high priority status for all risk management and operational compliance issues. It continuously improves its internal processes and information systems in the field of prevention of money laundering, terrorist financing and proliferation, and sanctions risk management, while improving the client transaction monitoring and due diligence processes.

BluOr Bank has included additional sustainability objectives to its operational strategy, in line with the environmental, social and governance (ESG) criteria. These include a clear definition of the requirements for projects that the bank is ready to support, considering global trends in achieving climate protection goals. Thus, the bank also sets out clear guiding principles for its clients, companies and organisations, which includes environmentally friendly practices, social responsibility and good governance, promoting sustainable development and a positive impact on society and the environment.

On behalf of the Bank,



Aleksandrs Peškova
Chairman of the Council



Dmitrijs Latiševs
Chairman of the Board

16 October 2023

Council and Board of the Bank

Council as of 30 June 2023

Name, Surname	Position	Date of Appointment
Aleksandrs Peškova	Chairman of the Council	22 June 2001
Sergejs Peškova	Member of the Council	22 June 2001
	Deputy Chairman of the Council	25 July 2002
Andrejs Kočetkova	Member of the Council	22 June 2001
Natalja Zolova	Member of the Council	25 August 2022

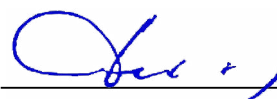
Board as of 30 June 2023

Name, Surname	Position	Date of Appointment
Dmitrijs Latiševa	Member of the Board	1 July 2002
	Deputy Chairman of the Board	25 April 2003
	Chairman of the Board	27 April 2011
Inga Preimane	Member of the Board	11 January 2016
Igors Petrovs	Member of the Board	31 May 2018
Dmitrijs Feldmans	Member of the Board	13 June 2019
Vadims Morozs	Member of the Board	12 August 2019

On behalf of the Bank,



Aleksandrs Peškova
Chairman of the Council



Dmitrijs Latiševa
Chairman of the Board

16 October 2023

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.

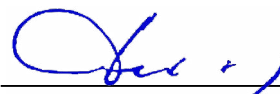
The interim condensed financial statements are prepared in accordance with the source documents and present the financial position of the Bank and the Group as of 30 June 2023 and the comparative date 31 December 2022 and the results of their operations, changes in shareholders' equity and cash flows for the six months periods ended 30 June 2023 and the comparative period 30 June 2022 in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. The management report presents fairly the financial results of the reporting period and future prospects of the Bank and the Group.

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

On behalf of the Bank,



Aleksandrs Peškova
Chairman of the Council



Dmitrijs Latiševs
Chairman of the Board

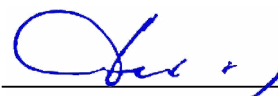
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The Group's consolidated and the Bank's separate interim condensed income statement

	Note	6m 2023		6m 2022	
		Group EUR'000	Bank EUR'000	Group EUR'000 Unaudited	Bank EUR'000 Unaudited
Interest income		15 451	15 451	10 982	10 982
<i>From those income at effective interest rate</i>		<i>15 291</i>	<i>15 291</i>	<i>10 878</i>	<i>10 878</i>
Interest expenses		(4 236)	(4 393)	(2 917)	(3 082)
Net interest income	6	11 215	11 058	8 065	7 900
Fee and commission income		6 002	6 002	3 523	3 524
Fee and commission expense		(869)	(869)	(1 006)	(1 006)
Net fee and commission income	7	5 133	5 133	2 517	2 518
Net profit from trading and revaluation of financial instruments	8	(315)	(315)	(1 204)	(1 204)
Net foreign exchange income	9	9	9	1 040	1 040
Other operating income		943	870	316	277
Total operating income		16 985	16 755	10 734	10 531
Administrative expenses	10	(7 070)	(6 730)	(6 660)	(6 272)
Other operating expenses	11	(1 045)	(1 047)	(865)	(865)
Credit loss allowances		(1 098)	(1 065)	716	716
Total operating expenses		(9 213)	(8 842)	(6 809)	(6 421)
Profit before taxation		7 772	7 913	3 925	4 110
Corporate income tax	12	(278)	(278)	(5)	(5)
Profit for the period		7 494	7 635	3 920	4 105



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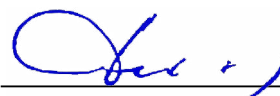
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The Group's consolidated and the Bank's separate interim condensed statement of other comprehensive income

	6m 2023		6m 2022	
	Group EUR'000	Bank EUR'000	Group EUR'000 Unaudited	Bank EUR'000 Unaudited
Profit for the period	7 494	7 635	3 920	4 105
Other comprehensive income				
Items that may be reclassified to profit or loss				
Foreign exchange revaluation reserve	(10)	-	1	-
Revaluation reserve – financial assets at fair value through other comprehensive income (debt instruments)	205	205	(1 460)	(1 454)
Total items that may be reclassified to profit or loss	195	205	(1 459)	(1 454)
Items that will not be reclassified to profit or loss				
Revaluation reserve – financial assets at fair value through other comprehensive income (equity instruments)	-	-	-	-
Total items that may be reclassified to profit or loss	-	-	-	-
Other comprehensive (loss)/income	195	205	(1 459)	(1 454)
Total comprehensive income	7 689	7 840	2 461	2 651



