



**BluOr Bank AS**  
**Corporate Governance**  
**Statement 2025**

**BluOr Bank**

Pursuant to the requirement of Section 56<sup>2</sup> of the Latvian Financial Instrument Market Law, BluOr Bank AS, reg. No. 40003551060, as the issuer of subordinated bond issues and AT1 bond issues ISIN No. LV0000802437, LV0000802775, LV0000803062, LV0000803195, LV0000104594, LV0000802569 and LV0000804060, hereinafter referred to as the Bank, provides this corporate governance statement. The Bank's shares are not admitted to trading on a regulated market.

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## APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES

As a credit institution registered in the Republic of Latvia, the Bank conducts its operations and establishes its corporate governance and internal control system in accordance with the regulatory framework applicable to the Bank, including European Union regulations, the laws, regulations and other legal acts of the Republic of Latvia, as well as the "Regulations on the Governance System of Credit Institutions"<sup>1</sup> approved by the Bank of Latvia [Latvijas Banka], and the European Banking Authority's Guidelines on Internal Governance. In addition, the Bank takes into account and follows the recommendations and best practices issued by competent authorities, professional organisations and auditors in the area of corporate governance and the establishment and development of internal control systems.

The establishment of the corporate governance system of the Bank and the Group (comprising the Bank and the Bank's subsidiary undertakings included in the consolidation group, as well as their subsidiary undertakings), as well as of the entire prudential consolidation group<sup>2</sup>, which includes both the Bank's subsidiary undertakings and their subsidiary undertakings, and the Bank's parent undertaking and its subsidiary undertakings (hereinafter referred to as the Group), is based on the objective of ensuring the implementation of the Bank's Strategy, while at the same time providing for the continuous development of the corporate governance system and effective risk management, taking into account changes in the external environment, the regulatory framework, including requirements related to environmental, social and governance (ESG) aspects, professional guidance and recommendations, and other circumstances that may affect the Group's activities, performance and reputation.

## KEY ELEMENTS OF THE GROUP'S CORPORATE GOVERNANCE SYSTEM

The Group's corporate governance system is designed taking into account its size, the volume, diversity and complexity of the transactions it undertakes, the level of risks associated with each area of activity, the degree of centralisation of management, the capabilities of information and communication technologies, as well as other factors that are material to the achievement of the Group's operational objectives.

A sound corporate governance system provides management with reasonable assurance that the Group's assets are safeguarded against loss and unauthorised management or use; that operational risks are continuously identified and managed; that the Group's capital is sufficient, in terms of its amount, composition and structure, to cover the risks inherent in and potential to the Group's activities; that transactions are conducted in accordance with the procedures established within the Group; and that the Group operates in a prudent, cautious and efficient manner, in full compliance with applicable regulatory requirements.

The Group's corporate governance system is based on the following key elements:

- Definition of the Group's development strategy, which includes the principal business objectives and objectives promoting sustainable development, as well as the strategies for risk management and maintenance of capital adequacy;
- Planning of the Group's activities on an annual, medium-term and long-term basis;
- Organisation and day-to-day management of the Group's activities, including the organisational structure and the allocation of functions, powers and responsibilities of organisational units, officers and employees, as set out in the internal regulatory documents and decisions of the Bank and the commercial companies within the Group;

<sup>1</sup> <https://likumi.lv/ta/id/357442-kreditiestazu-parvaldibas-sistemas-noteikumi>

<sup>2</sup> All commercial companies determined in accordance with the criteria laid down in Regulation (EU) No 575/2013, the Credit Institution Law, and Bank of Latvia Regulation No 266 "Regulations for the Application of Options Provided for in Directly Applicable European Union Legal Acts on Prudential Requirements", are considered to form the prudential consolidation group. Information on the composition of the Group is updated on a regular basis and is disclosed in the Bank's quarterly financial statements published on the Bank's website: <https://www.bluorbank.lv/en/financial-information>

- Identification and management of material risks inherent in the Group's activities, including risk measurement, assessment, control and risk reporting, as well as the promotion of a comprehensive risk culture across the Group;
- Code of Ethics;
- Capital adequacy assessment process;
- Accounting and financial reporting;
- Management information system;
- Protection of assets and information systems;
- Management of conflicts of interest;
- Personnel suitability and remuneration system;
- Ensuring operational compliance;
- Ensuring policies for the introduction of new financial services or material changes to existing financial services;
- Management of outsourcing arrangements and the use of ICT services;
- Ensuring the operation of independent internal control functions, including:
  - Risk control function,
  - Compliance control function,
  - Internal audit function.
- Regular review of the internal control system, assessment of its effectiveness and continuous improvement, in line with changes in the Group's activities and external circumstances affecting the Group's operations.

