JSC DEVELOPMENT FINANCE INSTITUTION ALTUM

UNAUDITED INTERIM CONDENSED
REPORT OF THE GROUP
FOR 12 MONTHS PERIOD ENDED DECEMBER 31, 2017

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REPORT OF THE BOARD OF DIRECTORS

Activity during Reporting Period

During 12 months of year 2017 the Group made a profit of EUR 0.9 mln. As at year-end of 2017 the Group attained the crucial increase of the guarantee portfolio stipulated by the Group's Medium-term Operational Strategy for Years 2016–2018 (+40% increase against year 2015) with the guarantee portfolio now being slightly behind the portfolio of direct loans.

Key Financial Data, Operational Volumes and Results

Key financial data	2017	2016
	(Unaudited)	*(Audited)*
Net income from interest, fees and commission (tEUR)	11,613	11,024
Profit (period) (tEUR)	945	2,170
Cost to income ratio (CIR)	81.58%	88.4%
Employees	230	242
Total assets (tEUR)	452,613	443,126
Tangible common equity (TCE)/total tangible managed assets (TMA)	34.1%	35.2%
Equity and reserves (tEUR)	216,378	210,094
Total risk coverage (tEUR):	68,938	67,705
Risk coverage reserve	63,753	64,833
Risk coverage reserve used for provisions	-4,510	-4,323
Portfolio loss reserve (specific reserve capital)	9,695	7,195
Liquidity ratio for 180 days	529.82%	449.3%
Financial instruments (gross value)		
Outstanding (tEUR) (by financial instrument)		
Loans	207,585	217,429
Guarantees	185,173	147,175
Venture capital	52,101	58,541
Total	**444'859**	**423,145**
Number of contracts	14,402	11,449
Volumes granted (tEUR) (by financial instrument)		
Loans	51,869	59,465
Guarantees	68,615	56,109
Venture capital	2,638	21,356
Total	**123,122**	**136,929**
Number of contracts	4,697	4,461
Leverage for raised private funding	**186%**	**162%**

The data are explained in Other notes to the Group's Report on Key Financial Data and Operational Volumes for Years 2015-2017.

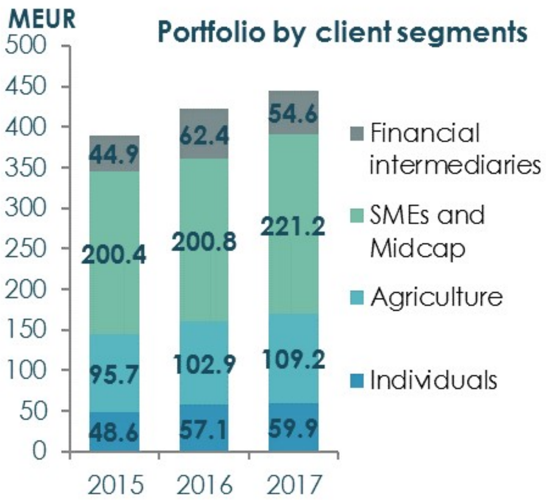
Financial Instruments Portfolio

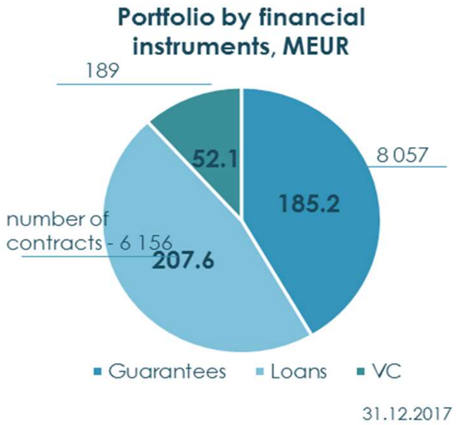
As at 31 December 2017 the Group's (gross) books and records held a portfolio of the financial instruments granted within the state aid programmes for the total value of 444.9 mln euro made up of 14,402 projects.