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

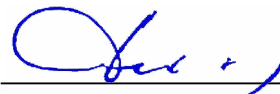
Assets	Note	30/06/2023		31/12/2022	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash and demand deposits with central bank	13	136 867	136 867	120 527	120 527
Loans and receivables from banks	14	25 029	25 018	25 306	25 292
<i>Demand deposits with credit institutions</i>		23 634	23 623	25 306	25 292
<i>Term deposits with credit institutions</i>		1 395	1 395	-	-
Trading financial assets		14	14	3	3
<i>Derivatives</i>	21	14	14	3	3
Investment securities	15	161 262	161 262	162 968	162 968
<i>Fixed income securities</i>		160 892	160 892	162 630	162 630
<i>Non fixed income securities</i>		370	370	338	338
Loans and receivables	16	315 954	315 954	308 310	308 310
Investments in associates	17	827	-	827	-
Investments in subsidiary undertakings	17	-	30 266	-	30 266
Investment property		2 882	1 614	2 830	1 614
Property and equipment		24 067	3 338	24 610	3 438
Right-of-use assets		-	9 592	-	9 924
Intangible assets		231	228	256	256
Non-current assets classified as held for sale		11 150	11 150	11 150	11 150
Prepayments and accrued income		1 313	1 309	1 661	1 657
Other assets		11 821	11 802	10 089	10 054
Corporate income tax receivable		5	5	3	3
Total assets		691 422	708 419	668 540	685 462

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

Liabilities and Equity	Note	30/06/2023		31/12/2022	
		Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Due to credit institutions on demand	18	3 487	3 487	6 623	6 623
Derivatives	21	2	2	-	-
Financial liabilities carried at amortized cost		602 864	605 045	581 695	583 711
<i>Deposits</i>	19	594 278	596 459	573 707	575 723
<i>Deposits (subordinated)</i>	19	2 527	2 527	1 984	1 984
<i>Additional Tier 1 Debt securities (subordinated)</i>	20	1 177	1 177	1 122	1 122
<i>Debt securities (subordinated)</i>	20	4 882	4 882	4 882	4 882
Lease liabilities		-	10 194	-	10 476
Deferred income and accrued expenses		1 152	1 153	1 112	1 107
Provisions		523	523	129	130
Other liabilities		4 844	4 825	3 120	3 065
Total liabilities		612 872	625 229	592 679	605 112
Shareholders' equity					
Share capital	22	44 493	44 493	44 493	44 493
Statutory reserves		24	24	24	24
Revaluation reserve – financial assets at fair value through other comprehensive income		(1 939)	(1 939)	(2 144)	(2 144)
Other reserves		(3 413)	(2 400)	(3 413)	(2 400)
Retained earnings		39 385	43 012	36 901	40 377
Total equity attributable to equity holders of the Bank		78 550	83 190	75 861	80 350
Total equity and liabilities		691 422	708 419	668 540	685 462
Contingent liabilities and commitments		59 505	59 508	59 124	59 127



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16 October 2023

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 2021	44 493	24	(121)	(3 413)	34 155	75 138	75 138
Dividends paid	-	-	-	-	(4 000)	(4 000)	(4 000)
Other comprehensive income for the period:							
Revaluation reserve – financial assets	-	-	(1 454)	-	(6)	(1 460)	(1 460)
Foreign exchange revaluation reserve	-	-	-	1	-	1	1
Profit for the period	-	-	-	-	3 920	3 920	3 920
Total comprehensive income for the period	-	-	(1 454)	1	3 914	2 461	2 461
Balance as at 30 June 2022	44 493	24	(1 575)	(3 412)	34 069	73 599	73 599
Balance as at 31 December 2022	44 493	24	(2 144)	(3 413)	36 901	75 861	75 861
Dividends paid	-	-	-	-	(5 000)	(5 000)	(5 000)
Other comprehensive income for the period:							
Revaluation reserve – financial assets	-	-	205	-	(10)	195	195
Foreign exchange revaluation reserve	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	7 494	7 494	7 494
Total comprehensive income for the period	-	-	205	-	7 484	7 689	7 689
Balance as at 30 June 2023	44 493	24	(1 939)	(3 413)	39 385	78 550	78 550



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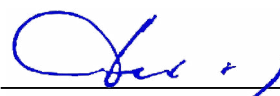
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The Bank's separate interim condensed statement of changes in the shareholders' equity

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 2021	44 493	24	(2 400)	(121)	37 415	79 411
Dividends paid					(4 000)	(4 000)
Other comprehensive income for the period:						
Revaluation reserve – financial assets	-	-	-	(1 454)	-	(1 454)
Profit for the period	-	-	-	-	4 105	4 105
Total comprehensive income for the period	-	-	-	(1 454)	4 105	2 651
Balance at 30 June 2022	44 493	24	(2 400)	(1 575)	37 520	78 062
Balance at 31 December 2022	44 493	24	(2 400)	(2 144)	40 377	80 350
Dividends paid	-	-	-	-	(5 000)	(5 000)
Other comprehensive income for the period:						
Revaluation reserve – financial assets	-	-	-	205	-	205
Profit for the period	-	-	-	-	7 635	7 635
Total comprehensive income for the period	-	-	-	205	7 635	7 840
Balance as at 30 June 2023	44 493	24	(2 400)	(1 939)	43 012	83 190



