



BlueOrange

AS BLUEORANGE BANK  
II Quarter  
2019 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 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

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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 30 June 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 Kočetskova	Member of the Council	22.06.2001

## The Board as of 30 June 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

# 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.

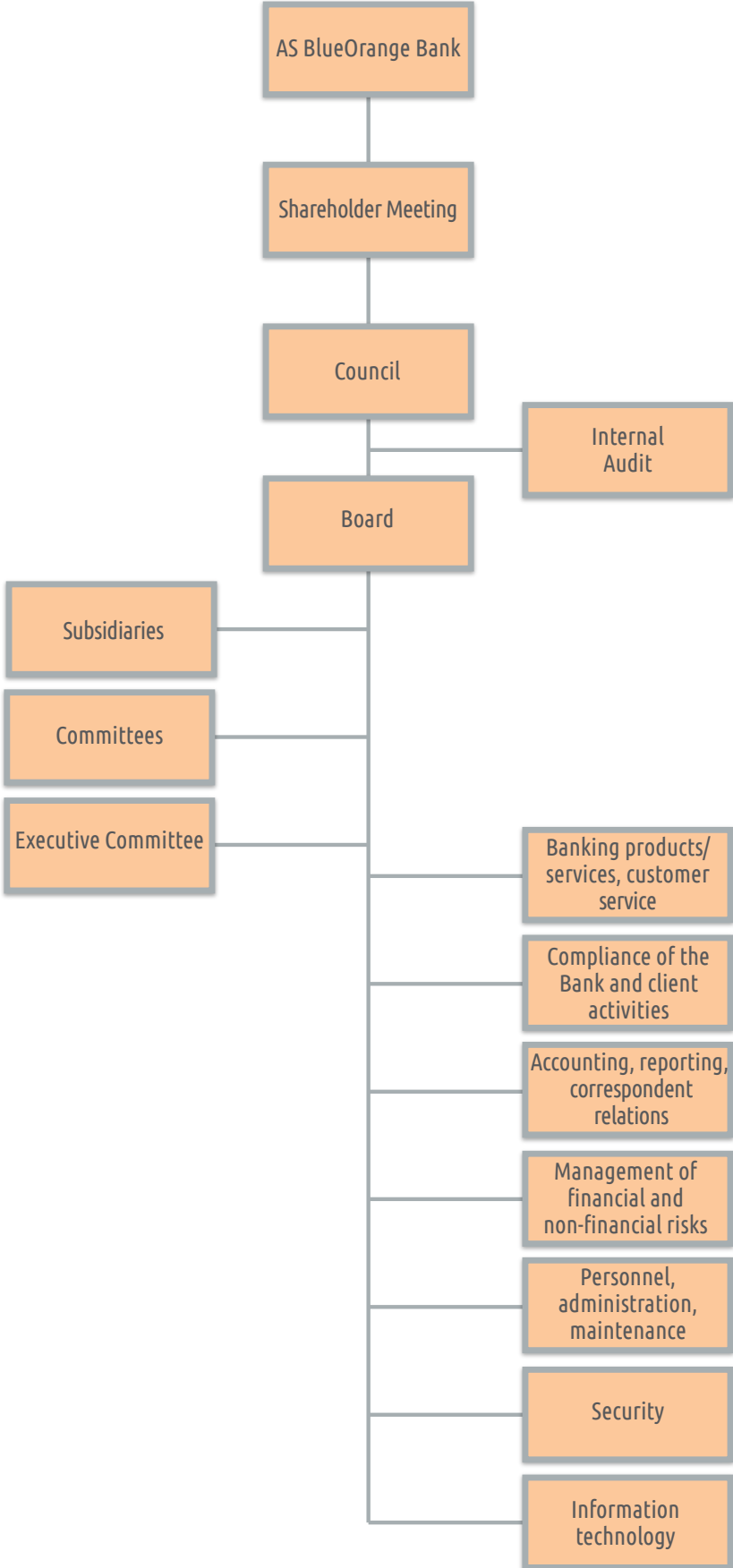
The target client base of the Bank is aligned to its key development goals:

- ✓ 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	CFI	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.	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

