



BlueOrange

AS BLUEORANGE BANK  
I 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 (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 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 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. 31 from 31.03.2020 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

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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 as of 31 March 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 Kočetskvs	Member of the Council	22.06.2001

## The Board as of 31 March 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 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.

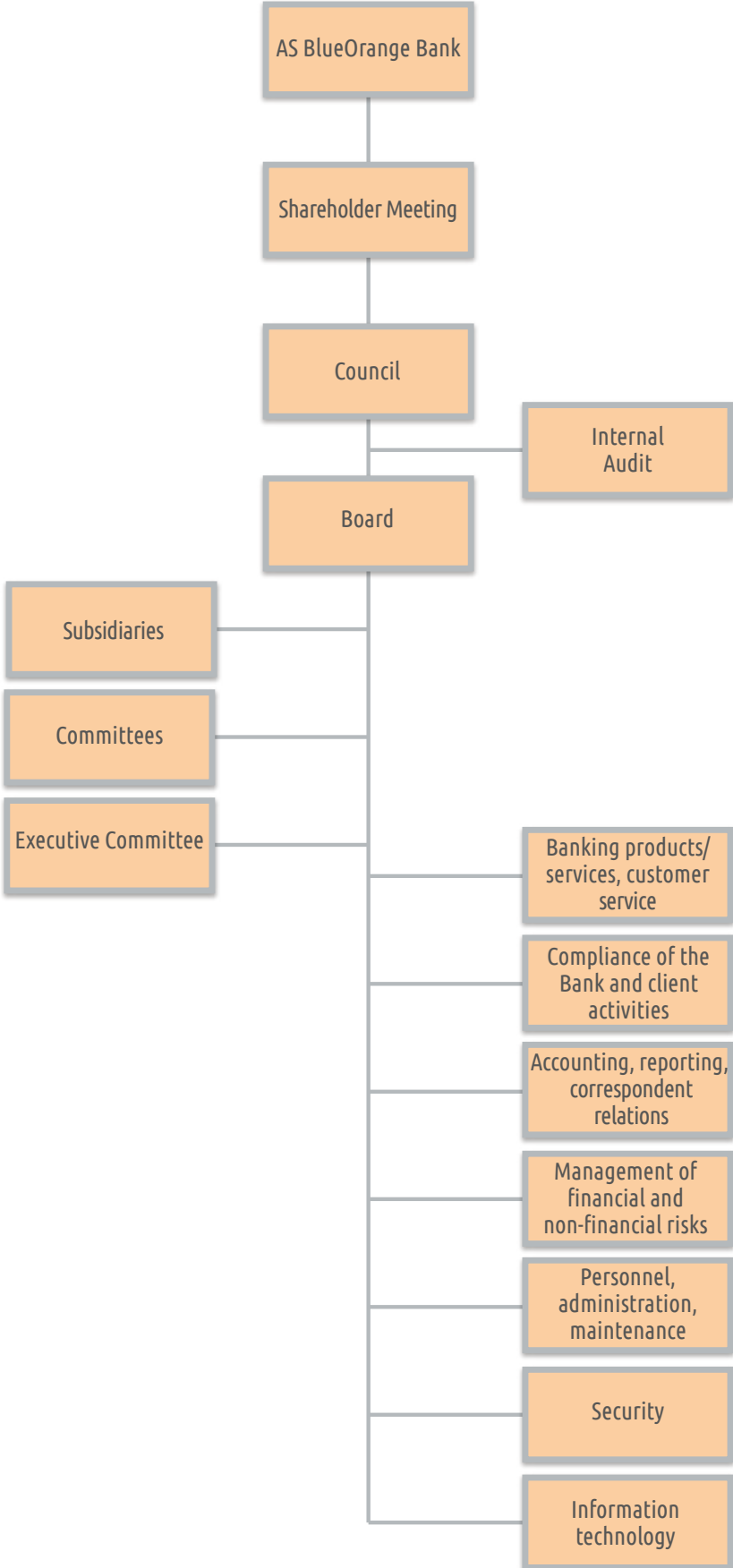
The target client base of the Bank is aligned to its key development goals:

- ✓ 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	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.	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 31.03.2020 Non-audited	Consolidated group in the reporting period 31.03.2020 Non-audited	Credit institution in the corresponding period of the previous reporting year 31.03.2019 Non-audited	Consolidated group in the corresponding period of the previous reporting year 31.03.2019 Non-audited
1	Interest income	4 422	4 419	3 515	3 682
2	Interest expenses (-)	-2 193	-2 108	-1 747	-1 732
3	Dividend income	76	76	59	59
4	Fee and commission income	1 878	1 878	3 952	3 949
5	Fee and commission expenses (-)	-506	-506	-516	-516
6	Net profit/loss from derecognition of financial assets and financial liabilities not measured at fair value through profit or loss (+/-)	0	0	0	0
7	Net profit/loss from financial assets and financial liabilities measured at fair value through profit or loss (+/-)	430	430	973	973
8	Net profit/loss from risk mitigation accounting (+/-)	0	0	0	
9	Net profit/loss from difference in foreign currency rates (+/-)	9	9	-2	-1
10	Net profit/loss from derecognition of non-financial assets (+/-)	0		0	
11	Other income	157	187	218	251
12	Other expenses (-)	-394	-399	-438	-465
13	Administrative expenses (-)	-2 799	-2 967	-2 664	-2 866
14	Depreciation (-)	-381	-456	-405	-574
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 (-/+)	-6	-7	23	23
17	Impairment or reversal of impairment (-/+)	-552	-315	221	221
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	
<b>21</b>	<b>Profit/loss before corporate income tax (+/-)</b>	<b>141</b>	<b>241</b>	<b>3 189</b>	<b>3 004</b>
22	Corporate income tax	0	0	-1	-1
<b>23</b>	<b>Profit/loss for reporting period (+/-)</b>	<b>141</b>	<b>241</b>	<b>3 188</b>	<b>3 003</b>
24	Other comprehensive income for reporting period (+/-)*	-846	-936	176	176

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

# Balance overview

EUR'000

No.	Item	Credit institution in the reporting period 31.03.2020 Non-audited	Consolidated group in the reporting period 31.03.2020 Non-audited	Credit institution in the previous reporting year 31.12.2019 Audited	Consolidated group in the previous reporting year 31.12.2019 Non-audited
1	Cash and on-demand claims on central banks	116 228	116 228	90 703	90 703
2	On-demand claims on credit institutions	26 714	26 750	24 835	24 870
3	Financial assets measured at fair value through profit or loss	1 238	1 238	22 179	17 132
4	Financial assets measured at fair value through other comprehensive income	25 184	22 118	32 078	32 078
5	Financial assets measured at amortised cost	336 837	347 837	304 517	320 547
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	31 101	827
9	Tangible assets	17 633	29 404	17 907	29 753
10	Intangible assets	776	776	860	860
11	Tax assets	6	10	7	11
12	Other assets	12 499	12 538	13 576	13 625
13	Non-current assets and disposal groups classified as held for sale	0	0	0	0
<b>14</b>	<b>Total assets (1+....+13)</b>	<b>568 216</b>	<b>557 726</b>	<b>537 763</b>	<b>530 406</b>
15	Liabilities to central banks	0	0	0	0
16	Liabilities on-demand to credit institutions	4 860	4 860	3 099	3 099
17	Financial liabilities measured at fair value through profit or loss	250	250	160	160
18	Financial liabilities measured at amortised cost	484 080	484 066	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	102	102	96	95
22	Tax liabilities	0	0	0	0
23	Other liabilities	13 949	2 065	14 181	2 188
24	Liabilities in disposal groups classified as held for sale	0	0	0	0
<b>25</b>	<b>Total liabilities (15+....+24)</b>	<b>503 241</b>	<b>491 343</b>	<b>472 083</b>	<b>463 329</b>
26	Capital and reserves	64 975	66 383	65 680	67 077
<b>27</b>	<b>Total capital and reserves and liabilities (25+26)</b>	<b>568 216</b>	<b>557 726</b>	<b>537 763</b>	<b>530 406</b>
<b>28</b>	<b>Off-balance items</b>	<b>62 739</b>	<b>62 733</b>	<b>53 278</b>	<b>53 272</b>
29	Potential liabilities	1 593	1 593	1 593	1 593
30	Off-balance liabilities to clients	61 146	61 140	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
<b>1</b>	<b>Equity (1.1.+1.2.)</b>	<b>74 317</b>	<b>75 568</b>
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	65 674	66 925
1.1.1.	Common Equity Tier 1	65 674	66 925
1.1.2.	Additional Tier 1	-	-
1.2.	Tier 2 capital	8 643	8 643
<b>2.</b>	<b>Total risk exposure amount</b>	<b>461 640</b>	<b>451 183</b>
2.1.	Risk-weighted exposure amount for credit risk, counterparty credit risk, dilution risk and free deliveries	410 319	398 842
2.2.	Total risk exposure amount for settlement/delivery risks	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodity risks	965	964
2.4.	Total risk exposure amount for operational risks	50 356	51 377
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)	14.23%	14.83%
3.2.	Common Equity Tier 1 surplus (+)/ deficit (-) (1.1.1.-2.*4.5%)	44 900	46 622
3.3.	Tier 1 capital ratio (1.1./2.*100)	14.23%	14.83%
3.4.	Tier 1 capital surplus (+)/ deficit (-) (1.1.-2.*6%)	37 976	39 854
3.5.	Total capital ratio (1./2.*100)	16.10%	16.75%
3.6.	Total capital surplus (+)/ deficit (-) (1.-2.*8%)	37 386	39 474
<b>4.</b>	<b>Total capital reserve requirement (4.1.+4.2.+4.3.+4.4.+4.5.+4.6.)</b>	<b>11 875</b>	<b>11 791</b>
4.1.	Capital preservation reserve	11 541	11 280
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	139	316
4.4.	Systemic risk capital reserve	195	195
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.	14.23%	14.83%
5.3.	Tier 1 capital ratio with an adjustment amount specified in row 5.1.	14.23%	14.83%
5.4.	Total capital ratio with an adjustment amount specified in row 5.1.	16.10%	16.75%

