



BlueOrange



AS BLUEORANGE BANK
I Quarter
2021 Interim Report

(translated from Latvian)

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Background

AS BlueOrange Bank (hereinafter referred to as BlueOrange Bank or the Bank) is a credit institution registered on 22 June 2001, registration No. 40003551060, and regulated by the Financial and Capital Market Commission (Kungu iela 1, Rīga, LV-1050, Latvia).

The registered office of the Bank is at Smilšu iela 6, Rīga, LV-1050, Latvia.

BlueOrange Bank operates in accordance with the applicable legislation of the Republic of Latvia and a license issued by the Financial and Capital Market Commission.

The Bank's shareholders are legal and natural persons of Latvia. The Bank was founded in Latvia, and is also an international European financial institution. BlueOrange Bank provides financial services to individuals and legal entities in Latvia, the Baltic States and European countries.

The Bank's financial statements for the twelve-months of the year 2020 are prepared in accordance with the International Financial Reporting Standards approved by the European Union, based on the principle of a going concern. The Group's financial statements for the twelve months of the year 2019 are prepared in accordance with the laws and regulations of the Republic of Latvia. The financial reports were audited by PricewaterhouseCoopers SIA, registration No. 40003142793, legal address: Kr. Valdemāra iela 21-21, Rīga, LV-1010, Latvia.

The Quarterly Report is prepared in accordance with the Financial and Capital Market regulations from 01 December 2020 No. 231 Regulations for the Preparation of Public Quarterly Reports for Credit Institutions and, and the goal of the Quarterly Report is to provide information on the Bank's financial position and operating results.

Amounts in financial statements are indicated in thousands of euros (EUR '000), unless specified otherwise.

Share capital of the Bank

The shareholder of BlueOrange Bank is joint stock company "BBG", holding 100% of the Bank's voting shares.

The share capital of BlueOrange Bank is EUR 39,493,514.20.

The Bank's share capital is composed of 28,209,653 shares.

The nominal value per share is EUR 1.4.

The Council

31 March 2021

Name and surname	Position	Effective date of appointment
Aleksandrs Peškovs	Chairman of the Council	22.06.2001
Sergejs Peškovs	Member of the Council	22.06.2001
	Deputy Chairman of the Council	25.07.2002
Andrejs Kočetskvs	Member of the Council	22.06.2001

The Board

31 March 2021

Name and surname	Position	Effective date of appointment
Dmitrijs Latiševs	Member of the Board	01.07.2002
	Deputy Chairman of the Board	25.04.2003
	Chairman of the Board	27.04.2011
Inga Preimane	Member of the Board	11.01.2016
Igors Petrovs	Member of the Board	31.05.2018
Dmitrijs Feldmans	Member of the Board	13.06.2019
Vadims Morozs	Member of the Board	12.08.2019

Information on management measures

1.1. Number of the posts of executives held by members of the management body – 5 (five).

1.2. The Bank has established an internal procedure for the selection of executives, providing for the assessment of their knowledge, experience, competence, skills and compliance prior to the evaluation of the candidate by the Council or at the shareholder meeting. The assessment of their suitability is carried out in accordance with the regulation of the Financial and Capital Market Commission (hereinafter — FCMC) No 94 “Regulation on the Assessment of the Suitability of the Executive and Supervisory Board Members and Key Function Holders”.

1.3. The assessment of executives is carried out based on at least the following criteria:

1.3.1. Reputation, integrity and compliance with the corporate values and standards of professional behaviour and ethics applicable in the institution;

1.3.2. Criteria for academic and professional experience (including knowledge, skills and experience in the area of credit institution operations and the related risks, financial markets, strategic planning, and knowledge in the assessment of the effectiveness of the performance of a financial institution, the establishment of supervision and control considering the specifics of the specifics of respective duties and roles);

1.3.3. Management criteria, etc.

1.4. To facilitate exercising of independent opinions and critical problem assessment, the Bank aims at ensuring adequate diversity of the executives (in particular, in terms of gender, age, geographical origin, education, and professional experience).

1.5. The Bank has not set up a separate risk management committee; these functions are carried out by the Council in its full composition in accordance with the FCMC regulation No 227 “Regulation on Establishment of the Internal Control System”.

1.6. The Bank has introduced an information-flow system for ensuring adequate risk management by appointing responsible departments and employees for timely reporting on risks to the relevant committees, the Board or the Council of the Bank.