In year 2017 the portfolio of the Group's financial instruments increased by 5% (EUR 21.7 mln) in terms of volume and by 25.8% in terms of the number of projects (by 2,953 projects). Among the financial instruments the guarantee portfolio had had the most rapid growth by 25.8% in terms of volume (EUR 29.5 mln) and by 63% in terms of the number of transactions (by 3,120 transactions). The rapid increase of the guarantee financial instruments in the Group's portfolio of transactions tallies with the development strategy of the Group for years 2016-2018.

REPORT OF THE BOARD OF DIRECTORS (continued)

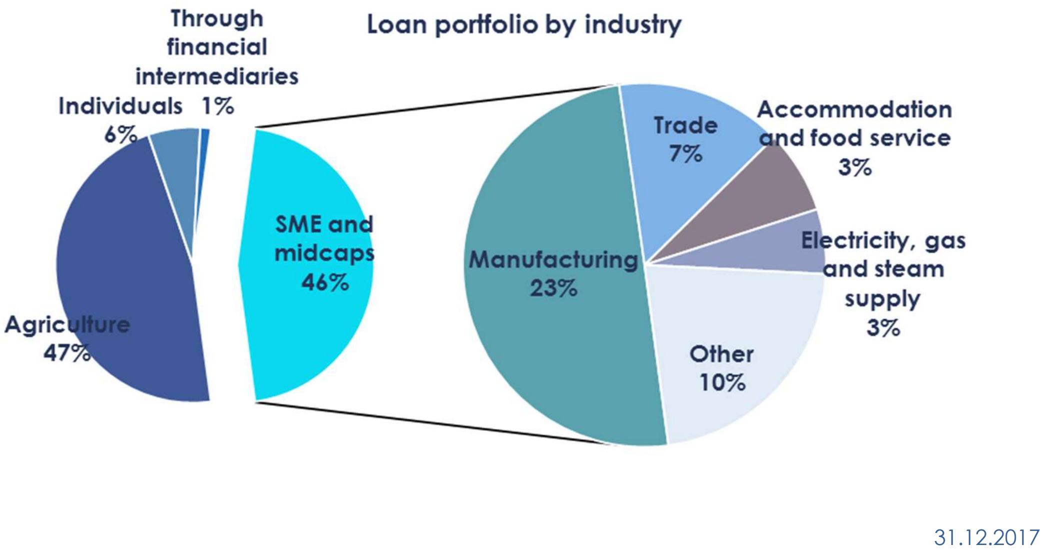
In terms of segments the projects of the Small and Medium Enterprises (SME) and Midcap's have the largest volume demonstrating also the largest portfolio increase of +10,2% in year 2017. Also the portfolios of the Agriculture and Individuals segments increased in the reporting period.





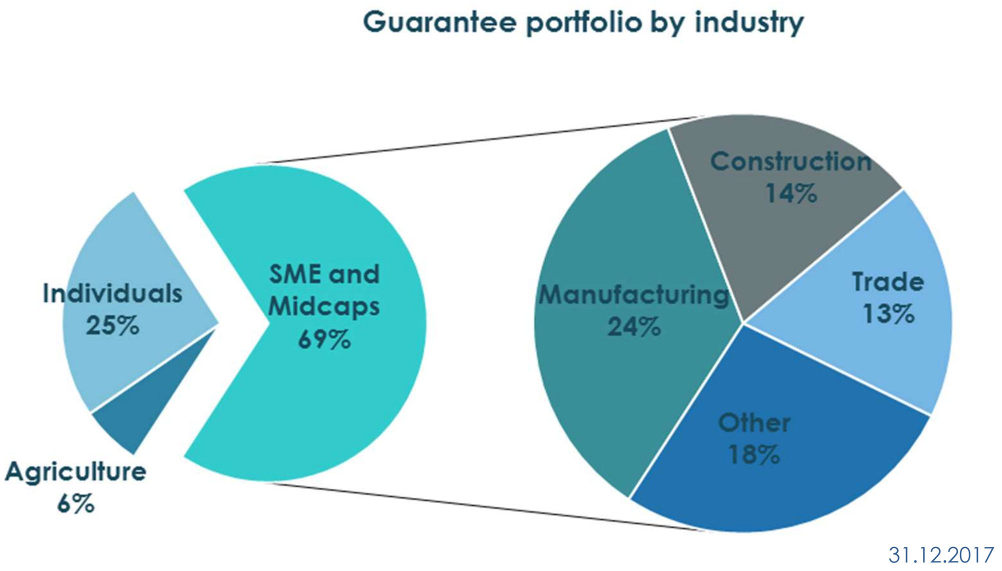
In terms of the number of transactions the largest increase was observed in the segment of individuals. Implementation of the Housing Guarantee Programme has contributed significantly to the rise of the number of transactions.

