



BlueOrange

AS BLUEORANGE BANK
IV Quarter
2019 Interim Report

(translated from Latvian)

CONTENTS

3	Background
4	Share capital of the Bank
5	The Council
5	The Board
6	Strategy and mission
7	Structure of the Bank
8	Consolidated group companies
9	Risk management
10	Statement of profit and loss and other comprehensive income
11	Balance overview
12	I. Equity and capital adequacy calculation overview
13	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
14	Liquidity coverage ratio
15	Expected credit losses for financial instruments
16	Performance indicators of the credit institution
17	Security investments

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 (beneficial owners) are individuals-residents of the Republic of Latvia. The Bank was founded in Latvia and is a European and international financial institution. The primary lines of business of BlueOrange Bank are servicing private individuals and managing the capital of private individuals, providing financial and crediting services to small and medium enterprises, as well as large corporate entities.

The Bank's financial statements for the twelve-months of the year 2018 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 2018 are prepared in accordance with the legislation of the Republic of Latvia. The financial reports were audited by PricewaterhouseCoopers SIA, registration No. 40003142793, legal address: Kr. Valdemara 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 15.09.2006 Regulations for the Preparation of Public Quarterly Reports for Credit Institutions and the Financial and Capital Market Commission regulations No. 83 from 17.05.2018 on Amendments to the Regulations for the Preparation of Public Quarterly Reports for Credit Institutions, 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 31 December 2019

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 as of 31 December 2019

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 Bank is a modern, international bank that provides a wide range of financial services to individuals and businesses. The goal of the Bank is to become the best financial platform for its clients.

The Bank offers top-quality banking, investment, credit and financial services of the highest consumer value to private individuals and corporate entities, who are interested in developing sustainable business relationship.

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 term deposits, investment services, client financing services and e-commerce.

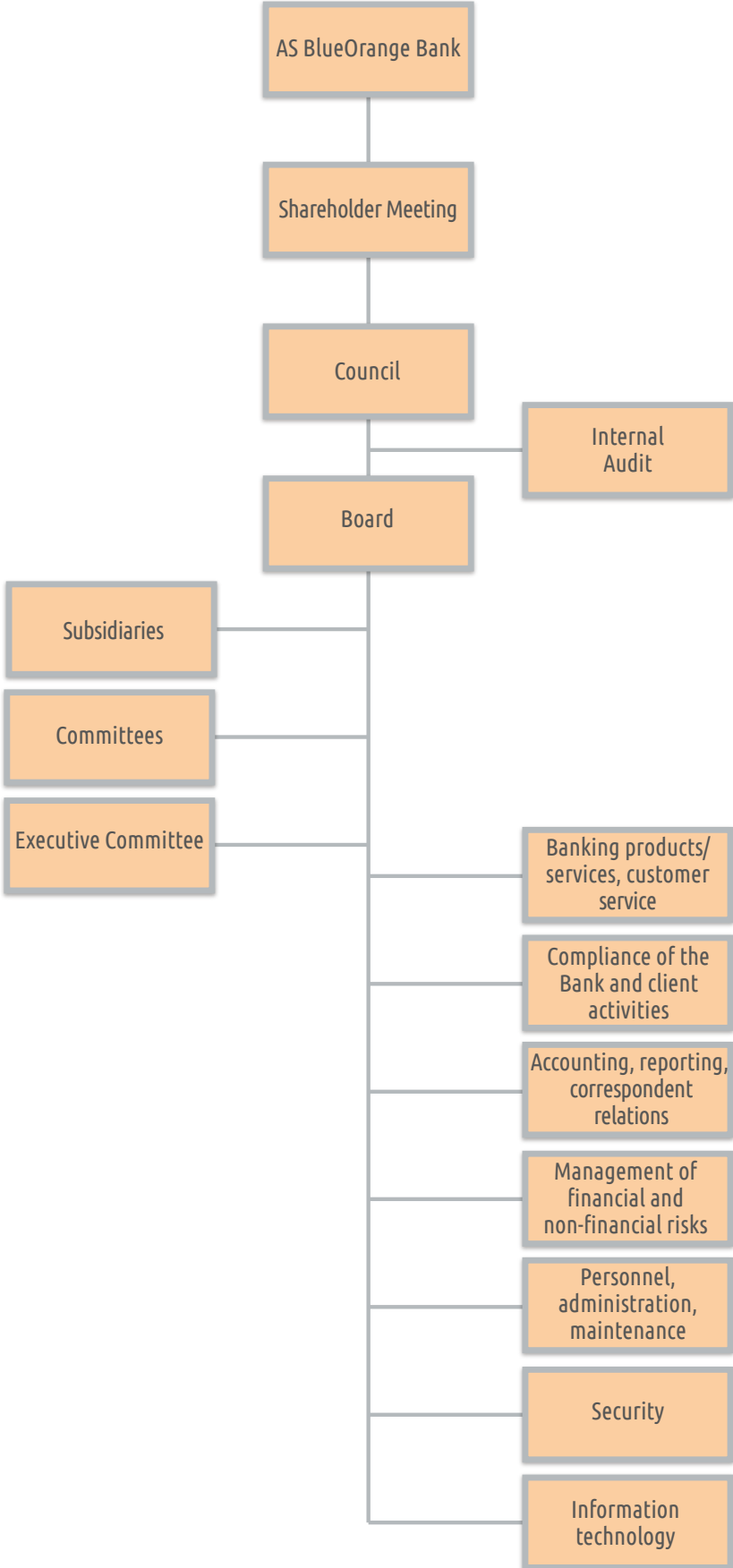
The target client base of the Bank is aligned to its key development goals:

