



# AS BLUEORANGE BANK

## III 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 2020 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

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

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

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

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The nominal value per share is EUR 1.4.

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## The Council

30 September 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 Kočetskovs	Member of the Council	22.06.2001

## The Board

30 September 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.

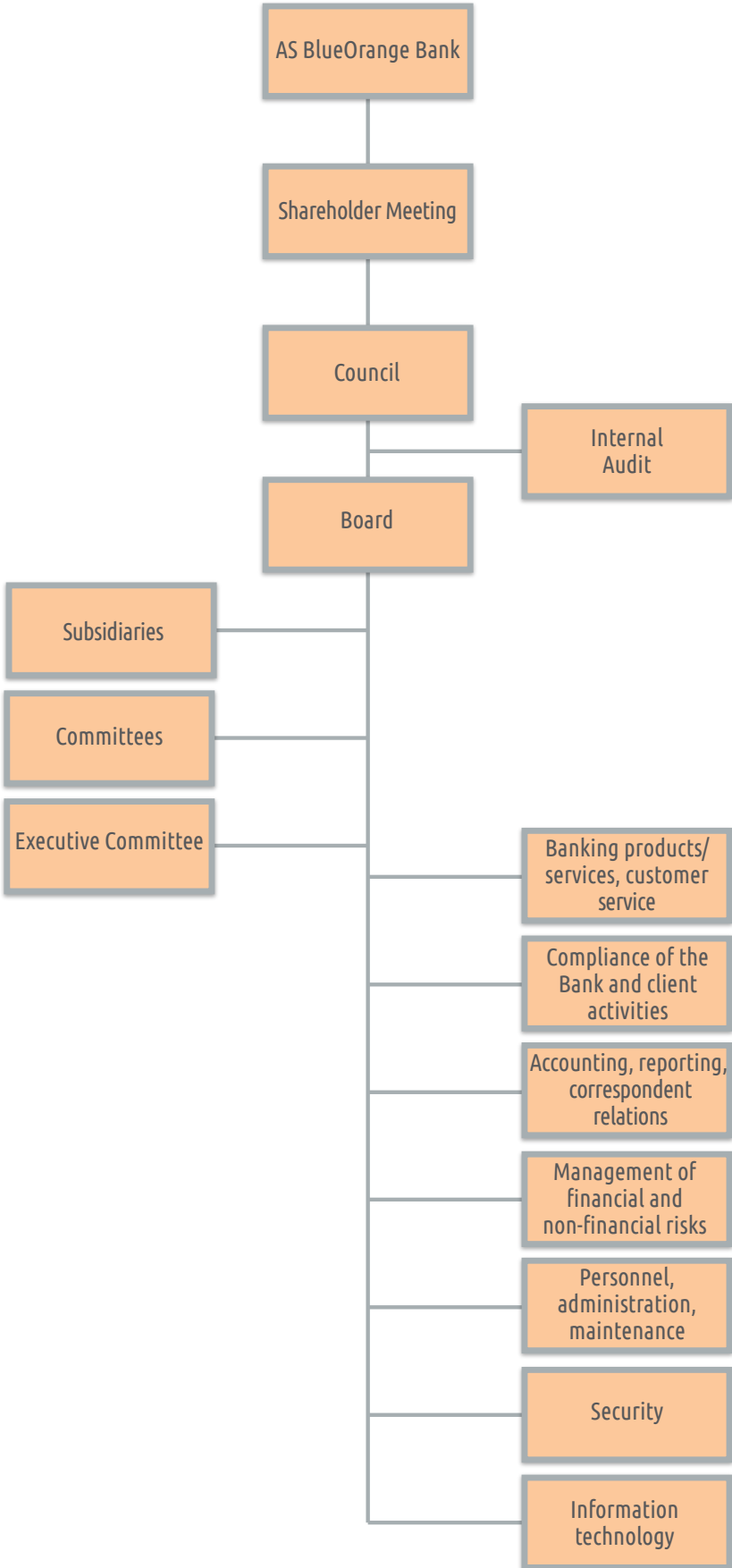
The target client base of the Bank is aligned to its key development goals:

- ✓ 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 / voiting 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 30.09.2021 Non-audited	Consolidated group in the reporting period 30.09.2021 Non-audited	Credit institution in the corresponding period of the previous reporting year 30.09.2020 Non-audited	Consolidated group in the corresponding period of the previous reporting year 30.09.2020 Non-audited
1	Interest income	17 722	17 686	14 460	14 415
2	Interest expenses (-)	-5 728	-5 488	-6 413	-6 156
3	Dividend income	135	135	206	206
4	Fee and commission income	4 502	4 499	4 819	4 814
5	Fee and commission expenses (-)	-1 413	-1 413	-1 502	-1 502
6	Net profit/loss from derecognition of financial assets and financial liabilities not measured at fair value through profit or loss (+/-)	122	121	5	1
7	Net profit/loss from financial assets and financial liabilities measured at fair value through profit or loss (+/-)	2 731	2 731	3 640	3 644
8	Net profit/loss from risk mitigation accounting (+/-)	0	0	0	
9	Net profit/loss from difference in foreign currency rates (+/-)	-139	-139	-462	-462
10	Net profit/loss from derecognition of non-financial assets (+/-)	0		0	
11	Other income	429	503	739	1 345
12	Other expenses (-)	-1 406	-1 429	-1 213	-1 276
13	Administrative expenses (-)	-8 305	-8 671	-8 845	-9 267
14	Depreciation (-)	-1 078	-1 303	-1 141	-1 367
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 (-/+)	42	42	-51	-51
17	Impairment or reversal of impairment (-/+)	-6 289	-6 284	-1 246	-1 006
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 (+/-)	1 301	966	2 996	3 338
22	Corporate income tax	-5	-8	-5	-5
<b>23</b>	<b>Profit/loss for reporting period (+/-)</b>	<b>1 296*</b>	<b>958</b>	<b>2 991</b>	<b>3 333</b>
<b>24</b>	<b>Other comprehensive income for reporting period (+/-)**</b>	<b>-494</b>	<b>-493</b>	<b>33</b>	<b>-58</b>

\* The bank notes that the bank's profit for the 9 months before the recognition of additional credit loss allowances per borrower is EUR 5 million. The credit loss allowances were recognised in accordance with the FCMC requirements regarding the performance of a particular borrower, which in 2020 were significantly affected by the circumstances caused by the Covid-19 pandemic. Considering the borrower's performance in 2021, the bank expects early repayment of the loan and full reversal of credit loss allowances.

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

# Balance overview

EUR'000

No.	Item	Credit institution in the reporting period 30.09.2021 Non-audited	Consolidated group in the reporting period 30.09.2021 Non-audited	Credit institution in the previous reporting year 31.12.2020 Audited	Consolidated group in the previous reporting year 31.12.2020 Audited
1	Cash and on-demand claims on central banks	162 290	162 290	113 003	113 003
2	On-demand claims on credit institutions	28 515	28 530	24 528	24 560
3	Financial assets measured at fair value through profit or loss	1 824	1 824	3 412	3 412
3.1.	Incl. loans	0	0	0	0
4	Financial assets measured at fair value through other comprehensive income	39 083	35 970	59 523	56 388
5	Financial assets measured at amortised cost	483 063	491 457	467 750	477 715
5.1.	Incl. loans	341 673	355 020	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	31 156	827	31 099	827
9	Tangible assets	16 063	27 323	16 853	28 398
10	Intangible assets	360	361	550	551
11	Tax assets	4	6	4	8
12	Other assets	9 510	10 770	9 113	9 143
13	Non-current assets and disposal groups classified as held for sale	0	0	278	278
<b>14</b>	<b>Total assets (1+....+13)</b>	<b>771 868</b>	<b>759 358</b>	<b>726 113</b>	<b>714 283</b>
15	Liabilities to central banks	81 896	81 896	74 900	74 900
16	Liabilities on-demand to credit institutions	14 043	14 043	8 681	8 681
17	Financial liabilities measured at fair value through profit or loss	0	0	80	80
17.1.	Incl. deposits	0	0	0	0
18	Financial liabilities measured at amortised cost	591 322	589 105	558 590	557 076
18.1.	Incl. deposits	589 830	587 613	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	155	154	197	196
22	Tax liabilities	0	2	0	0
23	Other liabilities	13 411	2 294	13 428	1 949
24	Liabilities in disposal groups classified as held for sale	0	0	0	0
<b>25</b>	<b>Total liabilities (15+...+24)</b>	<b>700 827</b>	<b>687 494</b>	<b>655 876</b>	<b>642 882</b>
26	Capital and reserves	71 041	71 864	70 237	71 401
<b>27</b>	<b>Total capital and reserves and liabilities (25+26)</b>	<b>771 868</b>	<b>759 358</b>	<b>726 113</b>	<b>714 283</b>
<b>28</b>	<b>Off-balance items</b>	<b>40 258</b>	<b>40 255</b>	<b>73 774</b>	<b>73 768</b>
29	Potential liabilities	3 427	3 427	1 442	1 442
30	Off-balance liabilities to clients	36 831	36 828	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
<b>1</b>	<b>Equity (1.1.+1.2.)</b>	<b>71 693</b>	<b>73 031</b>
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	71 301	72 639
1.1.1.	Common Equity Tier 1	70 201	71 539
1.1.2.	Additional Tier 1	1 100	1 100
1.2.	Tier 2 capital	392	392
<b>2.</b>	<b>Total risk exposure amount</b>	<b>480 812</b>	<b>469 825</b>
2.1.	Risk-weighted exposure amount for credit risk, counterparty credit risk, dilution risk and free deliveries	434 799	422 930
2.2.	Total risk exposure amount for settlement/delivery risks	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodity risks	1 075	1 075
2.4.	Total risk exposure amount for operational risks	44 938	45 820
2.5.	Total risk exposure amount for credit valuation adjustment	-	-
2.6.	Total risk exposure amount related to large exposures in the trading portfolio	-	-
2.7.	Other risk exposure amounts	-	-
<b>3.</b>	<b>Capital ratios and capital tiers</b>		
3.1.	Common Equity Tier 1 capital ratio (1.1.1./2.*100)	14.60%	15.23%
3.2.	Common Equity Tier 1 surplus (+)/ deficit (-) (1.1.1.-2.*4.5%)	48 565	50 397
3.3.	Tier 1 capital ratio (1.1./2.*100)	14.83%	15.46%
3.4.	Tier 1 capital surplus (+)/ deficit (-) (1.1.-2.*6%)	42 453	44 450
3.5.	Total capital ratio (1./2.*100)	14.91%	15.54%
3.6.	Total capital surplus (+)/ deficit (-) (1.-2.*8%)	33 228	35 445
<b>4.</b>	<b>Total capital reserve requirement (4.1.+4.2.+4.3.+4.4.+4.5.+4.6.)</b>	<b>12 020</b>	<b>11 746</b>
4.1.	Capital preservation reserve	12 020	11 746
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	-	-
<b>5.</b>	<b>Capital ratios with adjustments</b>		
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%	15.23%
5.3.	Tier 1 capital ratio with an adjustment amount specified in row 5.1.	14.83%	15.46%
5.4.	Total capital ratio with an adjustment amount specified in row 5.1.	14.91%	15.54%