\*\* 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 30.06.2019 Non-audited	Consolidated group in the reporting period 30.06.2019 Non-audited	Credit institution in the corresponding period of the previous reporting year 30.06.2018 Non-audited	Consolidated group in the corresponding period of the previous reporting year 30.06.2018 Non-audited
1	Interest income	7,849	8,198	5,585	5,949
2	Interest expenses (-)	-3,563	-3,514	-2,978	-3,171
3	Dividend income	118	118	1	1
4	Fee and commission income	6,278	6,274	10,656	10,655
5	Fee and commission expenses (-)	-1,072	-1,072	-2,479	-2,479
6	Net profit/loss from derecognition of financial assets and financial liabilities not measured at fair value through profit or loss (+/-)	0	0	74	74
7	Net profit/loss from financial assets and financial liabilities measured at fair value through profit or loss (+/-)	1,559	1,558	7,297	7,297
8	Net profit/loss from risk mitigation accounting (+/-)	0	0	0	0
9	Net profit/loss from difference in foreign currency rates (+/-)	-30	-30	13	18
10	Net profit/loss from derecognition of non-financial assets (+/-)	0	0	0	0
11	Other income	305	628	427	555
12	Other expenses (-)	-949	-1,025	-1,103	-1,038
13	Administrative expenses (-)	-5,527	-5,884	-9,881	-10,074
14	Depreciation (-)	-805	-953	-426	-1,005
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 (-/+)	72	72	176	176
17	Impairment or reversal of impairment (-/+)	77	77	-570	-570
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
<b>21</b>	<b>Profit/loss before corporate income tax (+/-)</b>	<b>4,312</b>	<b>4,447</b>	<b>6,792</b>	<b>6,388</b>
22	Corporate income tax	-2	-2	-5	-4
<b>23</b>	<b>Profit/loss for reporting period (+/-)</b>	<b>4,310</b>	<b>4,445</b>	<b>6,787</b>	<b>6,384</b>
24	Other comprehensive income for reporting period (+/-)	294	313	83	83

# Balance overview

EUR'000

No.	Item	Credit institution in the reporting period 30.06.2019 Non-audited	Consolidated group in the reporting period 30.06.2019 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	58,049	58,049	78,815	78,815
2	On-demand claims on credit institutions	38,221	38,255	42,303	42,335
3	Financial assets measured at fair value through profit or loss	14,638	9,616	17,869	12,822
4	Financial assets measured at fair value through other comprehensive income	28,546	28,546	35,347	35,347
5	Financial assets measured at amortised cost	266,982	285,823	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	31,709	827	31,630	827
9	Tangible assets	18,490	30,485	6,508	31,218
10	Intangible assets	994	995	1,189	1,189
11	Tax assets	7	10	361	364
12	Other assets	11,566	11,215	9,861	9,904
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>469,202</b>	<b>463,821</b>	<b>479,336</b>	<b>486,947</b>
15	Liabilities to central banks	0	0	0	0
16	Liabilities on-demand to credit institutions	1,894	1,894	1,717	1,717
17	Financial liabilities measured at fair value through profit or loss	162	162	0	0
18	Financial liabilities measured at amortised cost	384,724	393,816	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	124	124	200	860
22	Tax liabilities	0	0	0	0
23	Other liabilities	14,116	1,842	2,673	2,736
24	Liabilities in disposal groups classified as held for sale	0	0	0	0
<b>25</b>	<b>Total liabilities (15+...+24)</b>	<b>401,020</b>	<b>397,838</b>	<b>413,359</b>	<b>425,720</b>
26	Capital and reserves	68,182	65,983	65,977	61,227
<b>27</b>	<b>Total capital and reserves and liabilities (25+26)</b>	<b>469,202</b>	<b>463,821</b>	<b>479,336</b>	<b>486,947</b>
<b>28</b>	<b>Off-balance items</b>	<b>70,207</b>	<b>70,207</b>	<b>73,371</b>	<b>73,366</b>
29	Potential liabilities	551	551	5,686	5,686
30	Off-balance liabilities to clients	69,656	69,656	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
<b>1</b>	<b>Equity (1.1.+1.2.)</b>	<b>72,822</b>	<b>68,089</b>
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	60,612	55,879
1.1.1.	Common Equity Tier 1	60,612	55,879
1.1.2.	Additional Tier 1		
1.2.	Tier 2 capital	12,210	12,210
<b>2.</b>	<b>Total risk exposure amount</b>	<b>419,454</b>	<b>413,495</b>
2.1.	Risk-weighted exposure amount for credit risk, counterparty credit risk, dilution risk and free deliveries	339,733	338,715
2.2.	Total risk exposure amount for settlement/delivery risks		
2.3.	Total risk exposure amount for position, foreign exchange and commodity risks	21,870	16,409
2.4.	Total risk exposure amount for operational risks	57,851	58,371
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)	14.45%	13.51%
3.2.	Common Equity Tier 1 surplus (+)/ deficit (-) (1.1.1.-2.*4.5%)	41,736	37,272
3.3.	Tier 1 capital ratio (1.1./2.*100)	14.45%	13.51%
3.4.	Tier 1 capital surplus (+)/ deficit (-) (1.1.-2.*6%)	35,444	31,070
3.5.	Total capital ratio (1./2.*100)	17.36%	16.47%
3.6.	Total capital surplus (+)/ deficit (-) (1.-2.*8%)	39,265	35,010
<b>4.</b>	<b>Total capital reserve requirement (4.1.+4.2.+4.3.+4.4.+4.5.+4.6.)</b>	<b>11,392</b>	<b>11,533</b>
4.1.	Capital preservation reserve	10,486	10,337
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	713	993
4.4.	Systemic risk capital reserve	193	203
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.	14.45%	13.51%
5.3.	Tier 1 capital ratio with an adjustment amount specified in row 5.1.	14.45%	13.51%
5.4.	Total capital ratio with an adjustment amount specified in row 5.1.	17.36%	16.47%