Strategy and mission

BlueOrange is a modern technological bank founded in Latvia in 2001, and it provides financial, lending and investment services for private clients and corporate companies. The Bank provides significant share of financial support to small and medium-sized enterprises in Latvia. BlueOrange ranks among the 6 largest banks in Latvia. The Bank provides its services in Latvia, the Baltic States and European countries.

As a priority, the Bank develops lines of business that help to improve its current business module and core competencies, allowing it to leverage its strengths on highly competitive markets while taking on acceptable levels of risk.

The long-term business priorities of BlueOrange Bank are following: corporate customer service, financing of small and medium-sized enterprises in Latvia, as well as providing financial services to individuals.

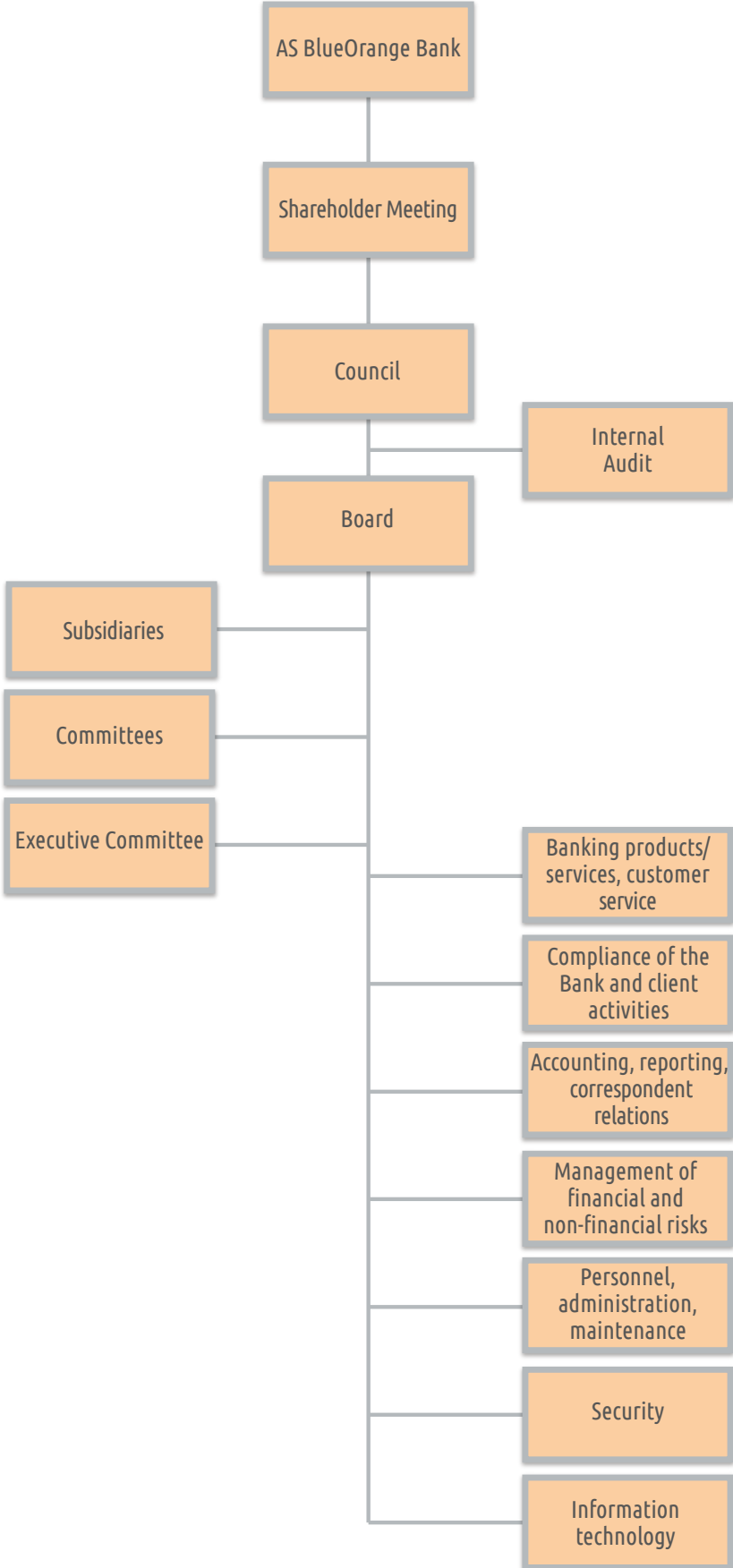
The target client base of the Bank is aligned to its key development goals:

- ✓ Private individuals and entrepreneurs requiring financial;
- ✓ Companies engaged in international trade, transport, logistics, manufacturing, agriculture and industry;
- ✓ Small and medium-sized entities.