- ✓ Private individuals and companies requiring a wide range of services for capital and asset management;
- ✓ Corporate entities engaged in international trade, transportation, logistics, manufacturing and industry;
- ✓ Small and medium-sized entities;
- ✓ Financial organisations and institutional investors requiring highly professional service for settlement and financial market operations.

Along with increasing awareness and becoming an international financial platform, the Bank offers its services in Latvia, the Baltic States and other states of the European Union, as well as to a broad range of clients world-wide.

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.

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	Mazā Pils iela 13, 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	Mazā Pils iela 13, 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, Bulgārija	PLS	100%	MMS
7.	Mateli Estate SIA	50103482941	LV	Kr. Valdemāra 149-405, Rīga, LV-1013, Latvija	PLS	100%	MS
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;
- ✓ Market risk (securities price risk, interest rate risk for non-trading portfolio, currency risk);
- ✓ Liquidity risk;
- ✓ Operational risk;
- ✓ Compliance risk, including Money Laundering and Terrorism Financing risk;
- ✓ Reputation, Strategic and Business risk.

The Bank's principles of risk management are established in its risk management policies, approved and supervised by the Board of the Bank. Risk management 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 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 the 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 31.12.2019 Non-audited	Consolidated group in the reporting period 31.12.2019 Non-audited	Credit institution in the corresponding period of the previous reporting year 31.12.2018 Audited	Consolidated group in the corresponding period of the previous reporting year 31.12.2018 Audited
1	Interest income	16,508	16,644	12 710	13 479
2	Interest expenses (-)	-7,706	-7,501	-6 146	-6 523
3	Dividend income	258	258	81	81
4	Fee and commission income	11,259	11,247	19 260	19 257
5	Fee and commission expenses (-)	-2,271	-2,270	-4 225	-4 225
6	Net profit/loss from derecognition of financial assets and financial liabilities not measured at fair value through profit or loss (+/-)	0	0	70	70
7	Net profit/loss from financial assets and financial liabilities measured at fair value through profit or loss (+/-)	2,990	2,990	7 739	7 739
8	Net profit/loss from risk mitigation accounting (+/-)	0	0	0	0
9	Net profit/loss from difference in foreign currency rates (+/-)	6	6	-60	-57
10	Net profit/loss from derecognition of non-financial assets (+/-)	0	0	0	0
11	Other income	509	962	1 480	1 679
12	Other expenses (-)	-1,799	-1,762	-3 021	-3 071
13	Administrative expenses (-)	-11,669	-12,463	-17 688	-17 758
14	Depreciation (-)	-1,589	-1,886	-880	-2 139
15	Profit or loss recognised as the result of changes to contractual cash flows of the financial asset (+/-)	0	0	0	0
16	Provisions or reversal of provisions (-/+)	100	100	84	84
17	Impairment or reversal of impairment (-/+)	-548	-546	-2 029	-2 029
18	Negative goodwill recognised in profit or loss	0	0	0	0
19	Profit/loss from investment in subsidiaries, associate and joint ventures, recognised using the equity method (+/-)	0	0	0	0
20	Profit/loss from non-current assets and disposal groups classified as held for sale (+/-)	0	0	0	0
21	Profit/loss before corporate income tax (+/-)	6,048	5,779	7 375	6 587
22	Corporate income tax	-3	-4	-8	-9
23	Profit/loss for reporting period (+/-)	6,045	5,775	7 367	6 578
24	Other comprehensive income for reporting period (+/-)	57	76	59	59