The portfolio structures of the loan and guarantee financial instruments echo the state aid implementation priorities of the Latvian government.
The state aid programmes implemented by the Group embrace a vast variety of the industries of the national economy and client segments resulting in broadly diversified financial instruments' portfolios of the Group. It has evolved over the course of time that the Group implements a range of lending programmes for farmers that is reflected in the structure of the loan portfolio where the Agriculture segment accounts for 47%. Considerable investments were made also in manufacturing 23% and trading companies 7% and companies of other branches.
Promotion of the start-ups is a significant business segment of the Group. As at 31 December 2017 the start-up projects were granted the loan funding of EUR 42.1 mln within the framework of the Start-up programme that funded 2,305 start-up projects.



REPORT OF THE BOARD OF DIRECTORS (continued)

With the approved state aid programmes closing the market gaps, the small and medium enterprises and Midcap's account for most of the Group's guarantees - 69%, while individuals account for 25% of the guarantees comprised of the housing acquisition guarantees issued to the families with children.
In terms of industries, the manufacturing guarantees account for 24% of the portfolio with considerable guarantee amounts of 14% and 13% respectively being issued also in the construction and trade segments.



By 31 December 2017, as part of the housing acquisition state aid for the families with children, the Housing Guarantee Programme had granted 7,227 guarantees worth EUR 49.5 mln. The families throughout Latvia use the programme's guarantees that help to save for the first instalment required to obtain a mortgage loan: of the total number of the issued guarantees 67% were granted in Rīga and adjacent territories, 14% - in Vidzeme, 9% - in Kurzeme, 7% - in Zemgale and 3% - in Latgale. The average amount of one guarantee is EUR 6,9 thsd .

As at 31 December 2017, the balance sheet of the Land Fund administered by the Group enlisted 245 investment properties with the total land area of 4.055 ha worth EUR 10.5 mln.