In realizing its activities, the Bank follows a customer-oriented approach, by providing fast, efficient and safe financial solutions and at the same time creating sustainable relationship.

The Bank is steadily developing by increasing the customer service levels, developing technological products and following the innovations in the financial sector.

Structure of the Bank



Consolidated group companies

No.	Name of a commercial entity	Registration No.	Registration location code	Registration address	Type of activities*	Interest in share capital / voting shares of the commercial entity (%)	Basis for inclusion in the group**
1.	"BBG" AS	40003234829	LV	Smilšu iela 6, Rīga, LV-1050, Latvija	JFPS		MT
2.	Thormano Limited	HE 416193	CY	Tenarou, 4a, Agios Dometios, 2360, Nicosia, Cyprus.	PLS	100%	MTM
3.	AS BlueOrange Bank	40003551060	LV	Smilšu iela 6, Rīga, LV-1050, Latvija	BNK	100%	MTM
4.	SIA "BlueOrange International"	40003444941	LV	Smilšu iela 6, Rīga, LV-1050, Latvija	PLS	100%	MS
5.	SIA „CityCap Service“	40003816087	LV	Kr. Valdemara 149, Rīga, LV-1013, Latvija	PLS	100%	MS
6.	SIA „ZapDvina Development“	40003716809	LV	Kr. Valdemara 149, Rīga, LV-1013, Latvija	PLS	100%	MS
7.	Kamaly Development EOOD	№ 147093418	BG	Etiera k-s ½B – 18, Sveti Vlas, Burgas obl., Nesebier 8256, Bulgaria	PLS	100%	MMS
8.	Darziems Entity SIA	40103492740	LV	Kr. Valdemāra 149-405, Rīga, LV-1013, Latvija	PLS	100%	MS
9.	Mazirbe Estate SIA	40103492721	LV	Kr. Valdemāra 149-405, Rīga, LV-1013, Latvija	PLS	100%	MS
10.	Lielie Zaķi SIA	40103493765	LV	Kr. Valdemāra 149-405, Rīga, LV-1013, Latvija	PLS	100%	MS
11.	Pulkarne Entity SIA	40103481018	LV	Kr. Valdemāra 149-405, Rīga, LV-1013, Latvija	PLS	100%	MS
12.	Pils Pakalpojumi AS	40103170308	LV	Smilšu iela 6, Rīga LV-1050, Latvija	PLS	100%	MS
13.	Foxtran Management Ltd.	№ 113,276	BZ	Suite 102, Ground Floor, Blake Building, Corner Eyre & Huston Streets, Belize City, Belize	PLS	100%	MMS
14.	Kamaly Development UAB	№300558022	LT	Klaipėdos m. sav. Klaipėdos m., Karklu g. 12, Lithuania	PLS	100%	MS
15.	Jēkaba 2 SIA	№ 40103293621	LV	Jēkaba 2, Rīga, LV-1050, Latvija.	PLS	100%	MS

* BNK – credit institution, ENI – electronic money institution, IBS – investment broker company, IPS – investment management company, PFO – pension fund, LIZ – leasing company, CFI – other financial institution, PLS – auxiliary service company, FPS – financial holding company, JFPS – mixed financial holding company.

** MS – subsidiary company; MMS – subsidiary of the subsidiary company; MT – parent company, MTM – subsidiary of the parent company, CT – other entity.

Risk management

BlueOrange Bank pays particular attention to the identification and management of risks in its activities. The Bank considers the following risks as significant to its activities:

- ✓ Credit risk, including Concentration risk and Country risk;
- ✓ Market risk (securities price risk, interest rate risk for non-trading portfolio, foreign currency risk);
- ✓ Liquidity risk;
- ✓ Operational risk;
- ✓ Compliance risk, including Money Laundering and Terrorism and Proliferation Financing risk and Sanction risk;
- ✓ Reputation, Strategical and Business risk.