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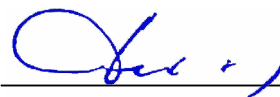
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The Group's consolidated and the Bank's separate interim condensed statement of cash flows

	Note	6m 2023		6m 2022	
		Group EUR'000	Bank EUR'000	Group EUR'000 Unaudited	Bank EUR'000 Unaudited
Cash flow from operating activities					
Profit before corporate income tax		7 772	7 913	3 925	4 110
Amortisation of intangible assets		69	69	94	94
Depreciation of property, equipment and right-of-use assets		622	511	690	540
Revaluation of financial assets		205	205	(1 454)	(1 454)
Interest income		(15 451)	(15 451)	(10 982)	(10 982)
Interest expense		4 236	4 393	2 917	3 082
Impairment of assets		1 098	1 065	(716)	(716)
Decrease in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations		(1 449)	(1 295)	(5 526)	(5 326)
(Increase)/decrease in loans and receivables		(8 701)	(8 668)	32 145	32 146
Decrease/(increase) in investment securities		1 688	1 688	7 956	7 956
Decrease/(increase) in trading financial assets		(11)	(11)	(1 498)	(1 498)
Decrease/(increase) in prepayments and accrued income		348	348	204	205
(Increase)/decrease in other assets		(1 744)	(1 750)	(1 260)	(1 454)
Increase/(decrease) in due to central banks		-	-	(20 050)	(20 050)
Increase/(decrease) in deposits and due to banks		20 235	20 400	(121 543)	(122 333)
Decrease in held-for-trading financial liabilities		2	2	60	60
Interest received		15 124	15 124	10 991	10 991
Interest paid		(3 302)	(3 459)	(3 417)	(3 582)
Increase/(decrease) in other liabilities and current tax liabilities		2 118	2 153	2 041	2 253
Increase/(decrease) in deferred income and accrued expenses		40	46	(157)	(145)
Net cash from operating activities before tax		24 348	24 578	(100 054)	(100 777)
Corporate income tax paid		(278)	(278)	(5)	(5)
Net cash from operating activities		24 070	24 300	(100 059)	(100 782)
Cash flows from investment activities					
Purchase of fixed and intangible assets		(123)	(120)	(39)	(39)
Purchase of investment property		(136)	-	-	-
Sale of investment property		84	-	-	-
Capital decrease in investment in subsidiaries		-	-	-	1 000
Net cash (used in) investing activities		(175)	(120)	(39)	961
Cash flows from financing activities					
Lease liabilities repaid on right-of-use asset		-	(282)	-	(274)
Bonds (repaid)		-	-	(280)	(280)
Bonds issued		-	-	4 855	4 855
Dividends (paid)	22	(5 000)	(5 000)	(4 000)	(4 000)
Net cash (used in) financing activities		(5 000)	(5 282)	575	301
Net changes in cash and cash equivalents		18 895	18 898	(99 523)	(99 520)
Cash and cash equivalents at the beginning of the reporting period		130 703	130 689	301 463	301 445
Cash and cash equivalents at the end of the reporting period	23	149 598	149 587	201 940	201 925



Aleksandrs Peškova
Chairman of the Council



Dmitrijs Latiševs
Chairman of the Board

16 October 2023

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 30.06.2023 %	Holding 31.12.2022 %
SIA BluOr International	M. Pils iela 13, Riga, Latvia,	Real estate development	100	100
SIA CityCap Service	Kr. Valdemara iela 149, Riga, Latvia	Real estate development	100	100
SIA Zapdvina Development	Kr. Valdemara iela 149, Riga, Latvia	Real estate development	100	100
Kamaly Development EOOD	Etiera k-s ½B – 18, Sveti Vlas, Burgas obl., Nesebier 8256, Bulgaria	Real estate development	100	100
UAB Kamaly Development	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
Darziems Entity SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	100	100
Mazirbe Estate SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	100	100
Lielie Zaķi SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	100	100
Pulkarne Entity SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	100	100

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

Investments in associated companies (the Group):

Company	Country of incorporation, address	Line of business	Holding (%)	Holding (%)
			30.06.2023	31.12.2022
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 2022. 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 2022.

(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 2022, except for the adoption of new standards effective as of 1 January 2023. Several amendments and interpretations are effective for the first time in 2023, but do not have a material impact on these interim condensed financial statements. The Bank and the Group has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

4. FINANCIAL INSTRUMENTS FAIR VALUE 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.

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

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.

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 during the reporting period.