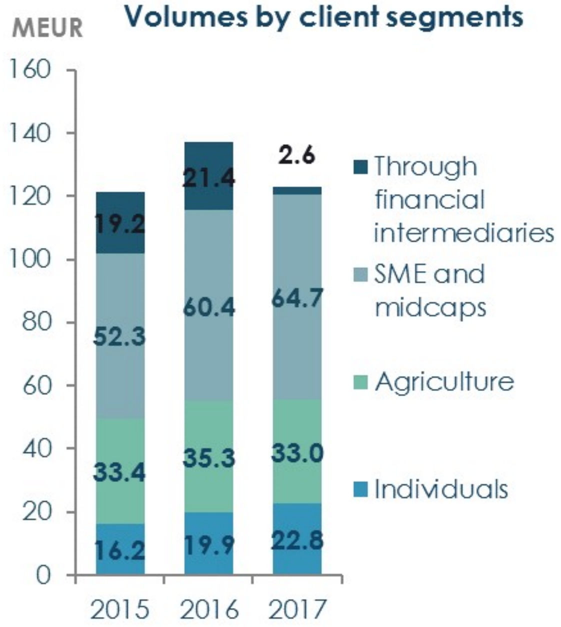
Volume of New Transactions

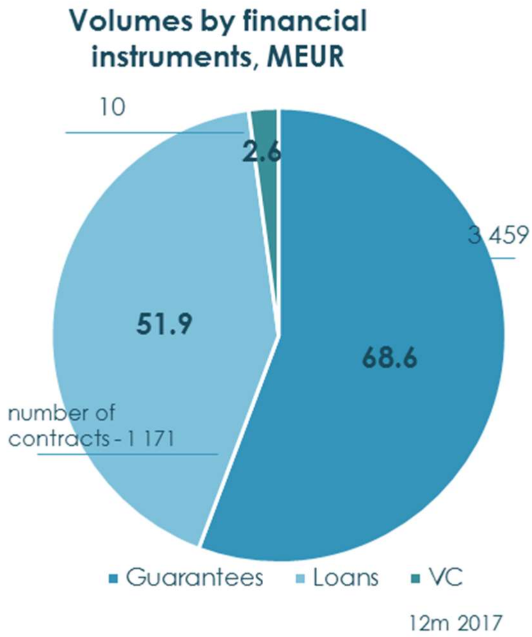
The funding granted implementing the state aid programmes amounted to EUR 123,122 mln (56% - guarantees, 42% - loans and 2% - investments of venture capital funds) in the reporting period. In total, 4,697 projects were supported.

Although in 12 months of year 2017, compared to an identical period a year earlier, the state aid programmes had 10% less new transactions (EUR 13,8 mln), there were by 5% more supported projects (by 236 projects).

In year 2017, compared to year 2016, the volume of the granted guarantees increased considerably – by 62%. Guarantees for promotion of entrepreneurship were enhanced specifically – in 12 months there were new guarantees worth EUR 43,8 mln issued to the entrepreneurship projects.

REPORT OF THE BOARD OF DIRECTORS (continued)





The new transactions in the SME and Individuals segments proceeded with their yearly increase with the volumes going up both for the issued loans and guarantees. In year 2017, compared to year 2016, the volume of new transactions for the Farmers' segment decreased slightly due to a drop in demand for working capital loans. Over the years the volume of these loans has fluctuated considerably due to various factors (including weather and sales prices).
In the reporting year the volumes of new transactions in the Financial intermediaries segment, dominated by venture capital investments, have decreased. The reduction was due to the fact that the investment period of the venture capital programmes (the 2nd and 3rd stage funds) of the previous programming period of the structural funds was closed, but the new venture capital funds (the 4th stage) were expected to commence their operations in year 2018.

New Products and Increasing of Efficiency

In order to foster development of the national economy through an influx of additional funds, the Group, following its Strategy for Years 2016–2018, expanded its business of loan guarantees for promotion of entrepreneurship by offering both – new guarantee products, such as delegated guarantees and export guarantees to EU member states, and enhancing of the existing products by increasing of the guarantee limits and speeding up of reviewing of the guarantee applications.

In year 2017, in order to promote availability of funding for prospective projects, the maximum single guarantee amount was increased from the previous EUR 1.5 mln to EUR 3 mln.

In the reporting period a new solution for granting of guarantees was introduced – delegated guarantees. It is a way to promote availability of funding for small and medium-sized enterprises even more. In order to implement the delegated guarantees, a special co-operation agreement has been concluded with SEB Banka and Swedbank. It is planned to initiate similar co-operation also with other banks. The service enables the banks to speed up considerably reviewing of the loan applications of the small and medium-sized

REPORT OF THE BOARD OF DIRECTORS (continued)

enterprises. According to the standard procedure, reviewing of the guarantee application would take from 3-7 days, but with the delegated guarantee it would be only 1-2 days.