Balance overview

EUR'000

No.	Item	Credit institution in the reporting period 31.12.2019 Non-audited	Consolidated group in the reporting period 31.12.2019 Non-audited	Credit institution in the previous reporting year 31.12.2018 Audited	Consolidated group in the previous reporting year 31.12.2018 Audited
1	Cash and on-demand claims on central banks	90,703	90,703	78,815	78,815
2	On-demand claims on credit institutions	24,835	24,870	42,303	42,335
3	Financial assets measured at fair value through profit or loss	22,179	17,132	17,869	12,822
4	Financial assets measured at fair value through other comprehensive income	32,078	32,078	35,347	35,347
5	Financial assets measured at amortised cost	304,517	320,547	255,453	274,126
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	31,101	827	31,630	827
9	Tangible assets	17,907	29,753	6,508	31,218
10	Intangible assets	860	860	1,189	1,189
11	Tax assets	7	11	361	364
12	Other assets	13,576	13,625	9,861	9,904
13	Non-current assets and disposal groups classified as held for sale	0	0	0	0
14	Total assets (1+....+13)	537,763	530,406	479,336	486,947
15	Liabilities to central banks	0	0	0	0
16	Liabilities on-demand to credit institutions	3,099	3,099	1,717	1,717
17	Financial liabilities measured at fair value through profit or loss	160	160	0	0
18	Financial liabilities measured at amortised cost	454,547	457,787	408,769	420,407
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	96	95	200	860
22	Tax liabilities	0	0	0	0
23	Other liabilities	14,181	2,188	2,673	2,736
24	Liabilities in disposal groups classified as held for sale	0	0	0	0
25	Total liabilities (15+....+24)	472,083	463,329	413,359	425,720
26	Capital and reserves	65,680	67,077	65,977	61,227
27	Total capital and reserves and liabilities (25+26)	537,763	530,406	479,336	486,947
28	Off-balance items	53,278	53,272	73,371	73,366
29	Potential liabilities	1,593	1,593	5,686	5,686
30	Off-balance liabilities to clients	51,685	51,679	67,685	67,680

