

The background of the cover is a composite image with a blue tint. It includes a calculator keypad with buttons like '9', '6', '3', '2', '0', and '3'. A clock face is visible with numbers like '11', '12', '12', and '80'. A bar chart with several vertical bars is also present. The overall theme is financial and analytical.

BlueOrange

AS BLUEORANGE BANK

IV Quarter 2017 Interim Report

(translated from Latvian)

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Background

AS BlueOrange Bank (formerly Baltikums Bank AS) (hereinafter referred to as BlueOrange Bank or the Bank) is a credit institution regulated by the Finance and Capital Markets Commission (Kungu iela 1, Rīga, LV-1050, Latvija) and registered with the Register of Enterprises of the Republic of Latvia on 22 June 2001, registration No. 4000351060.

The registered office 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.

Its 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, banking, investment and lending services.

BlueOrange Bank maintains representative office and a worldwide network of partnerships, servicing clients in more than 90 countries. Product sales and client service leverage remote-access systems 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 2016 have been prepared in accordance with International Financial Reporting Standards adopted by the European Union, on a going concern basis.

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 Financial and Capital Market Commission regulation No. 145, "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.

Share capital of the Bank

The sole 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 2017

Name and surname	Position	Date appointed
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 December 2017

Name and surname	Position	Date appointed
Dmitrijs Latiševa	Member of the Board	01.07.2002
	Chairman of the Board	25.04.2003
	Deputy 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, an 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 banking, investment, and financing services of the highest quality and 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.

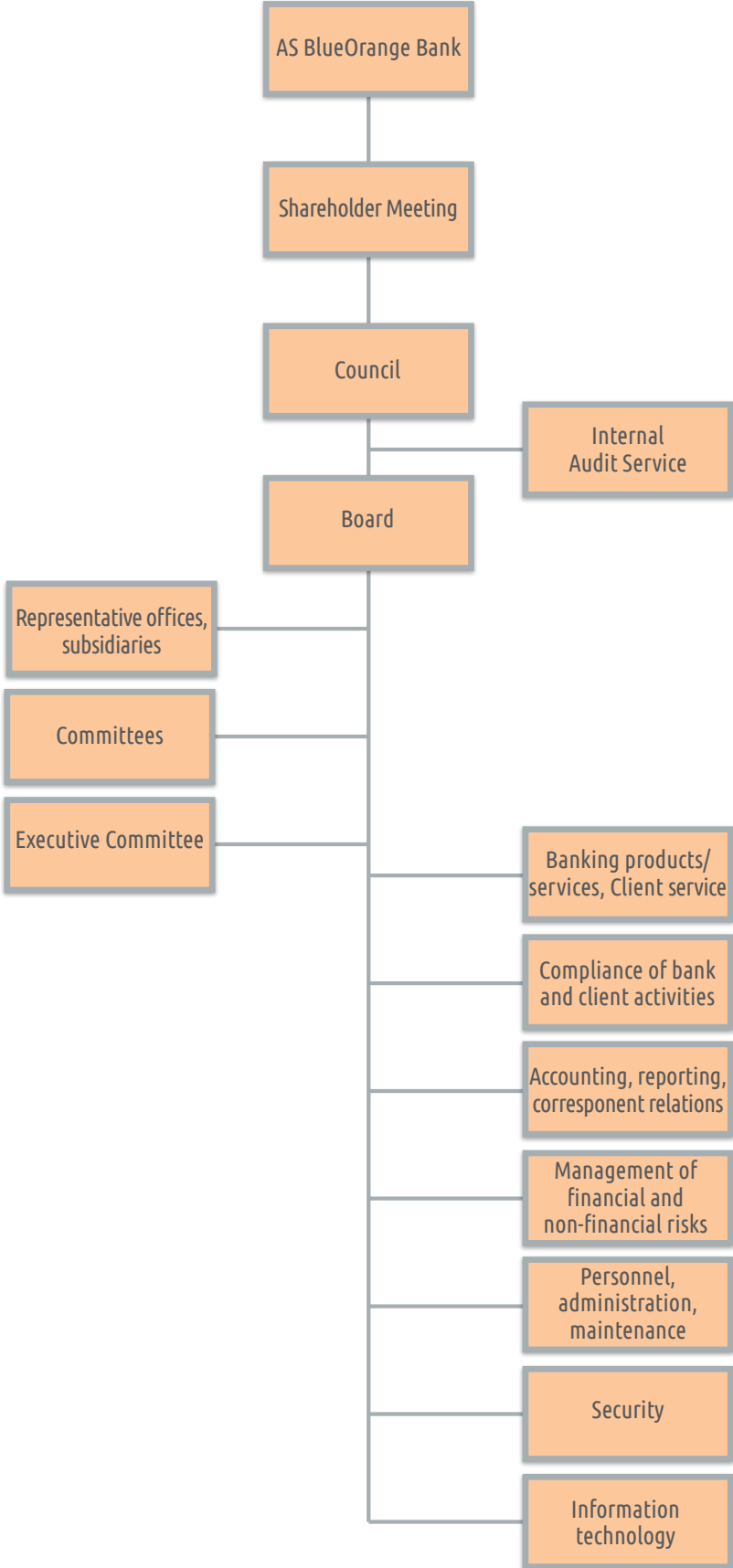
The Bank's long-term business priorities are banking, investment service, and lending.