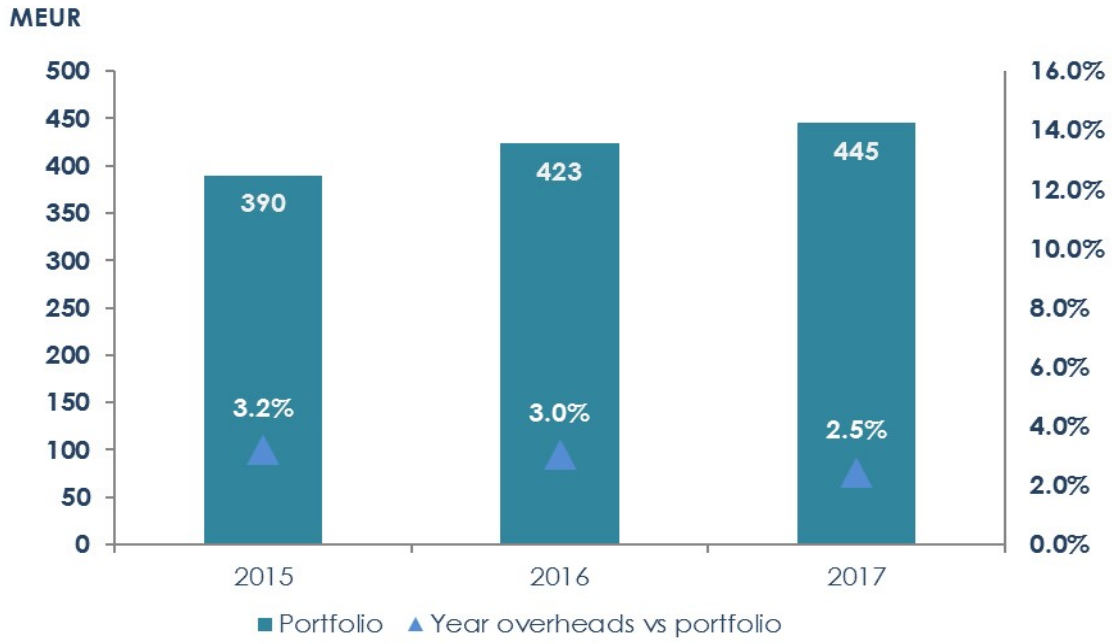
In April 2017 Group started to offer the export credit guarantees for small-scale exporters (with an export turnover below EUR 2 mln) effecting transactions with EU and some OECD member states or for larger export turnovers provided the maturity of the deferred payment was above 180 days. This enables our exporters to obtain a risk coverage for markets very important to Latvia, such as Scandinavia, Finland, Germany, a.o. Already 33 exporting companies have made use of this opportunity. Also, in year 2017 the origin criterion of the local goods has been inactivated which allows other exporters performing re-exporting to qualify for the guarantee coverage.

In year 2017, in order to amplify support to the business ideas of the SMEs, there was an agreement concluded with the European Investment Fund (EIF) on the counter-guarantees of InnovFIN Facility for the guarantee portfolio worth EUR 30 mln. The risk coverage provided by counter-guarantees allows Group to issue guarantees to innovative projects at lower rates, thus reducing the clients' costs for attracting funding for these projects. As at 31 December, 2017, there were 7 guarantees for EUR 1.2 mln issued under InnovFIN Facility.

The Land Fund has implemented with success a new type of service – reverse rent whereby a farmer can sell its property to the Land Fund and continue using it for production purposes by subsequently renting the property from the fund with buy-back rights. It allows the farms to attract additional funds of sizeable amount without increasing the burden of collateral.

In the reporting period there were 260 project applications received within the Energy Efficiency Programme of Multi-apartment Buildings. As at year-end 200 applications were approved.

Increasing Operational Efficiency



REPORT OF THE BOARD OF DIRECTORS (continued)

In the reporting period the Group's financial instruments portfolio has been augmented without increasing the management costs. In year 2017 optimisation of the management expenses was conducted in the Group resulting in increasing of the financial portfolios by 5.2 %, reduction of the management costs from 3.0% at the end of year 2016 to 2.5% at the end of year 2017.