I. Equity and capital adequacy calculation overview

		<i>EUR'000</i>	
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.)	70,345	72,013
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	60,546	62,214
1.1.1.	Common Equity Tier 1	60,546	62,214
1.1.2.	Additional Tier 1		
1.2.	Tier 2 capital	9,799	9,799
2.	Total risk exposure amount	457,593	449,714
2.1.	Risk-weighted exposure amount for credit risk, counterparty credit risk, dilution risk and free deliveries	367,928	364,575
2.2.	Total risk exposure amount for settlement/delivery risks		
2.3.	Total risk exposure amount for position, foreign exchange and commodity risks	31,800	26,754
2.4.	Total risk exposure amount for operational risks	57,851	58,371
2.5.	Total risk exposure amount for credit valuation adjustment	14	14
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)	13.23%	13.83%
3.2.	Common Equity Tier 1 surplus (+)/ deficit (-) (1.1.1.-2.*4.5%)	39,955	41,977
3.3.	Tier 1 capital ratio (1.1./2.*100)	13.23%	13.83%
3.4.	Tier 1 capital surplus (+)/ deficit (-) (1.1.-2.*6%)	33,091	35,231
3.5.	Total capital ratio (1./2.*100)	15.37%	16.01%
3.6.	Total capital surplus (+)/ deficit (-) (1.-2.*8%)	33,738	36,036
4.	Total capital reserve requirement (4.1.+4.2.+4.3.+4.4.+4.5.+4.6.)	12,226	12,245
4.1.	Capital preservation reserve	11,440	11,243
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	594	810
4.4.	Systemic risk capital reserve	192	192
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.	13.23%	13.83%
5.3.	Tier 1 capital ratio with an adjustment amount specified in row 5.1.	13.23%	13.83%
5.4.	Total capital ratio with an adjustment amount specified in row 5.1.	15.37%	16.01%

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	68,462	70,130
1.1.A	Tier 1 capital as if IFRS 9 transitional arrangements were not applied	58,663	60,331
1.1.1.A	Common Equity Tier 1 as if IFRS 9 transitional arrangements were not applied	58,663	60,331
2.A	Total risk exposure amount as if IFRS 9 transitional arrangements were not applied	455,692	448,576
3.1.A	Common Equity Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	12.87%	13.45%
3.3.A	Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	12.87%	13.45%
3.5.A	Total capital ratio as if IFRS 9 transitional arrangements were not applied	15.02%	15.63%

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	156,203	156,203
2	Net cash outflows	69,336	68,675
3	Liquidity coverage ratio (%)	225%	227%

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	15			15
Financial assets measured at amortised cost	642	1,279	5,253	7,174
Potential liabilities	13			13
Off-balance liabilities to clients	74	1	8	83
Total	744	1,280	5,261	7,285

Performance indicators of the credit institution

Item	Credit institution in the reporting period 31.12.2019	Consolidated group in the reporting period 31.12.2019	Credit institution in the corresponding period of the previous reporting year 31.12.2018	Consolidated group in the corresponding period of the previous reporting year 31.12.2018
Return on equity (ROE) (%)	9.29%	9.02%	11.20%	10.20%
Return on assets (ROA) (%)	1.18%	1.17%	1.20%	1.10%

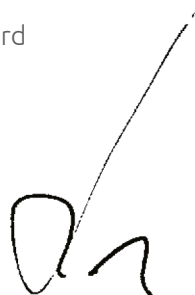
Security investments

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

EUR'000

Issuer's country	Value	Coupon	Provisions	Sum	Market value of financial instruments measured at amortised cost, without a coupon
Lithuania	29,261	58	-10	29,309	9,062
<i>incl. central governments</i>	<i>26,332</i>	<i>30</i>	<i>-3</i>	<i>26,359</i>	<i>6,001</i>
Latvia	26,478	511	-20	26,969	8,095
<i>incl. central governments</i>	<i>16,852</i>	<i>385</i>	<i>-3</i>	<i>17,233</i>	<i>7,626</i>
Portugal	10,490	273	-15	10,748	10,572
<i>incl. central governments</i>	<i>10,490</i>	<i>273</i>	<i>-15</i>	<i>10,748</i>	<i>10,572</i>
Spain	10,060	18	-7	10,071	10,121
<i>incl. central governments</i>	<i>10,060</i>	<i>18</i>	<i>-7</i>	<i>10,071</i>	<i>10,121</i>
Other countries	31,431	375	-124	31,681	17,094
<i>incl. central governments</i>	<i>4,084</i>	<i>15</i>	<i>-13</i>	<i>4,086</i>	<i>1,054</i>
TOTAL	107,720	1,235	-176	108,778	54,944

Dmitrijs Latiševs
Chairman of the Board
CEO



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