The Group and the Bank

30 June 2023	Published price quotations (1)	Valuation techniques based on market observable inputs (2)	Valuation techniques based on unobservable inputs (3)	Total
Financial assets				
<i>Financial assets at fair value through profit or loss:</i>				
Non fixed income securities	-	351	-	351
Derivatives	-	14	-	14
<i>Financial assets at fair value through other comprehensive income</i>				
Fixed income securities	34 209	-	379	34 588
Non fixed income securities and shares	-	19	-	19
	<u>34 209</u>	<u>384</u>	<u>379</u>	<u>34 972</u>
Financial liabilities				
Derivatives	-	2	-	2
	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>
31 December 2022	Published price quotations (1)	Valuation techniques based on market observable inputs (2)	Valuation techniques based on unobservable inputs (3)	Total
Financial assets				
<i>Financial assets at fair value through profit or loss:</i>				
Non fixed income securities	-	320	-	320
Derivatives	-	3	-	3
<i>Financial assets at fair value through other comprehensive income</i>				
Fixed income securities	25 592	-	379	25 971
Non fixed income securities and shares	-	18	-	18
	<u>25 592</u>	<u>341</u>	<u>379</u>	<u>26 312</u>
Financial liabilities				
Derivatives	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 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:

30.06.2023	31.12.2022	(Sold)	Fair value adjustment	30.06.2023
Financial assets at fair value				
	379	-	-	379
Fixed income securities				
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.

30 june 2023	Level 1: EUR'000	Level 2: EUR'000	Level 3: EUR'000	Total fair value EUR'000	Total carrying amount EUR'000
Financial assets					
Cash and demand deposits with central bank	1 091	135 776	-	136 867	136 867
Loans and receivables from banks	-	25 018	-	25 018	25 018
Loans to customers	-	-	314 539	314 539	315 954
Investment securities at amortised cost	114 337	-	6 151	120 488	126 305
Other financial assets	-	-	11 802	11 802	11 802
Financial liabilities					
Balances due to central bank	-	-	-	-	-
Deposits and balances due to financial institutions	-	-	3 487	3 487	3 487
Financial liabilities carried at amortized cost	-	-	603 225	603 225	605 045
Other financial liabilities	-	-	4 825	4 825	4 825
31 December 2022					
Financial assets					
Cash and demand deposits with central bank	652	119 875	-	120 527	120 527
Loans and receivables from banks	-	25 292	-	25 292	25 292
Loans to customers	-	-	307 022	307 022	308 310
Investment securities at amortised cost	122 902	-	6 330	129 232	136 659
Other financial assets	-	-	10 054	10 054	10 054
Financial liabilities					
Balances due to central bank	-	-	-	-	-
Deposits and balances due to financial institutions	-	-	6 623	6 623	6 623
Financial liabilities carried at amortized cost	-	-	582 587	582 587	583 711
Other financial liabilities	-	-	2 954	2 954	2 954

The following table shows the valuation techniques use in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation method	Significant unobservable inputs
Loans and advances due from financial institutions	Discounted cash flows	Discount rates
Loans	Discounted cash flows	Discount rates
Due to financial institutions	Discounted cash flows	Discount rates
Deposits	Discounted cash flows	Discount rates

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

Compared to the situation on 31.12.2022. The Bank's approach and models applied for the ECL calculations have not been changed. As a result of the validation of the collective provisions model, parameters of the Weibull distribution were adjusted and forward-looking information was updated in the ECL calculations as of 30.06.2023.

(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 2023		6m 2022	
	Group EUR'000	Bank EUR'000	Group EUR'000 Unaudited	Bank EUR'000 Unaudited
Interest income				
Interest income from financial assets at amortized cost	15 373	15 373	10 090	10 090
<i>Loans and receivables</i>	12 666	12 666	9 341	9 341
<i>Demand deposits with central bank</i>	1 963	1 963	-	-
<i>Debt instruments</i>	744	744	749	749
Interest income from financial assets measured at fair value through other comprehensive income	46	46	46	46
Other interest income	32	32	846	846
Total interest income	15 451	15 451	10 982	10 982
Interest expense				
Interest expense from liabilities measured at amortized cost:	3 326	3 326	1 299	1 299
Payments to the Deposit Guarantee Fund and other funds	485	485	600	600
Other interest expense	425	582	1 018	1 183
Total interest expense	4 236	4 393	2 917	3 082
Net interest income	11 215	11 058	8 065	7 900

7. NET FEE AND COMMISSION INCOME

	6m 2023		6m 2022	
	Group EUR'000	Bank EUR'000	Group EUR'000 Unaudited	Bank EUR'000 Unaudited
Fee and commission income				
Money transfers	538	538	537	538
Commissions on loans monitoring and service	452	452	252	252
Securities transactions	470	470	569	569
Assets management	109	109	174	174
Client service	3 759	3 759	1 304	1 304
Payment card service	674	674	687	687
Total fee and commission income	6 002	6 002	3 523	3 524
Fee and commission expense				
Money transfers	25	25	41	41
Payment card service	634	634	658	658
Securities transactions	202	202	250	250
Other	8	8	57	57
Total fee and commission expenses	869	869	1 006	1 006
Net fee and commission income	5 133	5 133	2 517	2 518

8. NET PROFIT FROM TRADING AND REVALUATION OF FINANCIAL INSTRUMENTS

	6m 2023		6m 2022	
	Group EUR'000	Bank EUR'000	Group EUR'000 Unaudited	Bank EUR'000 Unaudited
Net profit from trading with financial assets at fair value through profit or loss	(353)	(353)	1 181	1 181
Net profit/(loss) from revaluation of financial assets and liabilities	38	38	(23)	(23)
Net profit from trading and revaluation of financial instruments	(315)	(315)	(1 204)	(1 204)

