

The logo for BlueOrange, featuring the word "Blue" in a white sans-serif font and "Orange" in a white sans-serif font with a blue outline, set against a blue background with a faint bar chart and grid lines.

BlueOrange

AS BLUEORANGE BANK

III Quarter 2020 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 2019 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 Commission Regulations No. 145 from 15 September 2006 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 as of 30 September 2020

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 Kočetkovs	Member of the Council	22.06.2001

The Board as of 30 September 2020

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

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.

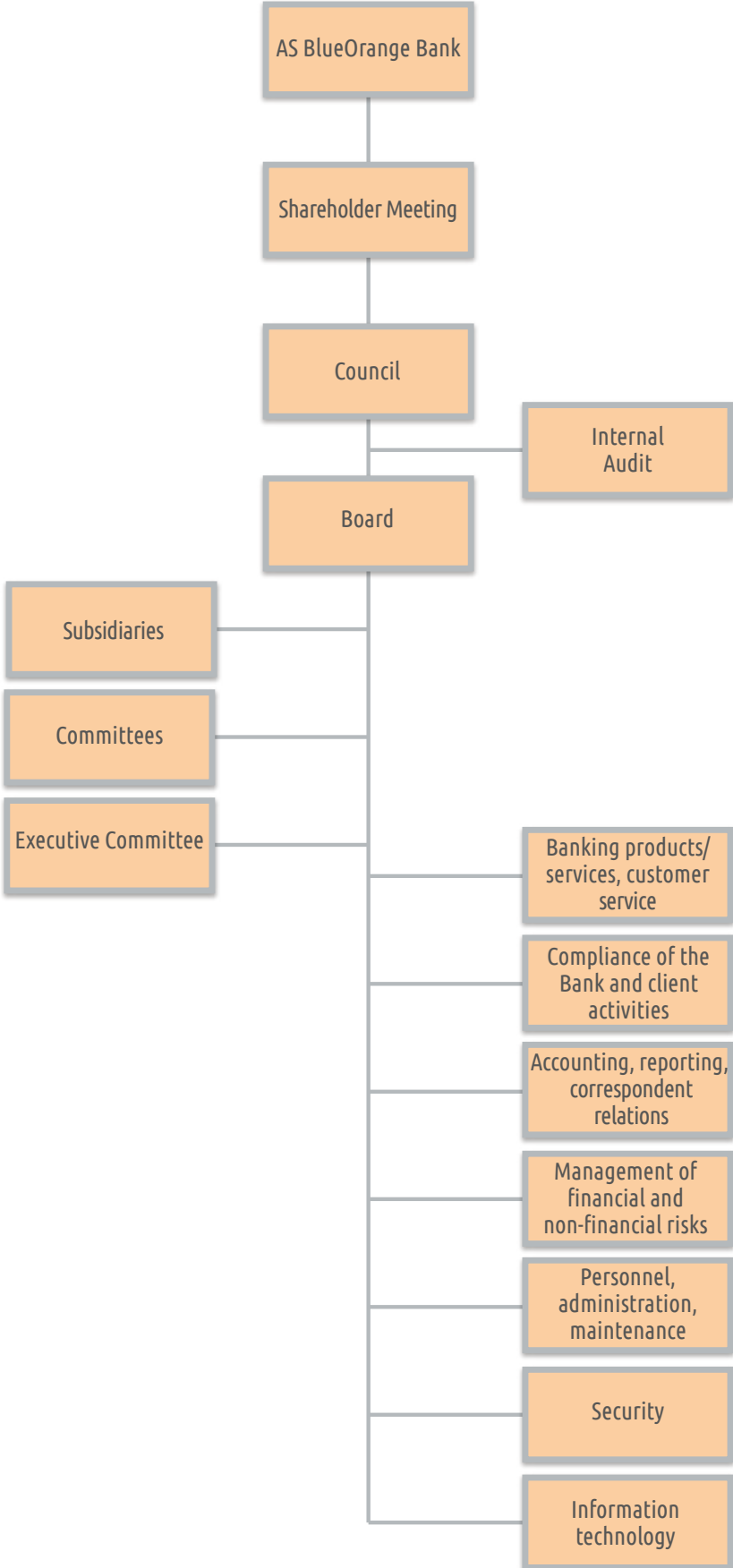
The target client base of the Bank is aligned to its key development goals:

- ✓ 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	FPS		MT
2.	AS BlueOrange Bank	40003551060	LV	Smilšu iela 6, Rīga, LV-1050, Latvija	BNK	100%	MTM
3.	SIA "BlueOrange International"	40003444941	LV	Smilšu iela 6, Rīga, LV-1050, Latvija	PLS	100%	MS
4.	SIA „CityCap Service”	40003816087	LV	Kr. Valdemara 149, Rīga, LV-1013, Latvija	PLS	100%	MS
5.	SIA „ZapDvina Development”	40003716809	LV	Kr. Valdemara 149, Rīga, LV-1013, Latvija	PLS	100%	MS
6.	Kamaly Development EOOD	№ 147093418	BG	Etiera k-s ½B – 18, Sveti Vlas, Burgas obl., Nesebier 8256, Bulgaria	PLS	100%	MMS
7.	Darziems Entity SIA	40103492740	LV	Kr. Valdemāra 149-405, Rīga, LV-1013, Latvija	PLS	100%	MS
8.	Mazirbe Estate SIA	40103492721	LV	Kr. Valdemāra 149-405, Rīga, LV-1013, Latvija	PLS	100%	MS
9.	Lielie Zaķi SIA	40103493765	LV	Kr. Valdemāra 149-405, Rīga, LV-1013, Latvija	PLS	100%	MS
10.	Pulkarne Entity SIA	40103481018	LV	Kr. Valdemāra 149-405, Rīga, LV-1013, Latvija	PLS	100%	MS
11.	Pils Pakalpojumi AS	40103170308	LV	Smilšu iela 6, Rīga LV-1050, Latvija	PLS	100%	MS
12.	Foxtran Management Ltd.	№ 113,276	BZ	Suite 102, Ground Floor, Blake Building, Corner Eyre & Huston Streets, Belize City, Belize	PLS	100%	MMS
13.	Kamaly Development UAB	№300558022	LT	Klaipėdos m. sav. Klaipėdos m., Karklu g. 12, Lithuania	PLS	100%	MS
14.	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 30.09.2020 Non-audited	Consolidated group in the reporting period 30.09.2020 Non-audited	Credit institution in the corresponding period of the previous reporting year 30.09.2019 Non-audited	Consolidated group in the corresponding period of the previous reporting year 30.09.2019 Non-audited
1	Interest income	14 460	14 415	11 800	11 905
2	Interest expenses (-)	-6 413	-6 156	-5 619	-5 496
3	Dividend income	206	206	186	186
4	Fee and commission income	4 819	4 814	8 952	8 942
5	Fee and commission expenses (-)	-1 502	-1 502	-1 676	-1 676
6	Net profit/loss from derecognition of financial assets and financial liabilities not measured at fair value through profit or loss (+/-)	5	1	0	0
7	Net profit/loss from financial assets and financial liabilities measured at fair value through profit or loss (+/-)	3 640	3 644	2 198	2 198
8	Net profit/loss from risk mitigation accounting (+/-)	0	0	0	
9	Net profit/loss from difference in foreign currency rates (+/-)	-462	-462	-298	-298
10	Net profit/loss from derecognition of non-financial assets (+/-)	0		0	
11	Other income	739	1 345	381	715
12	Other expenses (-)	-1 213	-1 276	-1 363	-1 298
13	Administrative expenses (-)	-8 845	-9 267	-8 709	-9 352
14	Depreciation (-)	-1 141	-1 367	-1 201	-1 422
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 (-/+)	-51	-51	54	54
17	Impairment or reversal of impairment (-/+)	-1 246	-1 006	-110	-110
18	Negative goodwill recognised in profit or loss	0		0	
19	Profit/loss from investment in subsidiaries, associate and joint ventures, recognised using the equity method (+/-)	0		0	
20	Profit/loss from non-current assets and disposal groups classified as held for sale (+/-)	0		0	
21	Profit/loss before corporate income tax (+/-)	2 996	3 338	4 595	4 348
22	Corporate income tax	-5	-5	-3	-3
23	Profit/loss for reporting period (+/-)	2 991	3 333	4 592	4 345
24	Other comprehensive income for reporting period (+/-)*	33	-58	432	452

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

Balance overview

EUR'000

No.	Item	Credit institution in the reporting period 30.09.2020 Non-audited	Consolidated group in the reporting period 30.09.2020 Non-audited	Credit institution in the previous reporting year 31.12.2019 Audited	Consolidated group in the previous reporting year 31.12.2019 Audited
1	Cash and on-demand claims on central banks	179 769	179 769	90 703	90 703
2	On-demand claims on credit institutions	26 793	26 826	24 835	24 870
3	Financial assets measured at fair value through profit or loss	4 150	4 150	22 179	17 132
4	Financial assets measured at fair value through other comprehensive income	58 415	55 303	32 078	32 078
5	Financial assets measured at amortised cost	401 583	411 672	304 517	320 209
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	31 099	827	31 101	827
9	Tangible assets	17 144	28 764	17 907	29 753
10	Intangible assets	614	617	860	860
11	Tax assets	5	9	7	11
12	Other assets	9 694	9 724	13 576	13 625
13	Non-current assets and disposal groups classified as held for sale	278	278	0	0
14	Total assets (1+....+13)	729 544	717 939	537 763	530 068
15	Liabilities to central banks	75 000	75 000	0	0
16	Liabilities on-demand to credit institutions	7 719	7 719	3 099	3 099
17	Financial liabilities measured at fair value through profit or loss	22	22	160	160
18	Financial liabilities measured at amortised cost	563 669	562 402	454 547	457 787
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	155	155	96	95
22	Tax liabilities	0	0	0	0
23	Other liabilities	14 276	2 626	14 181	2 188
24	Liabilities in disposal groups classified as held for sale	0	0	0	0
25	Total liabilities (15+....+24)	660 841	647 924	472 083	463 329
26	Capital and reserves	68 703	70 015	65 680	66 739
27	Total capital and reserves and liabilities (25+26)	729 544	717 939	537 763	530 068
28	Off-balance items	78 753	78 747	53 278	53 272
29	Potential liabilities	1 463	1 463	1 593	1 593
30	Off-balance liabilities to clients	77 290	77 284	51 685	51 679

