



BlueOrange

AS BLUEORANGE BANK
I Quarter
2018 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, Latvija).

The registered office of the Bank is at Smilšu iela 6, Rīga, LV-1050, Latvija.

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 resident within 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 managing the capital of individuals, providing clients with banking, investment and lending services.

BlueOrange Bank maintains a representative office and a worldwide network of partnerships, servicing clients in more than 90 countries. Product sales and client service through remote-access systems allow to operate quickly and

effortlessly regardless of the client's location.

The Group's consolidated and the Bank's separate financial statements for the 12 months of the year 2017 have been prepared in accordance with International Financial Reporting Standards adopted by the European Union, based on the principle of business continuity.

The audit was conducted by KPMG Baltics SIA, registration No. 40003235171, registered office: Vesetas iela 7, Rīga, LV-1013, Latvija.

This interim report has been prepared in accordance with the Financial and Capital Market Commission regulation No. 145 dated 15.09.2006, "Normative regulations on preparation of public quarterly reports by credit institutions", the Financial and Capital Market Commission regulation No. 83 dated 17.05.2018, "Amendments to normative regulations on preparation of public quarterly reports by credit institutions", and is intended for disclosing the Bank's financial standing and the results of its operations.

Amounts in financial statements are indicated in thousands of euros (EUR '000), unless specified otherwise.

Bankas akcionārs

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 March 2018

Name and surname	Position	Effective date of appointment
Aleksandrs Peškova	Chairman of the Council	22.06.2001
Sergejs Peškova	Member of the Council	22.06.2001
	Deputy Chairman of the Council	25.07.2002
Andrejs Kočetkova	Member of the Council	22.06.2001

The Board as of 31 March 2018

Name and surname	Position	Effective date of appointment
Dmitrijs Latiševa	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
Jānis Dubrovskis	Member of the Board	24.07.2017

Strategy and mission

BlueOrange Bank is an international bank that provides a wide range of financial services to individuals and businesses. Its private bankers and client service specialists are supported by a solid operations infrastructure with access to an extensive range of wealth management services, international network of partners, and representation at major business hubs throughout Europe and worldwide. The Bank operates efficiently and generates considerable operational income while keeping expenditures at a level that is competitive in Latvia. The Bank offers top-quality banking, investment, credit and financial services of the highest consumer value to high net worth private persons who want to trust us with their financial solutions and are interested in developing sustainable business relations.

The Bank provides high-quality banking products and services to its target clients. As a priority, the Bank develops lines of business that correspond to its commercial model and core competencies, allowing it to leverage its strengths on highly competitive markets while taking on acceptable levels of risk.