9. NET FOREIGN EXCHANGE INCOME

	6m 2023		6m 2022	
	Group EUR'000	Bank EUR'000	Group EUR'000 Unaudited	Bank EUR'000 Unaudited
Net profit from foreign exchange transactions	67	67	866	866
Net loss from revaluation of foreign exchange	(58)	(58)	174	174
Net foreign exchange income	9	9	1 040	1 040

10. ADMINISTRATIVE EXPENSES

	6m 2023		6m 2022	
	Group EUR'000	Bank EUR'000	Group EUR'000 Unaudited	Bank EUR'000 Unaudited
Salaries to the members of the Board and Council	313	313	280	280
Staff remuneration	3 566	3 509	3 102	3 048
Compulsory state social security contributions	913	900	797	784
Other staff costs	18	18	19	19
Communications and transport	124	119	117	113
Professional services	200	195	494	488
Rent, public utilities and maintenance	361	325	324	267
Depreciation costs	621	510	690	540
Amortization costs	69	69	94	94
Computer network	241	241	237	237
Advertisement and marketing expenses	154	154	135	135
Other taxes	340	235	281	186
Insurance	45	43	44	42
Other	105	99	46	39
Total administrative expenses	7 070	6 730	6 660	6 272

11. OTHER OPERATING EXPENSES

	6m 2023		6m 2022	
	Group EUR'000	Bank EUR'000	Group EUR'000 Unaudited	Bank EUR'000 Unaudited
Membership fees	142	142	161	161
Fees for real estate management	-	-	1	1
Royalties for the use of a trademark	604	604	597	597
Other	299	301	106	106
Total other operating expenses	1 045	1 047	865	865

12. CORPORATE INCOME TAX

	6m 2023		6m 2022	
	Group EUR'000	Bank EUR'000	Group EUR'000 Unaudited	Bank EUR'000 Unaudited
Corporate income tax for the conditionally distributed profit	(278)	(278)	(5)	(5)
Total corporate income tax	(278)	(278)	(5)	(5)

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

During 2022 and first half of 2023 the Bank mainly distributed profit that relates to periods before 1 January 2018, which was taxed in the respective periods and for which no further corporate income tax is payable upon distribution.

13. CASH AND DEMAND DEPOSITS WITH CENTRAL BANK

	30/06/2023		31/12/2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash	1 091	1 091	652	652
Balance with the Bank of Latvia (including the minimum reserve deposit)	135 776	135 776	119 875	119 875
Total	136 867	136 867	120 527	120 527

14. LOANS AND RECEIVABLES FROM BANKS

	30/06/2023		31/12/2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Demand deposits with credit institutions				
Credit institutions registered in Latvia	-	-	1	1
Credit institutions registered in OECD countries	20 691	20 680	23 967	23 953
Credit institutions of other countries	2 943	2 943	1 338	1 338
Total demand deposits with credit institutions	23 634	23 623	25 306	25 292
Term deposits with credit institutions	1 395	1 395	-	-
Total deposits with credit institutions	25 029	25 018	25 306	25 292

15. INVESTMENT SECURITIES

	30/06/2023		31/12/2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Non- fixed income securities				
SWIFT	18	18	18	18
VISA INC	351	351	320	320
Non-fixed income securities	369	369	338	338
Fixed income securities				
At fair value through other comprehensive income	34 588	34 588	25 971	25 971
At amortised cost	126 305	126 305	136 659	136 659
Fixed income securities	160 893	160 893	162 630	162 630
Investment securities total	161 262	161 262	162 968	162 968

16. LOANS AND RECEIVABLES

(a) Analysis of loans by type

	30/06/2023		31/12/2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Loan portfolio				
Corporate loans	182 851	182 851	150 612	150 612
Industrial loans	5 679	5 679	6 684	6 684
Payment cards loans	882	882	889	889
Mortgage loans	120 169	120 169	141 099	141 099
Finance lease	4 495	4 495	4 609	4 609
Trade finance	2 536	2 536	2 006	2 006
Other loans	2 750	2 750	3 440	3 440
Securities-backed financing	675	675	2 366	2 366
Total loans and receivables	320 037	320 037	311 705	311 705
Impairment allowance	(4 083)	(4 083)	(3 395)	(3 395)
Net loans and receivables	315 954	315 954	308 310	308 310

(b) Geographical segmentation of loans

	30/06/2023		31/12/2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Loans to residents of Latvia	229 801	229 801	242 245	242 245
Loans to residents of OECD countries	41 029	41 029	41 083	41 083
Loans to residents of non-OECD countries	49 207	49 207	28 377	28 377
Total loans and receivables	320 037	320 037	311 705	311 705
Impairment allowance	(4 083)	(4 083)	(3 395)	(3 395)
Net loans and receivables	315 954	315 954	308 310	308 310