## GOVERNANCE OF THE GROUP

*The Council and the Board of the Bank, the Council and the Board of AS BBG, as well as the management boards of other commercial companies within the Group, are responsible for ensuring the proper organisation of the activities of the respective companies and for the establishment, effective operation and continuous improvement of the corporate governance and internal control systems.*

## THE BOARD OF THE BANK

The Board represents the Bank and manages its operations, ensuring the effective functioning of the Bank's processes and the implementation of the Bank's Strategy. The Board is responsible for the establishment, implementation, management and continuous improvement of the Bank's internal control system, including risk management at both the Bank and Group levels.

The Board regularly provides the Bank's Council with reports and information on the Bank's operations, risk management and compliance with regulatory requirements at both the Bank and Group levels.

## THE COUNCIL OF THE BANK

The Council of the Bank monitors how the Bank's Board ensures the establishment and effective functioning of the internal control system. The Council of the Bank approves the Bank's Strategy, which includes the Group's strategy, and oversees its implementation. Furthermore, the Council approves the risk management strategies and policies, sets corporate values and ethical standards, and oversees the establishment and maintenance of a sound risk culture.

## COUNCIL COMMITTEES

The following committees have been established under the authority of the Bank's Council: *the Audit Committee, the Risk Committee, and the Nomination and Remuneration Committee.*

*The Audit Committee* is an independent supervisory body within the Bank's organisational structure responsible for overseeing the preparation and audit of the annual financial statements, including the financial statements of the Bank and the Group, and the Group's consolidated annual report. The Audit Committee operates independently and aims to safeguard shareholders' interests in relation to the preparation of the annual report, its audit, and the effectiveness of the internal control, risk management and internal audit systems, insofar as these relate to ensuring the reliability and objectivity of the annual report. In addition, the Audit Committee ensures the process for the selection of candidates for the appointment of the sworn auditor and oversees the sworn auditor's compliance with the statutory requirements for independence and objectivity.

*The Risk Committee* is an independent supervisory body within the Bank's organisational structure. Its purpose is to advise and support the Council in matters relating to the Group's current and prospective risk strategy, including any changes thereto, taking into account changes in the Group's activities and external factors, and to assist the Council in overseeing the implementation of that strategy.

*The Nomination and Remuneration Committee* is an independent supervisory body within the Bank's organisational structure, the purpose of which is to:

- Develop proposals on the principles for the selection and assessment of candidates for election and re-election to the positions of Council members, Board members, the Head of the Internal Audit function, positions with a material impact on the risk profile, and other senior management positions;
- Participate in the selection and assessment of candidates for the positions of Council members, Board members, the Head of the Internal Audit function, positions with a material impact on the risk profile, and members of the Board of AS BBG, and promote diversity within the Council and the Board, and within the Board of AS BBG;
- Review matters relating to the Bank's personnel and remuneration policies, including the establishment and oversight of the remuneration system Bank;
- Oversee the effectiveness and implementation of the policy on the suitability of officials;
- Develop proposals on the determination of remuneration for Council members, Board members, the Head of the Internal Audit function, positions with a material impact on the risk profile, and other senior management.

## INTERNAL CONTROL FUNCTIONS AND THE CHIEF RISK OFFICER

The internal control system within the Group is based on the principle that the internal control functions – the risk control function, the compliance control function, and the internal audit function – are independent of the Group's activities and processes that they oversee.

*The primary responsibility of the risk control function* is to ensure the establishment of an effective risk management system, including the development and implementation of appropriate risk management policies and procedures. The risk control function is performed by the Bank's structural units responsible for identifying and measuring material risks inherent in the activities of the Bank and the Group, as well as their interdependencies, and for developing the relevant risk management policies and procedures. These units also actively participate in the development of the Bank's risk strategy and in the taking of material decisions related to risk management. The structural units of the risk control function ensure control over compliance with risk management policies and procedures, including established limits and restrictions, and carry out regular reviews and improvements of such policies and procedures in order to ensure their continued relevance and alignment with changes in the activities of the Bank and the Group and in external circumstances affecting those activities. The risk control function units report on a regular basis to the Bank's Council, the Board, the Risk Committee, and the heads of the relevant structural units.