The Bank's principles of risk management are established in its risk management strategies and policies, approved and supervised by the Board of the Bank. Risk management strategies and policies identify the qualitative and quantitative criteria for identification of risks related with the activities of the Bank, as well as the elements of risk management and control, including the procedure for decision making with respect of risk exposures, limits and other risk mitigation and minimization measures, as well as the responsibilities of respective structural units for ensuring control over exposures. The Bank's Board is responsible for the establishment, implementation, management and improvement of internal control in implementing the risk management strategies and policies set by the Bank's Council.

The Bank has designated the responsible employee for risk management — the Chief Risk Officer, who is responsible for performing the risk control function at the institution, monitoring of risk management system and coordinating activities all the Bank's structural units that are involved in risk management. The implementation of strategies and policies is controlled by the Bank's internal control structures:

- ✓ Internal Audit Department;
- ✓ Financial Analysis and Financial Risks Management Department;
- ✓ Operational Risk Management Department;
- ✓ Client Activity Compliance Department;
- ✓ Compliance Department.

No significant changes in management of risks of BlueOrange Bank were observed during the reporting period. Information on risk management is available in the [Bank's Annual Reports](#) and the [Capital Adequacy Assessment Report](#) on the Bank's website.

Statement of profit and loss and other comprehensive income

EUR'000

No.	Item	Credit institution in the reporting period 31.03.2021 Non-audited	Consolidated group in the reporting period 31.03.2021 Non-audited	Credit institution in the corresponding period of the previous reporting year 31.03.2020 Non-audited	Consolidated group in the corresponding period of the previous reporting year 31.03.2020 Non-audited
1	Interest income	5 565	5 572	4 422	4 419
2	Interest expenses (-)	-1 971	-1 903	-2 193	-2 108
3	Dividend income	59	59	76	76
4	Fee and commission income	1 286	1 284	1 878	1 878
5	Fee and commission expenses (-)	-420	-420	-506	-506
6	Net profit/loss from derecognition of financial assets and financial liabilities not measured at fair value through profit or loss (+/-)	74	-16	0	0
7	Net profit/loss from financial assets and financial liabilities measured at fair value through profit or loss (+/-)	1 533	1 623	430	430
8	Net profit/loss from risk mitigation accounting (+/-)	0	0	0	
9	Net profit/loss from difference in foreign currency rates (+/-)	-207	-208	9	9
10	Net profit/loss from derecognition of non-financial assets (+/-)	0		0	
11	Other income	152	176	157	187
12	Other expenses (-)	-468	-512	-394	-399
13	Administrative expenses (-)	-2 852	-2 998	-2 799	-2 967
14	Depreciation (-)	-368	-444	-381	-456
15	Profit or loss recognised as the result of changes to contractual cash flows of the financial asset (+/-)	0		0	
16	Provisions or reversal of provisions (-/+)	43	43	-6	-7
17	Impairment or reversal of impairment (-/+)	-1 395	-1 338	-552	-315
18	Negative goodwill recognised in profit or loss	0	0	0	
19	Profit/loss from investment in subsidiaries, associate and joint ventures, recognised using the equity method (+/-)	0	0	0	
20	Profit/loss from non-current assets and disposal groups classified as held for sale (+/-)	-24	-24	0	
21	Profit/loss before corporate income tax (+/-)	1 007	894	141	241
22	Corporate income tax	-1	-1	0	0
23	Profit/loss for reporting period (+/-)	1 006	893	141	241
24	Other comprehensive income for reporting period (+/-)*	-554	-552	-846	-936

* Reflects changes in fair value of securities (fair value revaluation reserve).