(c) Ageing structure of the loan portfolio

Bank 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 2023							
Net carrying amount	315 954	311 282	2 978	14	122	1 558	4 672
Out of which impaired	4 658	-	2 978	-	122	1 558	4 658
As at 31 December 2022							
Net carrying amount	308 310	303 723	2 711	146	-	1 730	4 587
Out of which impaired	2 381	474	42	135	-	1 730	1 907

d) Movements in the impairment allowance

Movements in the loan impairment allowance for the period ended 30 June 2023 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 2023	418	321	2 424	3 163	247 762	45 270	4 763	297 795
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(21)	21	-	-	(9 024)	9 024	-	-
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(65)	(4)	69	-	(3 160)	(493)	3 653	-
to Stage 1 from Stage 2	151	(151)	-	-	18 193	(18 193)	-	-
-remaining credit risk changes	-	-	1 002	1 002	-	-	-	-
New originated or purchased	154	-	-	154	56 649	-	-	56 649
Derecognised	(373)	(40)	(30)	(443)	(35 607)	(14 663)	(334)	(50 604)
Change for the period	(154)	(174)	1 041	713	27 051	(24 325)	3 319	6 045
Write-offs								
FX and other movements	-	-	-	-	-	125	-	125
Closing balance at 30 June 2023	264	147	3 465	3 876	274 813	21 070	8 082	303 965

The amount of new originated or purchased loans represents loans in the portfolio as at 30 June 2023 while the amount of derecognised loans represent loans in the portfolio as at 1 January 2023 and derecognised during 2023.

d) Movements in the impairment allowance

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

Group and Bank, EUR' 000

Corporates

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

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

Group and Bank, EUR' 000

Individuals

	Credit loss allowance				Gross carrying amount of loans			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit- impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit- impaired)	Total
Opening balance at 1 January 2023	61	24	147	232	10 925	2 795	190	13 910
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(14)	14	-	-	(110)	110	-	-
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1)	(13)	14	-	(4)	(17)	21	-
-remaining credit risk changes	-	-	-	-	-	-	-	-
New originated or purchased	10	-	-	10	4 098	-	-	4 098
Derecognised	(9)	(15)	(11)	(35)	(1 816)	(100)	(20)	(1 936)
Change for the period	(14)	(14)	3	25	2 168	(7)	1	2 162
Write-offs								
FX and other movements	-	-	-	-	-	-	-	-
Closing balance at 30 June 2023	47	10	150	207	13 093	2 788	191	16 072

The amount of new originated or purchased loans represents loans in the portfolio as at 30 June 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 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit- impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit- impaired)	Total
Opening balance at 1 January 2022	123	48	86	257	12 179	2 466	141	14 786
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(20)	20	-	-	(67)	67	-	-
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(2)	(20)	22	-	(30)	(50)	80	-
-remaining credit risk changes	(21)	20	50	49	(1 326)	844	(10)	(492)
New originated or purchased	16	-	-	16	1 275	-	-	1 275
Derecognised	(35)	(44)	(11)	(90)	(1 106)	(532)	(21)	(1 659)
Change for the period	(62)	(24)	61	(25)	1 254	329	49	(876)
Write-offs								
FX and other movements	-	-	-	-	-	-	-	-
Closing balance at 31 December 2022	61	24	147	232	10 925	2 788	190	13 910

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

e) Loans and expected credit losses by ECL stages

Group and Bank, EUR' 000	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
30 June 2023				
Gross loans	287 906	23 858	8 273	320 037
(Less) expected credit loss	(311)	(157)	(3 615)	(4 083)
Net loans	287 595	23 701	4 658	315 954

Group and Bank, EUR' 000	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
31 December 2022				
Gross loans	258 686	48 067	4 952	311 705
(Less) expected credit loss	(479)	(345)	(2 571)	(3 395)
Net loans	258 207	47 722	2 381	308 310

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

EUR' 000	30/06/2023		31/12/2022	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Stage 1	287 595	751 817	258 207	619 652
Stage 2	23 701	46 413	47 722	138 767
Stage 3	4 658	8 576	2 381	6 999
Total	315 954	806 806	308 310	765 418

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

	30/06/2023 EUR '000	31/12/2022 EUR '000
Shipping	60 038	41 236
Financial services	1 243	2 242
Wholesale	38 048	43 872
Real Estate	89 548	91 258
Overdrafts	37 931	30 133
Transport and storage	8 492	9 666
Private customers – mortgage loans and consumer loans	10 497	11 228
Manufacture of food products	15 610	15 065
Processing factory	11 327	15 725
Forestry	169	697
Other services	43 051	47 188
Net loans and receivables	315 954	308 310

17. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

(a) Investments in subsidiaries (Bank)

Company	Ownership share	Carrying amount at 30/06/2023 EUR'000	Carrying amount at 31/12/2022 EUR'000
SIA BluOr International	100%	5 709	5 709
<i>Impairment allowance</i>		(2 249)	(2 249)
SIA Zapdvina Development	100%	10 474	10 474
<i>Impairment allowance</i>		(806)	(806)
SIA CityCap Service	100%	565	565
<i>Impairment allowance</i>		(158)	(158)
UAB Kamaly Development	100%	3	3
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 Darzciems Entity	100%	73	73
SIA Mazirbe Estate	100%	92	92
SIA Lielie Zaki	100%	88	88
SIA Pulkarne Entity	100%	199	199
		30 266	30 266