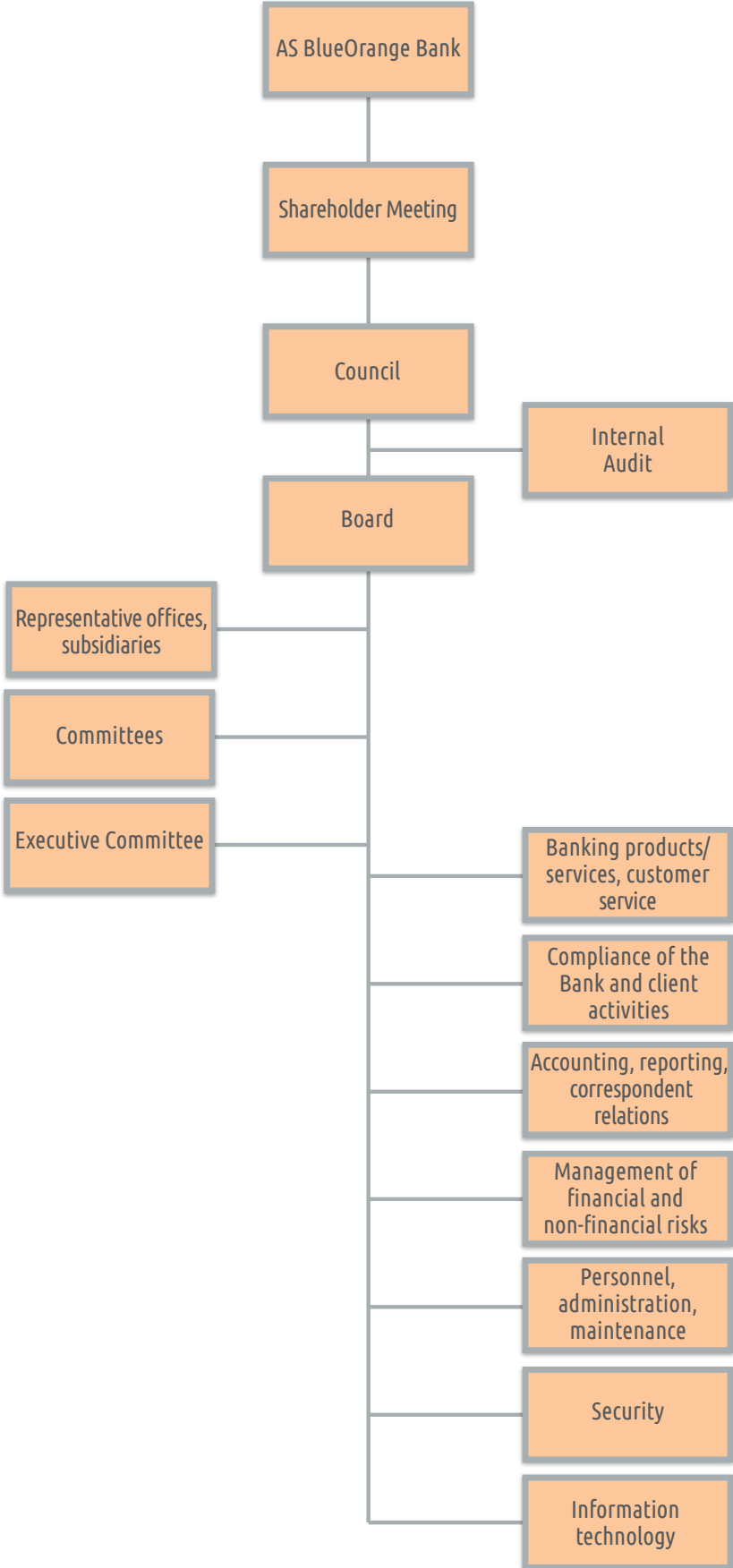
The long-term business priorities of BlueOrange Bank are banking, investment service, and lending.

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

- ✓ Individuals, medium-sized and large companies that require a wide range of services for capital and asset management;
- ✓ Corporate entities and merchants engaged in international trade and services;
- ✓ Financial organisations and institutional investors that require highly professional service for settlement and financial market operations.

Along with increasing awareness and becoming an international financial platform, the Bank is gradually starting to offer its services to a much wider group of clients.

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		100%	MTM
3.	SIA "Blueorange International"	40003444941	LV	Mazā Pils iela 13, Rīga, LV-1050, Latvija	BNK	100%	MS
4.	SIA „CityCap Service”	40003816087	LV	Kr.Valdemara 149, Rīga, LV-1013, Latvija	CFI	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.	Enarlia International Inc.	№ 113,273	BZ	Suite 102, Ground Floor, Blake Building, Corner Eyre & Huston Streets, Belize City, Belize	PLS	100%	MMS
15.	Kamaly Development UAB	№300558022	LT	Klaipėdos m. sav. Klaipėdos m., Karklu g. 12, Lithuania	PLS	100%	MS
16.	Jēkaba 2 SIA	№ 40103293621	LV	Jēkaba 2, Rīga, LV-1050, Latvija.	PLS	100%	MS
17.	Blueorange-UK Limited	9690775, England and Wales (Anglija un Velsa)	GB	55 Park Lane - Suite 14, London W1 1NR, Great Britain	PLS	100%	MMS

** 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

In its activities, BlueOrange Bank pays great attention to risk identification and management. The Bank considers the following risks to be substantial for its operations:

- ✓ Credit risk;
- ✓ Market risks (securities price risk, interest rate risk in the non-trading portfolio, currency risk);
- ✓ Liquidity risk;
- ✓ Operational risk;
- ✓ Compliance risk, including the money laundering and terrorist financing risk;
- ✓ Reputational, strategy and business risks.