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.

Bank Structure



Consolidated Group Companies

No.	Name of company	Registration number	Registration location code	Registration address	Type of activities*	Interest in share capital (%)/ Voiting shares (%)	PBasis for inclusion in the group**
1.	"BBG" AS	40003234829	LV	Mazā Pils iela 13, Rīga, LV-1050, Latvia	FPS		MT
2.	AS BlueOrange Bank AS	40003551060	LV	Smilšu iela 6, Rīga, LV-1050, Latvia	BNK	100%	MTM
3.	SIA "Blueorange International"	40003444941	LV	Mazā Pils iela 13, Rīga, LV-1050, Latvia	CFI	100%	MS
4.	SIA „CityCap Service”	40003816087	LV	Kr.Valdemāra iela 149, Rīga, LV-1013, Latvia	PLS	100%	MS
5.	SIA „ZapDvina Development”	40003716809	LV	Kr.Valdemāra iela149, Rīga, LV-1013, Latvia	PLS	100%	MS
6.	Kamaly Development EOOD	147093418	BG	Etiera k-s 1/2B - 18, Sveti Vlas, Burgas obl., Nesebier 8256, Bulgaria	PLS	100%	MMS
7.	Mateli Estate SIA	50103482941	LV	Kr. Valdemāra iela 149-405, Rīga, LV-1013, Latvia	PLS	100%	MS
8.	Darziems Entity SIA	40103492740	LV	Kr. Valdemāra iela 149-405, Rīga, LV-1013, Latvia	PLS	100%	MS
9.	Mazirbe Estate SIA	40103492721	LV	Kr. Valdemāra iela 149-405, Rīga, LV-1013, Latvia	PLS	100%	MS
10.	Lielie Zaķi SIA	40103493765	LV	Kr. Valdemāra iela 149-405, Rīga, LV-1013, Latvia	PLS	100%	MS
11.	Pulkarne Entity SIA	40103481018	LV	Kr. Valdemāra iela 149-405, Rīga, LV-1013, Latvia	PLS	100%	MS
12.	Pils Pakalpojumi SIA	40103170308	LV	Smilšu iela 6, Rīga, LV-1050, Latvia	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 iela 2, Rīga, LV-1050, Latvia	PLS	100%	MS
17.	Blueorange-UK Limited	9690775, England and Wales	GB	55 Park Lane - Suite 14, London W1 1NR, Great Britain	PLS	100%	MMS

* FPS – financial management company; BNK – credit institution; CFI – other financial institution; PLS – auxiliary service company.

** MS – subsidiary company; MMS – subsidiary of subsidiary company; MT – parent company; MTM – subsidiary of parent company.

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 money laundering and terrorist financing risk;
- ✓ Reputational risk, strategy and business risk.

The Bank's risk management principles are laid out in its risk management policies, which have been approved and supervised by its Council. 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 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 the risk management policies

specified by the Council of the Bank. The Bank has assigned an employee accountable for risk management, the 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 [annual reports](#) and the [Internal Capital Adequacy Assessment Report](#) on the Bank's website.