Long-term Funding

In October 2017 the Group issued transferable debt securities as series of notes, registered them with the Latvian Central Depository and quoted on Nasdaq Riga for the total face value of EUR 20 mln becoming the first national development institution of the Central and Eastern European countries that has issued the green bonds. The investors of Latvia, Lithuania and Estonia have shown a substantial interest and the subscribed volume exceeded the issued volume 6.5 times. 24 investors purchased the bonds: asset management funds, insurance companies and banks in Latvia (43.5%), Lithuania (31%), Estonia (19%), Sweden and Germany (6.5%). Having issued these notes the Group entered the capital markets with a long-term perspective in mind aiming to proceed with diversification of the structure of the attracted funding.

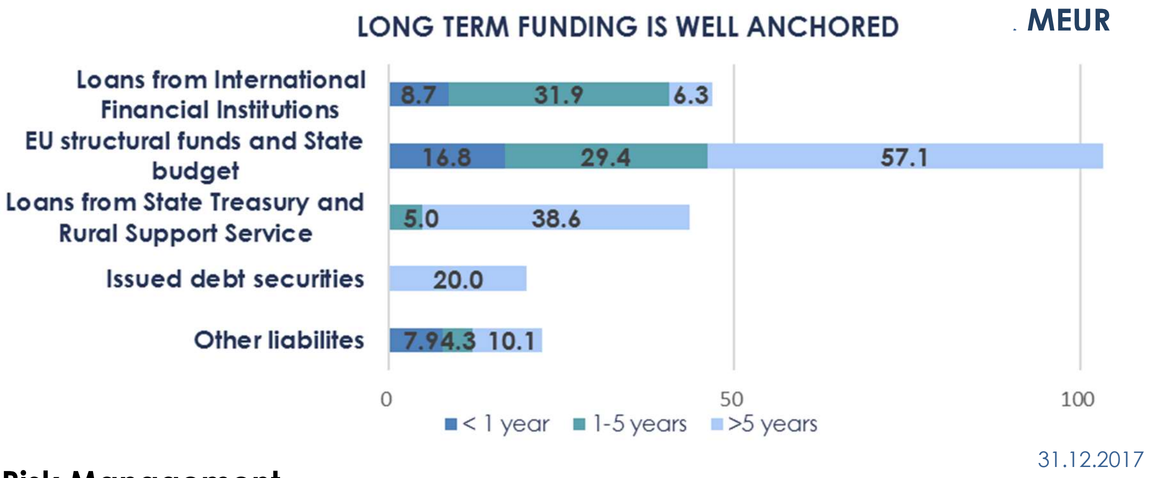
The Centre for International Climate and Environmental Research (CICERO) that is an independent Norwegian institute for interdisciplinary climate research situated in Oslo has prepared an impartial opinion about the Green Bond Framework of the Group. CICERO recognised that the system of financial management and reporting of the funds acquired as a result of the issue of the notes complied with high standards.

The funding attracted from the issue of the Green Bonds will be used to fund sustainable business projects in the fields of energy efficiency, energy generation from renewable energy resources, 'green' buildings and transport, including energy service companies (ESCO) that provide services to the companies in these fields.

Structure of Attracted Funding

The financial instruments portfolios established by Group are secured by funding of appropriate maturity structure. Since the long and medium-term investment projects are the major components of the Group's portfolios, resources of adequate maturities have been attracted to the funding of the programmes: the resources maturing after 5 years account for 56% of the total liabilities, the resources maturing between 1 and 5 years - 30%, but liabilities maturing earlier than 1 year – only 14%. Moreover, once the respective programmes have come to a close, a part of the current liabilities towards the EU structural funds and national budget will be transferred to Group for implementation of new state aid programmes.

REPORT OF THE BOARD OF DIRECTORS (continued)



Risk Management

In order to have an adequate risk management, the Group has developed the Risk Management System that provides both preventive risk management and timely implementation of risk mitigation or prevention measures. While assuming the risks, the Group remains capable of implementing the established operational targets and assignments in the long run. In its risk management the Group makes use of various risk management methods and instruments as well as establishes risk limits and restrictions. The risk management methods are chosen based on materiality of the particular risk and its impact on the Group's operations.