## 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	72 453	73 693
1.1.A	Tier 1 capital as if IFRS 9 transitional arrangements were not applied	63 809	65 050
1.1.1.A	Common Equity Tier 1 as if IFRS 9 transitional arrangements were not applied	63 809	65 050
2.A	Total risk exposure amount as if IFRS 9 transitional arrangements were not applied	459 756	450 051
3.1.A	Common Equity Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	13.88%	14.45%
3.3.A	Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	13.88%	14.45%
3.5.A	Total capital ratio as if IFRS 9 transitional arrangements were not applied	15.76%	16.37%

# 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	166 154	166 154
2	Net cash outflows	112 854	112 055
3	Liquidity coverage ratio (%)	147%	148%

# 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	97			97
Financial assets measured at amortised cost	1 103	1 269	5 251	7 623
Potential liabilities	13			13
Off-balance liabilities to clients	86	2	1	89
Total	1 299	1 271	5 252	7 822

# Performance indicators of the credit institution

Item	Credit institution in the reporting period 31.03.2020	Consolidated group in the reporting period 31.03.2020	Credit institution in the corresponding period of the previous reporting year 31.03.2019	Consolidated group in the corresponding period of the previous reporting year 31.03.2019
Return on equity (ROE) (%)	0.90%	1.40%	19.20%	19.10%
Return on assets (ROA) (%)	0.10%	0.20%	2.50%	2.47%



# Security investments

EUR'000

Issuer's country*	Value	Coupon	Provisions	Sum	Market value of financial instruments measured at amortised cost, without a coupon
Latvia	29 605	193	-191	29 607	16 911
<i>incl. central governments</i>	<i>16 745</i>	<i>82</i>	<i>-3</i>	<i>16 824</i>	<i>7 569</i>
Lithuania	14 233	104	-9	14 328	9 064
<i>incl. central governments</i>	<i>11 309</i>	<i>52</i>	<i>-2</i>	<i>11 359</i>	<i>5 998</i>
Portugal	10 396	369	-14	10 751	10 435
<i>incl. central governments</i>	<i>10 396</i>	<i>369</i>	<i>-14</i>	<i>10 751</i>	<i>10 435</i>
Spain	10 051	26	-7	10 070	10 087
<i>incl. central governments</i>	<i>10 051</i>	<i>26</i>	<i>-7</i>	<i>10 070</i>	<i>10 087</i>
Other countries	30 744	331	-222	30 853	19 563
<i>incl. central governments</i>	<i>4 076</i>	<i>32</i>	<i>-20</i>	<i>4 088</i>	<i>2 018</i>
<b>TOTAL</b>	<b>95 029</b>	<b>1 023</b>	<b>-443</b>	<b>95 609</b>	<b>66 060</b>

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

**Dmitrijs Latiševs**  
Chairman of the Board  
CEO



## Contact details

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