Profit and Loss Account

Item	EUR'000	
	31.12.2017 Non-Audited	31.12.2016 Audited
Interest income	10 850	11 103
Interest expenses	-3 835	-3 159
Dividend income	2	2
Fee and commission income	17 021	23 286
Fee and commission expenses	-4 985	-7 905
Net realised profit/loss from financial assets and financial liabilities appraised at amortised purchase cost	0	0
Net realised profit/loss from available-for-sale assets	0	1 958
Net profit/loss from held-for-trading financial assets and financial liabilities	473	584
Net profit/loss from financial assets and financial liabilities classified as appraised at fair value in the profit/loss account	0	0
Changes in fair value in risk mitigation accounting	0	0
Profit/loss from trading and revaluing foreign currencies	7 886	7 380
Profit/loss from discontinuing recognition of property, equipment, investment properties and intangible assets	0	0
Other income	709	278
Other expenses	-2 051	-2 053
Administrative expenses	-16 964	-15 748
Depreciation	-665	-327
Net result of creating reserves	-2 386	-7 727
Recovery of writeoffs	1	2
Profit before corporate income tax	6 056	7 674
Corporate income tax	-1 225	137
Profit for reporting period	4 831	7 811

Balance Overview

	<i>EUR'000</i>	
Item	31.12.2017 Non-Audited	31.12.2016 Audited
Cash and on-demand claims on central banks	233 803	153 865
On-demand claims on credit institutions	112 495	118 847
Financial assets held for sale	8 372	3 045
Financial assets classified as carried at fair value through profit or loss	397	0
Financial assets available for sale	54 461	68 998
Loans and claims, including interbank loans	166 507	177 214
Investments held to maturity	31 535	82 786
Changes in fair value of risk-hedged portfolio	0	0
Accrued income and expenses for subsequent periods	287	221
Fixed assets	5 463	4 928
Investment properties	1 355	2 527
Intangible assets	1 321	1 214
Investment in the stock capital of related and associated companies	31 138	19 085
Tax assets	317	1 057
Other assets	13 544	17 705
Total assets	660 995	651 492
Due to central banks	0	0
Due on-demand to credit institutions	1 428	3 504
Financial liabilities held for trading	232	136
Financial liabilities classified as carried at fair value through profit or loss	0	0
Financial liabilities carried at amortised purchase cost	596 424	585 240
Financial liabilities due to transfer of financial assets	0	0
Liabilities due to changes in the fair value of interest-hedged portfolio	0	0
Accrued expenses and income for subsequent periods	1 126	987
Reserves	0	0
Tax liabilities	0	0
Other liabilities	1 759	2 553
Total liabilities	600 969	592 420
Capital and reserves	60 026	59 072
Total capital, reserves and liabilities	660 995	651 492
Off-balance items		
Potential liabilities	12 759	98
Off-balance liabilities to clients	53 442	55 361