The Bank's risk management principles are laid out in its risk management policies, which have been approved and supervised by the Council of the Bank. The risk management policies define qualitative and quantitative criteria for identification of risks related to the Bank's activities, risk management and control elements, the procedure for making decisions on risky transactions, limits and other measures for risk mitigation and minimisation, and the obligations of the accountable structural divisions with regard to controlling risky transactions. The Board of the Bank is in charge of establishing, implementing, managing

and enhancing internal controls in line with risk management policies specified by the Council of the Bank. The Bank has assigned an employee accountable for risk management, Chief Risk Officer (CRO), who is in charge of the risk control function within the institution, monitoring the risk management system, and coordinating all structural divisions of the Bank involved in risk management. Enforcement of the policies is supervised by the Bank's internal control units:

- ✓ Internal Audit;
- ✓ Financial Analysis and Financial Risk Management Department;
- ✓ Operational Risk Management Department;
- ✓ Client Activity Compliance Department;
- ✓ Compliance Control Department.

During the reporting period, BlueOrange Bank had no significant changes in risk management. Information about risk management is provided in the [Bank's annual reports](#) and the [Internal 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 31.03.2018 Non-audited	Consolidated group in the reporting period 31.03.2018 Non-audited	Credit institution in the corresponding period of the previous reporting year 31.03.2017 Non-audited	Consolidated group in the corresponding period of the previous reporting year 31.03.2017 Non-audited
1	Interest income	2 937	3 260	2 830	2 956
2	Interest expenses (-)	-1 309	-1 405	-870	-1 006
3	Dividend income	0	0	0	0
4	Fee and commission income	5 229	5 229	4 299	4 298
5	Fee and commission expenses (-)	-1 272	-1 272	-1 302	-1 302
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 (+/-)	6 377	6 377	2 246	2 246
8	Net profit/loss from risk mitigation accounting (+/-)	0	0	0	0
9	Net profit/loss from difference in foreign currency rates (+/-)	46	41	16	12
10	Net profit/loss from derecognition of non-financial assets (+/-)	0	0	0	0
11	Other income	208	309	68	129
12	Other expenses (-)	-658	-613	-564	-449
13	Administrative expenses (-)	-4 196	-4 389	-4 251	-4 564
14	Depreciation (-)	-208	-452	-108	-144
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 (-/+)	18	18	0	0
17	Impairment or reversal of impairment (-/+)	125	125	-521	-521
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 (+/-)	7 297	7 228	1 843	1 655
22	Corporate income tax	0	0	-100	-100
23	Profit/loss for reporting period (+/-)	7 297	7 228	1 743	1 555
24	Other comprehensive income for reporting period (+/-)	113	113	39	39

Balance overview

EUR'000

No.	Item	Credit institution in the reporting period 31.03.2018 Non-audited	Consolidated group in the reporting period 31.03.2018 Non-audited	Credit institution in the previous reporting year 31.12.2017. Audited	Consolidated group in the previous reporting year 31.12.2017. Non-audited
1	Cash and on-demand claims on central banks	192,255	192,256	233,803	233,803
2	On-demand claims on credit institutions	104,909	104,955	112,495	112,523
3	Financial assets measured at fair value through profit or loss	28,960	28,960	8,769	8,769
4	Financial assets measured at fair value through other comprehensive income	38,985	38,985	54,461	54,461
5	Financial assets measured at amortised cost	218,358	254,754	198,042	234,185
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	31,508	827	31,138	827
9	Tangible assets	6,561	32,185	6,818	31,387
10	Intangible assets	1,274	1,274	1,321	1,322
11	Tax assets	501	501	317	317
12	Other assets	22,390	22,523	13,221	13,360
13	Non-current assets and disposal groups classified as held for sale	0	0	610	610
14	Total assets (1+....+13)	645,701	677,220	660,995	691,564
15	Liabilities to central banks	0	0	0	0
16	Liabilities on-demand to credit institutions	863	863	1,428	1,428
17	Financial liabilities measured at fair value through profit or loss	3	3	232	232
18	Financial liabilities measured at amortised cost	575,064	592,091	596,424	612,085
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	263	262	0	0
22	Tax liabilities	0	6	0	6
23	Other liabilities	3,547	4,289	2,885	3,974
24	Liabilities in disposal groups classified as held for sale	0	0	0	0
25	Total liabilities (15+...+24)	579,740	597,514	600,969	617,725
26	Capital and reserves	65,961	79,706	60,026	73,839
27	Total capital and reserves and liabilities (25+26)	645,701	677,220	660,995	691,564
28	Off-balance items	61,099	61,090	66,201	66,189
29	Potential liabilities	11,065	11,065	12,759	12,759
30	Off-balance liabilities to clients	50,034	50,025	53,442	53,430