In view of the Group's activities in the increased risk areas when implementing the state aid programmes, the Group has amassed the risk coverage of EUR 68.9mln (as at 31.12.2017) that is available for the expected loss on the loans of the state aid programmes. The expected loss is calculated before implementation of the respective aid programme and a portion of the public funding received for covering of the credit risk loss expected on the respective state aid programme, is transferred for the Risk Coverage. The Risk Coverage consists of the sum total of the Risk Coverage Reserve and Portfolio Loss Reserve (special reserve capital) less the Risk Coverage Reserve used for provisions.

Rating

On 15 June 2017 the Moody's Investors Service assigned to Altum (the parent company of the Group) an investment grade rating Baa1 with a stable outlook. The assigned rating is among the highest ratings ever assigned to a Latvian capital company. The assigned rating makes it possible for the Group to implement the Group's long-term strategy for attraction of funding through becoming a member of the capital market and issuing the notes with more success.

Future Outlook

In year 2018 the rapid growth of the guarantee portfolio continued. It is expected that at the end of year 2018 the volume of the guarantee portfolio will exceed the loan portfolio, thus meeting the target identified by Strategy for Years 2016–2018 i.e. augment the operational volumes considerably by laying emphasis on the indirect financial instruments (guarantees).

REPORT OF THE BOARD OF DIRECTORS (continued)

The agreement concluded in year 2017 with the European Investment Fund about guarantees of the COSME programme will allow the Group to issue loans to the companies with inadequate collateral matching these guarantees.

In year 2018 the venture capital acceleration investments for very early stage companies will be available in Latvia which is a novelty in the start-ups environment of Latvia. Since the selection process of the managers of the accelerator funds announced on the scale of the Baltic countries was finished in year 2017, 3 accelerator funds will start working. It is expected that around 120 perspective ideas will receive accelerator investments with the total public funding for the Group's investments in these funds amounting to EUR 15 mln.

In year 2017 the selection of the managers of two seed and start-up capital investment funds and one expansion venture capital fund was finalised. Both seed and start-up capital investment funds will start working in Q2 of year 2018. The total public funding for the Group's investments in these seed and start-up capital investment funds is expected to reach EUR 30 mln. Meanwhile, the expansion venture capital fund will be operational as from 3Q of year 2018 with the total public funding for the Group's investments in this fund amounting to EUR 15 mln. It is planned to select a manager of one more expansion venture capital fund.

On 1 January 2018 the Law on Assistance in Solving Apartment Matters came into effect making also the persons having acquired secondary vocational or higher education and being below 35 years of age (young professionals) eligible for assistance of the state in purchase or construction of residential space. Making the young professionals eligible for the support of the Housing Guarantee Programme will improve the business environment of Latvia. In year 2018 it is planned to grant housing guarantees to 1,000 young professionals for the amount of EUR 6.7 mln. Assistance to the young professionals will be available as of 1 March 2018.

Continuing to work at optimisation of the management expenses the Group transitioned to a new information system for transactions accounting in year 2018 that would ensure gradual reduction of the management expenses over the coming years.

Reinis Bērziņš
Chairman of the Board

28 February 2018

SUPERVISORY COUNCIL AND BOARD OF DIRECTORS

Council

The Council was established by a Ministry of Finance order No 584 on 19 December 2013.

Name, surname	*Position*	*Date appointed*
Līga Kļaviņa	Chairperson of the Council	19/12/2013 – 18/12/2016 29/12/2016 – present
Jānis Šnore	Council Member	19/12/2013 - 18/12/2016 29/12/2016 - present
Kristaps Soms	Council Member	29/12/2016 - present

The Board was established by a Ministry of Finance order No 584 on 19 December 2013.

On October 2, 2015 the Council decided to re-elect to the Board the Board members - Juris Vaskāns and Jēkabs Krieviņš and elect a new Board member – Inese Zīle and new Chairman of the Board – Reinis Bērziņš. The Council also ruled that Rolands Paņko had to assume the duties of Board member as of October 12, 2015.