Equity and Capital Adequacy Calculation Overview

EUR'000

No.	Item	COREP item	Reporting period
1	Equity (1.1.+1.2.)	C 01.00 1	73 927
1.1.	Tier I capital (1.1.1.+1.1.2.)	C 01.00 1.1.	53 394
1.1.1.	Tier I fixed capital	C 01.001.1.1.	53 394
1.1.2.	Tier I added capital	C 01.00 1.1.2.	0
1.2.	Tier II capital	C 01.00 1.2.	20 533
2.	Total value of risky transactions (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	C 02.00 1.	421 692
2.1.	Total risk-weighted value of risky transactions for credit risk, counterparty credit risk, recovered value reduction risk and unpaid delivery risk	C 02.00 1.1.	349 358
2.2.	Total value of risky transactions for settlements/deliveries	C 02.00 1.2.	0
2.3.	Total value of risky transactions for position risk, currency risk, goods risk	C 02.00 1.3.	13 769
2.4.	Total value of risky transactions for operational risk	C 02.00 1.4.	58 549
2.5.	Total value of risky transactions for loan value adjustment	C 02.00 1.6.	16
2.6.	Total value of risky transactions related to large risky transactions in the trading portfolio	C 02.00 1.7.	0
2.7.	Value of other risky transactions	C 02.00 1.8.	0
3.	Capital indicators and capital levels		
3.1.	Tier I fixed capital indicator (1.1.1./2.*100)	C 03.00 1.	12.66
3.2.	Tier I fixed capital surplus (+)/ deficit(-) (1.1.1.-2.*4.5%)	C 03.00 2.	34 418
3.3.	Tier I capital indicator (1.1./2.*100)	C 03.00 3.	12.66
3.4.	Tier I capital surplus (+)/deficit (-) (1.1.-2.*6%)	C 03.00 4.	28 093
3.5.	Total capital indicator (1./2.*100)	C 03.00 5.	17.53
3.6.	Total capital surplus (+)/ deficit (-) (1.-2.*8%)	C 03.00 6.	40 192
4.	Total capital reserve requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	C 04.00 27.	2.50
4.1.	Capital preservation reserve (%)		2.50
4.2.	Institution-specific counter-cyclical capital reserve (%)		-
4.3.	Systemic risk capital reserve (%)		1*
4.4.	Systemically important institution capital reserve (%)		-
4.5.	Other systemically important institution capital reserve (%)		-
5.	Capital indicators with adjustment		
5.1.	Adjustment for reserve or asset value with special policy for capital adequacy purposes	C 04.00 28.	-
5.2.	Tier I fixed capital indicator with adjustment specified in row 5.1	C 03.00 7.	12.66
5.3.	Tier I capital indicator with adjustment specified in row 5.1	C 03.00 9.	12.66
5.4.	Total capital indicator with adjustment specified in row 5.1	C 03.00 11."	17.53

* Systemic risk capital reserve of 1% for risk-bearing transactions with residents of Estonia; not included in the overall capital reserve requirement calculation.

Liquidity Indicator Calculation

EUR'000

No.	Item	Reporting period
1.	Liquid assets (1.1.+1.2.+1.3.+1.4.)	341 026
1.1.	Cash	1 302
1.2.	Demands on the Bank of Latvia	232 501
1.3.	Demands on solvent credit institutions	112 597
1.4.	Liquid securities	81 806
2.	Current obligations with less than 30 days to maturity (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	558 954
2.1.	Obligations to credit institutions	1 428
2.2.	Deposits	501 128
2.3.	Issued bonds and notes	0
2.4.	Cash in transit	0
2.5.	Other obligations	2 956
2.6.	Off-balance obligations	53 442
3.	Liquidity ratio (1.:2.) (%)	76.61%
4.	Minimum liquidity indicator	30%

Performance Indicators

Item	31.12.2017 Non-Audited	31.12.2016 Audited
Return on equity (ROE) (%)	8.09	13.70
Return on assets (ROA) (%)	0.8	1.1

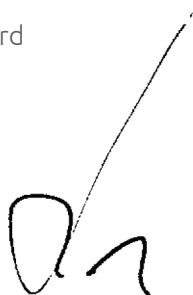
Securities Investments

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

EUR'000

Issuer's country	Value	Coupon	Savings	Subtotal	Market value of financial instruments held to maturity	Depreciation recognised in accounts of financial instruments available for sale
Lithuania	23 740	9	0	23 750	0	-7
<i>incl. central governments</i>	<i>23 740</i>	<i>9</i>	<i>0</i>	<i>23 750</i>	<i>0</i>	<i>0</i>
Russia	16 894	255	0	17 149	14 070	0
Germany	12 520	51	0	12 571	0	-7
Latvia	8 124	68	0	8 193	2 030	-15
<i>incl. central governments</i>	<i>4 068</i>	<i>14</i>	<i>0</i>	<i>4 082</i>	<i>0</i>	<i>0</i>
Other countries	31 926	444	0	32 369	15 312	-17
<i>incl. central governments</i>	<i>2 000</i>	<i>1</i>	<i>0</i>	<i>2 001</i>	<i>0</i>	<i>0</i>
TOTAL	93 204	827	0	94 032	31 412	-46

Dmitrijs Latiševs
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CEO



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