Investments in subsidiaries (Bank)

	30/06/2023 EUR'000	31/12/2022 EUR'000
Investments in subsidiaries	36 533	36 533
Non-reciprocal capital contribution by a parent into subsidiary according to IFRS 10 (AS „Pils pakalpojumi”)	(2 400)	(2 400)
Total	34 133	34 133
Impairment allowance	(3 867)	(3 867)
Investments in subsidiaries net	30 266	30 266

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

Company	Capital contribution	Carrying amount at 30/06/2023 EUR'000 Group	Carrying amount at 31/12/2022 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 CREDIT INSTITUTIONS ON DEMAND

	30/06/2023		31/12/2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Credit institutions registered in Latvia	3 477	3 477	6 586	6 586
Credit institutions registered in non-OECD countries	10	10	10	10
Credit institutions registered in OECD countries	-	-	27	27
Total due to credit institutions on demand	3 487	3 487	6 623	6 623

19. FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST: DEPOSITS

	30/06/2023		31/12/2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Current accounts:				
Financial institutions	106 048	106 048	91 059	91 059
Corporate entities	165 550	167 731	178 910	180 926
Individuals	48 601	48 601	57 229	57 229
	320 199	322 380	327 198	329 214
Term deposits:				
Subordinated liabilities	2 527	2 527	1 984	1 984
Other financial institutions	59 860	59 860	55 397	55 397
Corporate entities	4 738	4 738	1 661	1 661
Individuals	209 481	209 481	189 451	189 451
	276 606	276 606	248 493	248 493
Total deposits	596 805	598 986	575 691	577 707

Geographical segmentation of the deposits

	30/06/2023		31/12/2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Deposits of residents registered in Latvia	200 590	202 771	172 031	174 047
Deposits of residents registered in OECD countries	345 041	345 041	356 697	356 697
Deposits of residents registered in other countries (non-OECD)	51 174	51 174	46 963	46 963
Total deposits	596 805	598 986	575 691	577 707

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

	30/06/2023		31/12/2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Additional Tier 1 debt securities	1 177	1 177	1 177	1 177
Issued subordinated bonds (listed on the stock exchange)	4 882	4 882	4 882	4 882
Total	6 059	6 059	6 059	6 059

21. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Group and Bank	30/06/2023 EUR'000		31/12/2022 EUR'000	
	Carrying amount	Nominal value	Carrying amount	Nominal value
Assets				
Forward contracts	14	7 403	3	5 960
Total derivative financial assets	14	7 403	3	5 960
Liabilities				
Forward contracts	2	5 117	-	-
Total derivative liabilities	2	5 117	-	-

22. SHARE CAPITAL AND RESERVES

As of 30 June 2023, the authorized share capital comprised 31 781 081 ordinary shares. Nominal value of one share is EUR 1.40. The structure of shareholders holding ordinary shares did not change. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at the shareholders' meetings. All shares rank equally with regard to the Bank's residual assets.

Dividends

During 2023, 5 million EUR dividends were distributed, 0.16 EUR per share.

23. CASH AND CASH EQUIVALENTS

	30/06/2023		31/12/2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash and balances due from central banks	136 867	136 867	120 527	120 527
Due from credit institutions on demand and within 3 months	16 218	16 207	16 799	16 785
Due to credit institutions on demand and within 3 months	(3 487)	(3 487)	(6 623)	(6 623)
Total cash and cash equivalents	149 598	149 587	130 703	130 689

24. 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.

	30/06/2023		31/12/2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Unused loan facilities	55 497	55 497	55 821	55 824
Unused credit card facilities	812	815	936	936
Guarantees and other	3 196	3 196	2 367	2 367
	59 505	59 508	59 124	59 127
<i>Provisions</i>	<i>(523)</i>	<i>(523)</i>	<i>(129)</i>	<i>(130)</i>

25. LITIGATION

In the Klaipėda District Court, Lithuania, legal proceeding is underway, as a result of which it will be decided whether UAB Dognus has a right of action at all and whether it will be able to exist at all (the first court hearing is scheduled for 17.11.2023). In the worst case scenario (if the claim of UAB Dognus will be heard by the court), the Bank could not suffer losses in any case, because the type of claim submitted by UAB Dognus (actio pauliana) provides for restitution, i.e. restoration of the previous status of all involved persons. In this case, this would mean not only the Bank's obligation to repay the loan repayment payments received, but also the Bank's return to the status of a secured creditor. Considering that the original collateral (goods) no longer exists, the Bank's claims would be secured by the court's decision with the Bank's own refunded funds. In general, the claim of UAB Dognus is still assessed as insufficiently substantiated from the legal point of view, and the worst case scenario (i.e. a court decision on restitution) is also assessed as unlikely.

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

26. ASSETS UNDER MANAGEMENT

Assets under management	30/06/2023		31/12/2022	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Due from credit institutions registered in Latvia	601	601	1 191	1 191
Loans to customers	165	165	165	165
Non fixed income securities	16 072	16 072	16 228	16 228
Fixed income securities	3 045	3 045	1 382	1 382
Other assets	-	-	1	1
Total assets under management	19 883	19 883	18 967	18 967

The largest share of assets under management were invested in non-fixed income securities and due from credit institutions registered in Latvia.