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.)	77 639	88 790
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	58 505	69 709
1.1.1.	Common Equity Tier 1	58 505	69 709
1.1.2.	Additional Tier 1		
1.2.	Tier 2 capital	19 133	19 081
2.	Total risk exposure amount	389 667	400 638
2.1.	Risk-weighted exposure amount for credit risk, counterparty credit risk, dilution risk and free deliveries	322 313	332 109
2.2.	Total risk exposure amount for settlement/delivery risks		
2.3.	Total risk exposure amount for position, foreign exchange and commodity risks	9 802	9 966
2.4.	Total risk exposure amount for operational risks	57 542	58 553
2.5.	Total risk exposure amount for credit valuation adjustment	10	10
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)	15.01%	17.40%
3.2.	Common Equity Tier 1 surplus (+)/ deficit (-) (1.1.1.-2.*4.5%)	40 970	51 681
3.3.	Tier 1 capital ratio (1.1./2.*100)	15.01%	17.40%
3.4.	Tier 1 capital surplus (+)/ deficit (-) (1.1.-2.*6%)	35 125	45 671
3.5.	Total capital ratio (1./2.*100)	19.92%	22.16%
3.6.	Total capital surplus (+)/ deficit (-) (1.-2.*8%)	46 465	56 739
4.	Total capital reserve requirement (4.1.+4.2.+4.3.+4.4.+4.5.+4.6.)	10 041	10 318
4.1.	Capital preservation reserve	9 742	10 016
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	78	80
4.4.	Systemic risk capital reserve	222	222
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.	15.01%	17.40%
5.3.	Tier 1 capital ratio with an adjustment amount specified in row 5.1.	15.01%	17.40%
5.4.	Total capital ratio with an adjustment amount specified in row 5.1.	19.92%	22.16%

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	76 239	87 390
1.1.A	Tier 1 capital as if IFRS 9 transitional arrangements were not applied	57 105	68 309
1.1.1.A	Common Equity Tier 1 as if IFRS 9 transitional arrangements were not applied	57 105	68 309
2.A	Total risk exposure amount as if IFRS 9 transitional arrangements were not applied	385 250	399 749
3.1.A	Common Equity Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	14.82%	17.09%
3.3.A	Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	14.82%	17.09%
3.5.A	Total capital ratio as if IFRS 9 transitional arrangements were not applied	19.79%	21.86%

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	259 814	259 815
2	Net cash outflows	158 234	157 636
3	Liquidity coverage ratio (%)	164.00%	165.00%

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	11			11
Financial assets measured at amortised cost	1,080	9	3,889	4,978
Potential liabilities	69			69
Off-balance liabilities to clients	194			194
Total	1,354	9	3,889	5,252

Performance indicators of the credit institution

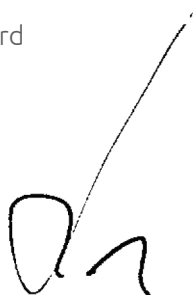
Item	Credit institution in the reporting period 31.03.2018	Consolidated group in the reporting period 31.03.2018	Credit institution in the corresponding period of the previous reporting year 31.03.2017	Consolidated group in the corresponding period of the previous reporting year 31.03.2017
Return on equity (ROE) (%)	46.80%	37.70%	11.70%	8.90%
Return on assets (ROA) (%)	4.1%	4.2%	1.0%	0.9%

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	30,092	22		30,114	5 973
<i>incl. central governments</i>	<i>29,705</i>	<i>16</i>		<i>29,721</i>	<i>5 973</i>
Austria	23,505	89		23,594	
Latvia	15,165	83	-28	15,220	9 920
<i>incl. central governments</i>	<i>12,023</i>	<i>39</i>		<i>12,062</i>	<i>7 948</i>
Portugal	11,156	369		11,525	10 791
<i>incl. central governments</i>	<i>11,156</i>	<i>369</i>		<i>11,525</i>	<i>10 791</i>
Spain	10,129	25		10,155	10 180
<i>incl. central governments</i>	<i>10,129</i>	<i>25</i>		<i>10,155</i>	<i>10 180</i>
Russia	8,957	115	-37	9,035	5 076
Other countries	20,103	291	-24	20,369	10 190
<i>incl. central governments</i>	<i>7,332</i>	<i>62</i>		<i>7,394</i>	
TOTAL	119,107	994	-89	120,012	52 130

Dmitrijs Latiševs
Chairman of the Board
CEO



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