*The primary responsibility of the compliance control function is the identification, assessment and management of compliance risk, as well as the preparation of reports to the Board of the Bank, the Risk Committee and the Council of the Bank on the compliance risk of the Bank and the Group, compliance issues identified, the measures proposed and implemented to address or mitigate such issues, compliance with applicable laws, regulations and standards, and changes thereto.*

## *Internal Audit Function*

The Bank's Internal Audit Service ensures the performance of the Internal Audit function within the Group and constitutes the third line of defence, providing an independent assessment of the quality and effectiveness of the Group's risk management processes by identifying deficiencies and issuing proposals and recommendations for the improvement of the Group's risk management system. The Internal Audit Service operates independently and is organisationally separate from the risk control function and the compliance control function.

*The Chief Risk Officer performs a comprehensive risk control function within the Group, oversees and continuously enhances the risk management system, and coordinates the activities of the Bank's structural units involved in risk management. The Chief Risk Officer ensures the regular provision of comprehensive and clear information to the Council of the Bank, the Risk Committee, the Board of the Bank, and the heads of the relevant structural units on the Group's overall risk profile, all material risks to which the Group is exposed, and the alignment of such risks with the risk management strategy.*

## ACCOUNTING AND PREPARATION OF FINANCIAL STATEMENTS

The Group has established an accounting framework designed to ensure that all accounting records are maintained in compliance with applicable regulatory requirements. This is achieved through the development and documentation of the Accounting Policy and related internal regulatory documents, which set out the manner in which transactions of the Bank and other commercial companies within the Group are recorded, recognised, controlled, measured and reported in the financial statements.

The Bank and other commercial companies within the Group prepare their financial statements in accordance with the applicable regulatory requirements of the Republic of Latvia and International Financial Reporting Standards, so as to provide a true and fair view of the Bank's and the Group's financial performance, financial position and cash flows.

## RISK MANAGEMENT

The purpose of establishing the Bank and the commercial companies within the Group, as with any commercial undertaking, is to generate income and profit through the provision of services to clients and cooperation with partners; however, their core activities are inherently exposed to risk. Risk management comprises a defined set of measures aimed at reducing the likelihood of the Group incurring losses or damage to its reputation, as well as ensuring the preservation of the value of the Group's assets.

The risk management process includes the identification and management of risks, including their measurement, assessment, control and risk reporting.

The risk management process within the Group is documented through the development and approval of appropriate strategies, policies, procedures, methodologies and other internal regulatory documents, which govern the processes required for the identification and management of all material risks inherent in the Group's activities, including risk measurement, assessment, control and risk reporting. These internal regulatory documents cover all areas of activity of the Bank and other commercial companies within the Group and define the roles, duties and responsibilities of employees, officers and responsible structural units involved in the identification and management of risks.

For the risks identified by the Bank as material to the Group's activities, the Bank develops, documents and implements appropriate risk management policies and control procedures, which define:

- The methods and frequency of risk measurement (for risks that can be quantified, such as credit risk and market risks) and risk assessment (for risks that cannot be quantified, such as reputational risk and strategic risk);

- The appropriate risk control procedures, including, in line with the Group's risk management strategy, the establishment of limits and restrictions on the maximum acceptable level of risk, risk mitigation methods, and control procedures aimed at mitigating non-quantifiable risks, taking into account the Group's lines of business, financial position, capital base, strategic objectives and other material factors;
- The arrangements under which the Council of the Bank, the Board of the Bank, the Chief Risk Officer, the heads of structural units, and the Risk Committee receive regular information on the risks inherent in the Group's activities, their levels and trends, the impact of risks on the capital level and capital adequacy of the Bank and the Group, as well as other information necessary for decision-making;
- The procedures for monitoring compliance with risk management policies and control procedures, including established restrictions and limits;
- The allocation of duties, powers and responsibilities in risk management, including the responsibility of structural units performing business functions to identify and manage the risks arising from their activities (*first line of defence*), the responsibility of the risk control function and the compliance control function to carry out further in-depth, independent and comprehensive identification, measurement, assessment, analysis and monitoring of the relevant risks, to regularly report to the Council of the Bank or the relevant Council-level committees (while ensuring that the Council of the Bank is always informed of the most material aspects), and to manage such risks within the scope of their respective functions (*second line of defence*), as well as the responsibility of the internal audit function to independently oversee the actions of the above-mentioned structural units of the Bank in the management of risks (*third line of defence*).
- The application of analytical methods appropriate to the nature and complexity of the Group's activities in the measurement, assessment and monitoring of material risks inherent in the Group's activities, including stress testing, which the Bank uses to assess both individual material risks and the interactions between risks.

For additional information on the Bank and the Group, including their operating results and information on the management of material risks, please refer to the financial statements and disclosure reports available on the Bank's website <https://www.bluorbank.lv/en/financial-information>.

*The Statement was approved at the meeting of the BluOr Bank AS Board on 17 December 2025.*