27. CAPITAL ADEQUACY CALCULATION (BANK)

	30/06/2023 EUR '000	31/12/2022 EUR '000
Equity	82 894	82 785
Total Tier 1	76 021	76 424
Tier 1	74 921	75 324
Share capital	44 493	44 493
Statutory reserves	24	24
Retained earnings for the previous periods	35 377	29 915
Profit for the reporting period	-	10 462
Dividends proposed	-	(5 000)
Changes on application of IFRS 9	-	554
Revaluation reserves	(4 339)	(4 545)
Intangible assets	(228)	(256)
Other deductions	(36)	(26)
Insufficient coverage for non-performing exposures	(6)	-
Reduction of Tier 1 capital (Pillar 2 adjustments)	(364)	(297)
Additional Tier 1	1 100	1 100
Tier 2 capital	6 873	6 361
Subordinate debt	6 873	6 361
Risk-weighted value		
Banking portfolio	436 995	409 723
Operating risk	45 554	45 554
Total risk exposure amount loan adjustment	46	16
Total risk weighted assets	482 595	455 293
Total capital as a percentage of risk weighted assets (total capital ratio)	17.18%	18.18%
Total tier 1 capital expressed as a percentage of risk-weighted assets ("tier 1 capital ratio")	15.75%	16.79%

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

As at 30 June 2023, the Bank's capital adequacy ratio was 17.18% (2022: 18.18%) which corresponds to the requirements set in the Basel Capital Accord and the regulations of the FCMC of Latvia.

Under the capital requirements introduced by Regulation (EU) No 575/2013 of the European Parliament and of the Council and the FCMC banks need to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level.

Although the minimum required level as at 30 June 2023 was 8%, according to a special request by the LB the Bank was required to ensure a higher capital adequacy of 11.60% during the period from 1 January 2023. In addition to the above capital requirement for the overall risk coverage, the Bank is required to maintain compliance with the total capital reserve requirement calculated in accordance with Section 35²², 35²³, 35²⁴ or 35²⁵ of the Credit Institution Law -2.86% (Capital conservation buffer – 2.50%, institution-specific countercyclical capital buffer – 0.11% (as at 30.06.2023), other capital buffer - 0.25% (as at 30.06.2023). The requirements of the total capital reserve should be met using Tier 1 capital.

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

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

28. 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 2023			6m 2022		
	Corporate EUR'000	Other EUR'000	Total EUR'000	Corporate EUR'000	Other EUR'000	Total EUR'000
Net interest and similar income	11 215	-	11 215	8 065	-	8 065
Net fee and commission income	5 133	-	5 133	2 517	-	2 517
Net other finance income	(306)	-	(306)	(164)	-	(164)
Other operating income	907	36	943	280	36	316
Total operating income	16 949	36	16 985	10 698	36	10 734
Total operating expense	(8 064)	(51)	(8 115)	(7 493)	(32)	(7 525)
Credit loss allowance	(1 098)	-	(1 098)	716	-	716
Profit before tax	7 787	(15)	7 772	3 921	4	3 925

	6m 2023			6m 2022		
	Corporate EUR'000	Other EUR'000	Total EUR'000	Corporate EUR'000	Other EUR'000	Total EUR'000
Fee and commission income						
Money transfers	538	-	538	537	-	537
Commissions on loans monitoring and service	452	-	452	252	-	252
Securities transactions	470	-	470	569	-	569
Assets management	109	-	109	174	-	174
Client service	3 759	-	3 759	1 304	-	1 304
Payment card service	674	-	674	687	-	687
Total net fee and commission income	6 002	-	6 002	3 523	-	3 523
			30/06/2023			31/12/2022
Total assets	690 595	827	691 422	667 713	827	668 540
Total liabilities	(612 872)	-	(612 872)	(592 679)	-	(592 679)

29. EVENTS AFTER THE REPORTING PERIOD

The Ministry of Finance of the Republic of Latvia is working on an amendments to the Corporate Income Tax Law, which, among other things, provides for amendments to the procedure for calculating and paying corporate income tax applicable to credit institutions. The changes have not entered into force as of the date of this financial statements, nor it is currently possible to assess the possible impact of these amendments on the financial results of the Bank and the Group in 2023.

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



Independent Auditor's Report on Review of Condensed Separate and Consolidated Interim Financial Statements

To the Shareholder of AS BluOr Bank:

Introduction

We have reviewed the accompanying condensed separate and consolidated interim statement of financial position of AS BluOr Bank (the "Bank") and its subsidiaries (together – the "Group") as at 30 June 2023 and the related condensed separate and consolidated interim income statement, statement of other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these condensed separate and consolidated interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these condensed separate and consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed separate and consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed separate and consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejiņa
Member of the Board
Certified auditor in charge
Certificate No. 168

A handwritten signature in blue ink, appearing to read 'Ilandra Lejiņa', is placed to the right of the printed name and title.

Rīga, Latvia
16 October 2023

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