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.)	71 154	72 134
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	67 168	68 148
1.1.1.	Common Equity Tier 1	67 168	68 148
1.1.2.	Additional Tier 1	-	-
1.2.	Tier 2 capital	3 986	3 986
2.	Total risk exposure amount	468 816	455 206
2.1.	Risk-weighted exposure amount for credit risk, counterparty credit risk, dilution risk and free deliveries	412 978	398 348
2.2.	Total risk exposure amount for settlement/delivery risks	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodity risks	5 466	5 466
2.4.	Total risk exposure amount for operational risks	50 356	51 376
2.5.	Total risk exposure amount for credit valuation adjustment	16	16
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)	14.33%	14.97%
3.2.	Common Equity Tier 1 surplus (+)/ deficit (-) (1.1.1.-2.*4.5%)	46 071	47 664
3.3.	Tier 1 capital ratio (1.1./2.*100)	14.33%	14.97%
3.4.	Tier 1 capital surplus (+)/ deficit (-) (1.1.-2.*6%)	39 039	40 836
3.5.	Total capital ratio (1./2.*100)	15.18%	15.85%
3.6.	Total capital surplus (+)/ deficit (-) (1.-2.*8%)	33 649	35 718
4.	Total capital reserve requirement (4.1.+4.2.+4.3.+4.4.+4.5.+4.6.)	11 720	11 380
4.1.	Capital preservation reserve	11 720	11 380
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	-	-
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.	14.33%	14.97%
5.3.	Tier 1 capital ratio with an adjustment amount specified in row 5.1.	14.33%	14.97%
5.4.	Total capital ratio with an adjustment amount specified in row 5.1.	15.18%	15.85%

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	68 836	69 806
1.1.A	Tier 1 capital as if IFRS 9 transitional arrangements were not applied	64 850	65 820
1.1.1.A	Common Equity Tier 1 as if IFRS 9 transitional arrangements were not applied	64 850	65 820
2.A	Total risk exposure amount as if IFRS 9 transitional arrangements were not applied	466 464	452 768
3.1.A	Common Equity Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	13.90%	14.54%
3.3.A	Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	13.90%	14.54%
3.5.A	Total capital ratio as if IFRS 9 transitional arrangements were not applied	14.76%	15.42%

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	212 411	212 411
2	Net cash outflows	134 407	132 890
3	Liquidity coverage ratio (%)	158%	160%

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	120			120
Financial assets measured at amortised cost	838	1 681	2 371	4 890
Potential liabilities	9			9
Off-balance liabilities to clients	79	2	66	147
Total	1 046	1 683	2 437	5 166

Performance indicators of the credit institution

Item	Credit institution in the reporting period 30.09.2020	Consolidated group in the reporting period 30.09.2020	Credit institution in the corresponding period of the previous reporting year 30.09.2019	Consolidated group in the corresponding period of the previous reporting year 30.09.2019
Return on equity (ROE) (%)	6.01%	6.59%	9.20%	9.00%
Return on assets (ROA) (%)	0.65%	0.74%	1.20%	1.20%

Security investments

EUR'000

Issuer's country*	Value	Coupon	Provisions	Sum	Market value of financial instruments measured at amortised cost, without a coupon
Latvia	33 769.00	594.00	-193.00	34 170.00	16 653.00
<i>incl. central governments</i>	<i>21 194.00</i>	<i>381.00</i>	<i>-3.00</i>	<i>21 572.00</i>	<i>7 474.00</i>
Lithuania	41 811.00	78.00	-15.00	41 874.00	25 318.00
<i>incl. central governments</i>	<i>38 887.00</i>	<i>74.00</i>	<i>-7.00</i>	<i>38 954.00</i>	<i>22 330.00</i>
Spain	12 046.00	26.00	-8.00	12 064.00	12 101.00
<i>incl. central governments</i>	<i>10 031.00</i>	<i>8.00</i>	<i>-7.00</i>	<i>10 032.00</i>	<i>10 061.00</i>
Germany	11 177.00	27.00	0.00	11 204.00	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>
Portugal	10 205.00	177.00	-12.00	10 370.00	10 243.00
<i>incl. central governments</i>	<i>10 205.00</i>	<i>177.00</i>	<i>-12.00</i>	<i>10 370.00</i>	<i>10 243.00</i>
Belgium	9 084.00	2.00	0.00	9 086.00	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	66 898.00	619.00	-371.00	67 146.00	53 855.00
<i>incl. central governments</i>	<i>5 063.00</i>	<i>46.00</i>	<i>-31.00</i>	<i>5 078.00</i>	<i>3 062.00</i>
TOTAL	184 990.00	1 523.00	-599.00	185 914.00	123 228.00

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



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