Balance overview

EUR'000

No.	Item	Credit institution in the reporting period 31.03.2021 Non-audited	Consolidated group in the reporting period 31.03.2021 Non-audited	Credit institution in the previous reporting year 31.12.2020 Audited	Consolidated group in the previous reporting year 31.12.2020 Non-audited
1	Cash and on-demand claims on central banks	211 281	211 281	113 003	113 003
2	On-demand claims on credit institutions	27 066	27 085	24 528	24 560
3	Financial assets measured at fair value through profit or loss	4 105	4 105	3 412	3 412
3.1.	Incl. loans	0	0	0	0
4	Financial assets measured at fair value through other comprehensive income	43 977	40 911	59 523	56 388
5	Financial assets measured at amortised cost	466 387	476 218	467 750	477 715
5.1.	Incl. loans	316 006	330 717	303 190	318 145
6	Derivatives – hedge accounting	0	0	0	0
7	Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
8	Investment in subsidiaries, associate and joint ventures	31 153	827	31 099	827
9	Tangible assets	16 566	28 036	16 853	28 398
10	Intangible assets	486	487	550	551
11	Tax assets	7	11	4	8
12	Other assets	10 343	10 378	9 113	9 143
13	Non-current assets and disposal groups classified as held for sale	0	0	278	278
14	Total assets (1+....+13)	811 371	799 339	726 113	714 283
15	Liabilities to central banks	82 509	82 509	74 900	74 900
16	Liabilities on-demand to credit institutions	13 985	13 985	8 681	8 681
17	Financial liabilities measured at fair value through profit or loss	9	9	80	80
17.1.	Incl. deposits	0	0	0	0
18	Financial liabilities measured at amortised cost	628 523	626 809	558 590	557 076
18.1.	Incl. deposits	617 038	615 325	547 272	544 701
19	Derivatives – hedge accounting	0	0	0	0
20	Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	0
21	Provisions	154	153	197	196
22	Tax liabilities	0	0	0	0
23	Other liabilities	15 501	4 134	13 428	1 929
24	Liabilities in disposal groups classified as held for sale	0	0	0	0
25	Total liabilities (15+...+24)	740 681	727 599	655 876	642 862
26	Capital and reserves	70 690	71 740	70 237	71 421
27	Total capital and reserves and liabilities (25+26)	811 371	799 339	726 113	714 283
28	Off-balance items	72 809	72 743	73 774	73 768
29	Potential liabilities	2 106	2 106	1 442	1 442
30	Off-balance liabilities to clients	70 703	70 637	72 332	72 326

I. Equity and capital adequacy calculation overview

EUR'000

No.	Item	At an individual level in the reporting period	At a consolidated group or sub-consolidated level in the reporting period
1	Equity (1.1.+1.2.)	73 279	73 649
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	70 557	70 927
1.1.1.	Common Equity Tier 1	70 157	70 527
1.1.2.	Additional Tier 1	400	400
1.2.	Tier 2 capital	2 722	2 722
2.	Total risk exposure amount	480 658	469 929
2.1.	Risk-weighted exposure amount for credit risk, counterparty credit risk, dilution risk and free deliveries	427 836	415 686
2.2.	Total risk exposure amount for settlement/delivery risks	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodity risks	7 823	7 823
2.4.	Total risk exposure amount for operational risks	44 938	46 359
2.5.	Total risk exposure amount for credit valuation adjustment	61	61
2.6.	Total risk exposure amount related to large exposures in the trading portfolio	-	-
2.7.	Other risk exposure amounts	-	-
3.	Capital ratios and capital tiers		
3.1.	Common Equity Tier 1 capital ratio (1.1.1./2.*100)	14.60%	15.01%
3.2.	Common Equity Tier 1 surplus (+)/ deficit (-) (1.1.1.-2.*4.5%)	48 528	49 380
3.3.	Tier 1 capital ratio (1.1./2.*100)	14.68%	15.09%
3.4.	Tier 1 capital surplus (+)/ deficit (-) (1.1.-2.*6%)	41 718	42 731
3.5.	Total capital ratio (1./2.*100)	15.25%	15.67%
3.6.	Total capital surplus (+)/ deficit (-) (1.-2.*8%)	34 826	36 054
4.	Total capital reserve requirement (4.1.+4.2.+4.3.+4.4.+4.5.+4.6.)	12 064	11 795
4.1.	Capital preservation reserve	12 016	11 748
4.2.	Preservation reserve due to macro-prudential or systemic risk identified at the level of a member state	-	-
4.3.	Institution-specific countercyclical capital reserve	48	47
4.4.	Systemic risk capital reserve	-	-
4.5.	Other systemically important institution's capital reserve	-	-
5.	Capital ratios with adjustments		
5.1.	Asset value adjustment amount applied for prudential purposes	-	-
5.2.	Common Equity Tier 1 capital ratio with an adjustment amount specified in row 5.1.	14.60%	15.01%
5.3.	Tier 1 capital ratio with an adjustment amount specified in row 5.1.	14.68%	15.09%
5.4.	Total capital ratio with an adjustment amount specified in row 5.1.	15.25%	15.67%