## 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	70 591	73 031
1.1.A	Tier 1 capital as if IFRS 9 transitional arrangements were not applied	70 199	72 639
1.1.1.A	Common Equity Tier 1 as if IFRS 9 transitional arrangements were not applied	69 099	71 539
2.A	Total risk exposure amount as if IFRS 9 transitional arrangements were not applied	479 643	468 455
3.1.A	Common Equity Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	14.41%	15.27%
3.3.A	Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	14.64%	15.51%
3.5.A	Total capital ratio as if IFRS 9 transitional arrangements were not applied	14.72%	15.59%

### 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.

# Liquidity coverage ratio

*EUR'000*

<b>No.</b>	<b>Item</b>	<b>At an individual level in the reporting period</b>	<b>At a consolidated group or sub-consolidated level in the reporting period</b>
1	Liquidity reserve	212 456	212 456
2	Net cash outflows	142 580	141 587
3	Liquidity coverage ratio (%)	149%	150%



# 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	100			<b>100</b>
Financial assets measured at amortised cost	704	352	7 922	8 978
Potential liabilities	57			57
Off-balance liabilities to clients	76	3	18	97
<b>Total</b>	<b>937</b>	<b>355</b>	<b>7 940</b>	<b>9 232</b>

# Performance indicators of the credit institution

Item	Credit institution in the reporting period 30.09.2021	Consolidated group in the reporting period 30.09.2021	Credit institution in the corresponding period of the previous reporting year 30.09.2020	Consolidated group in the corresponding period of the previous reporting year 30.09.2020
Return on equity (ROE) (%)	2.45%	1.80%	6.01%	6.59%
Return on assets (ROA) (%)	0.22%	0.17%	0.65%	0.74%

# Security investments

EUR'000

Issuer's country*	Value	Coupon	Provisions	Sum	Market value of financial instruments measured at amortised cost, without a coupon
Latvia	11 536.00	193.00	-208.00	11 521.00	8 230.00
<i>incl. central governments</i>	<i>1 037.00</i>	<i>0.00</i>	<i>0.00</i>	<i>1 037.00</i>	<i>1 034.00</i>
Lithuania	95 790.00	53.00	-24.00	95 819.00	76 758.00
<i>incl. central governments</i>	<i>93 795.00</i>	<i>34.00</i>	<i>-19.00</i>	<i>93 810.00</i>	<i>74 774.00</i>
Germany	10 512.00	27.00	0.00	10 539.00	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	10 145.00	36.00	-3.00	10 178.00	10 217.00
<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>
Belgium	9 044.00	2.00	0.00	9 046.00	5 041.00
<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	44 848.00	430.00	-282.00	44 996.00	42 004.00
<i>incl. central governments</i>	<i>8 277.00</i>	<i>50.00</i>	<i>-17.00</i>	<i>8 310.00</i>	<i>6 377.00</i>
<b>TOTAL</b>	<b>181 875.00</b>	<b>741.00</b>	<b>-517.00</b>	<b>182 099.00</b>	<b>142 250.00</b>

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



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