## 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	70,987	66,255
1.1.A	Tier 1 capital as if IFRS 9 transitional arrangements were not applied	58,777	54,045
1.1.1.A	Common Equity Tier 1 as if IFRS 9 transitional arrangements were not applied	58,777	54,045
2.A	Total risk exposure amount as if IFRS 9 transitional arrangements were not applied	417,616	411,656
3.1.A	Common Equity Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	14.07%	13.13%
3.3.A	Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	14.07%	13.13%
3.5.A	Total capital ratio as if IFRS 9 transitional arrangements were not applied	17.00%	16.09%

# 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	119,186	119,186
2	Net cash outflows	53,523	52,702
3	Liquidity coverage ratio (%)	223%	226%

# 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	14			14
Financial assets measured at amortised cost	856	989	4,672	6,517
Potential liabilities	8			8
Off-balance liabilities to clients	113		3	116
Total	991	989	4,675	6,655

# Performance indicators of the credit institution

Item	Credit institution in the reporting period 30.06.2019	Consolidated group in the reporting period 30.06.2019	Credit institution in the corresponding period of the previous reporting year 30.06.2018	Consolidated group in the corresponding period of the previous reporting year 30.06.2018
Return on equity (ROE) (%)	12.90%	13.90%	21.20%	21.40%
Return on assets (ROA) (%)	1.70%	1.90%	2.00%	2.00%



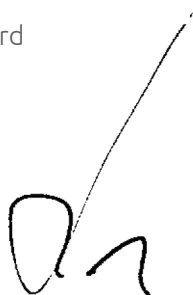
# Security investments

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	25,947	77	-10	26,014	8,977
<i>incl. central governments</i>	<i>23,002</i>	<i>1</i>	<i>-3</i>	<i>23,001</i>	<i>6,009</i>
Latvia	22,130	238	-13	22,354	8,216
<i>incl. central governments</i>	<i>16,059</i>	<i>177</i>	<i>-3</i>	<i>16,233</i>	<i>7,721</i>
Portugal	10,681	80	-15	10,746	10,771
<i>incl. central governments</i>	<i>10,681</i>	<i>80</i>	<i>-15</i>	<i>10,746</i>	<i>10,771</i>
Spain	10,080	35	-8	10,107	10,158
<i>incl. central governments</i>	<i>10,080</i>	<i>35</i>	<i>-8</i>	<i>10,107</i>	<i>10,158</i>
Other countries	29,359	325	-127	29,558	17,928
<i>incl. central governments</i>	<i>3,005</i>	<i>29</i>	<i>-8</i>	<i>3,026</i>	<i>1,032</i>
<b>TOTAL</b>	<b>98,197</b>	<b>755</b>	<b>-173</b>	<b>98,779</b>	<b>56,050</b>

Dmitrijs Latiševs  
Chairman of the Board  
CEO



## Contact details

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