II. Information on equity and capital adequacy indicators if the credit institution applies the transitional period for mitigating the impact of IFRS 9 on own funds

EUR'000

No.	Item	At an individual level in the reporting period	At a consolidated group or sub-consolidated level in the reporting period
1.A	Equity as if IFRS 9 transitional arrangements were not applied	72 016	72 491
1.1.A	Tier 1 capital as if IFRS 9 transitional arrangements were not applied	69 294	69 770
1.1.1.A	Common Equity Tier 1 as if IFRS 9 transitional arrangements were not applied	68 894	69 370
2.A	Total risk exposure amount as if IFRS 9 transitional arrangements were not applied	479 344	468 698
3.1.A	Common Equity Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	14.37%	14.80%
3.3.A	Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	14.46%	14.89%
3.5.A	Total capital ratio as if IFRS 9 transitional arrangements were not applied	15.02%	15.47%

III. Information on the equity and capital adequacy ratios where a credit institution applies a temporary regime for the treatment of unrealized profits or losses on financial assets measured at fair value presented with other comprehensive income in accordance with Article 468 of Regulation No 575/2013

The Bank chooses not to apply the temporary regime provided for in Article 468 of the Regulation (EU) No 575/2013.

Profit for the year 2020 is not included in the Group's Common Equity Tier 1 capital, since it will only be included after the finalisation of the annual audit.

Liquidity coverage ratio

EUR'000

No.	Item	At an individual level in the reporting period	At a consolidated group or sub-consolidated level in the reporting period
1	Liquidity reserve	267 331	267 331
2	Net cash outflows	183 080	182 311
3	Liquidity coverage ratio (%)	146%	147%

Expected credit losses for financial instruments

EUR'000

	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at fair value through other comprehensive income	110			110
Financial assets measured at amortised cost	829	1 094	2 057	3 980
Potential liabilities	22			22
Off-balance liabilities to clients	119	4	9	132
Total	1 080	1 098	2 066	4 244

Performance indicators of the credit institution

Item	Credit institution in the reporting period 31.03.2021	Consolidated group in the reporting period 31.03.2021	Credit institution in the corresponding period of the previous reporting year 31.03.2020	Consolidated group in the corresponding period of the previous reporting year 31.03.2020
Return on equity (ROE) (%)	5.60%	5.00%	0.90%	1.40%
Return on assets (ROA) (%)	0.50%	0.50%	0.10%	0.20%

Security investments

EUR'000

Issuer's country*	Value	Coupon	Provisions	Sum	Market value of financial instruments measured at amortised cost, without a coupon
Latvia	33 331.00	815.00	-190.00	33 956.00	16 609.00
<i>incl. central governments</i>	<i>21 052.00</i>	<i>520.00</i>	<i>-3.00</i>	<i>21 569.00</i>	<i>7 414.00</i>
Lithuania	77 491.00	105.00	-26.00	77 570.00	60 290.00
<i>incl. central governments</i>	<i>74 574.00</i>	<i>77.00</i>	<i>-19.00</i>	<i>74 632.00</i>	<i>57 251.00</i>
Spain	12 034.00	43.00	-8.00	12 069.00	12 078.00
<i>incl. central governments</i>	<i>10 021.00</i>	<i>18.00</i>	<i>-7.00</i>	<i>10 032.00</i>	<i>10 041.00</i>
Germany	11 235.00	80.00	0.00	11 315.00	0.00
<i>incl. central governments</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Norway	10 159.00	6.00	-3.00	10 162.00	10 278.00
<i>incl. central governments</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Portugal	10 109.00	274.00	-12.00	10 371.00	10 128.00
<i>incl. central governments</i>	<i>10 109.00</i>	<i>274.00</i>	<i>-12.00</i>	<i>10 371.00</i>	<i>10 128.00</i>
Belgium	9 084.00	9.00	0.00	9 093.00	5 058.00
<i>incl. central governments</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Other countries	62 545.00	706.00	-359.00	62 892.00	51 179.00
<i>incl. central governments</i>	<i>10 284.00</i>	<i>94.00</i>	<i>-51.00</i>	<i>10 327.00</i>	<i>8 442.00</i>
TOTAL	225 988.00	2 038.00	-598.00	227 428.00	165 620.00

* Investments in securities by country (exceeding 10% of equity).



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