Name, surname	*Position*	*Date appointed / removed*
Reinis Bērziņš	Chairman of the Board	12/10/2015 - present
Jēkabs Krieviņš	Board Member	12/10/2015 - present
Juris Vaskāns	Board Member	12/10/2015 - present
Inese Zīle	Board Member	12/10/2015 - present
Aleksandrs Bimbirulis	Board Member	07/07/2017 - present
Rolands Paņko	Board Member	15/04/2014 – 12/10/2015 - Chairman of the Board; 12/10/2015 – 14/04/2017 – Board Member

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

Riga 28 February 2018

The Board of Directors (Management) is responsible for preparing of the financial statements. The Management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements on pages 16 to 41 for the period from 1 January 2017 to 31 December 2017. The Management confirms that the Group's financial statements were prepared on a going concern basis in accordance with International Accounting Standard 34 Interim Financial Reporting.

Appropriate accounting policies have been applied on a consistent basis. The Management is responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Reinis Bērziņš
Chairman of the Board

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(all amounts in thousands of euro)

	Notes	2017	2016 (audited)
Interest income	3	12,192	12,584
Interest expense	4	(807)	(1,707)
Net interest income		**11,385**	**10,877**
Fee and commission income		484	446
Fee and commission expense		(256)	(299)
Net income from fees and commissions		**228**	**147**
Net trading loss		(191)	(203)
Share of (loss) of investment in joint venture and associate	11	(5,811)	(1,758)
Other income	5	7,791	5,528
Operating income before operating expenses		**13,402**	**14,591**
Staff costs		(6,522)	(6,782)
Administrative expense	6	(3,995)	(5,581)
Amortisation of intangible assets and depreciation of property, plant and equipment		(417)	(529)
Net impairment provisions	7	(1,523)	471
Profit before corporate income tax		**945**	**2,170**
Corporate income tax		-	-
Profit for the period		**945**	**2,170**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net profit / (loss) on available for sale investments	21	(1,161)	467
Other comprehensive income / (loss) for the period, before taxes		**(1,161)**	**467**
Total comprehensive income / (loss) for the period		**(216)**	**2,637**

The notes on pages 16 to 41 are an integral part of these interim condensed financial statements.

Reinis Bērziņš
Chairman of the Board

Marina Baranovska
Chief accountant

28 February 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(all amounts in thousands of euro)

	Notes	31/12/2017	31/12/2016 (audited)
Assets			
Due from other credit institutions and Treasury	8	109,594	89,553
Investment securities - available for sale		61,760	64,294
Investment securities – held to maturity		443	1,531
Loans and receivables	9	192,147	201,250
Derivatives	10	142	-
Investments in venture capital funds – associates	11	51,880	58,296
Deferred expense		391	413
Accrued income		2,081	1,646
Investment property	12	10,808	17,087
Property, plant and equipment		3,828	3,507
Intangible assets		771	168
Other assets		5,833	4,014
Assets held for sale	13	12,935	1,367
Total assets		**452,613**	**443,126**
Liabilities			
Due to credit institutions	14	46,933	56,195
Derivatives	10	-	854
Due to general governments	15	43,609	46,914
Issued debt securities	16	20,053	-
Deferred income		1,520	777
Accrued expense		982	1,198
Support programme funding	17	99,351	96,822
State aid	17	3,968	6,849
Provisions	19	14,054	16,864
Other liabilities		3,765	6,559
Liabilities directly associated with assets held for sale	13	2,000	-
Total liabilities		**236,235**	**233,032**
Capital and reserves			
Share capital		204,862	204,862
Reserves	20	(1,735)	(8,235)
Available for sale reserve	21	7,931	9,092
Accumulated profit		5,320	4,375
Total capital and reserves		**216,378**	**210,094**
Total liabilities, capital and reserves		**452,613**	**443,126**

The notes on pages 16 to 41 are an integral part of these interim condensed financial statements.

Reinis Bērziņš
Chairman of the Board

Marina Baranovska
Chief accountant

28 February 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(all amounts in thousands of euro)

	Share capital	Reserves	Available for sale reserve	Retained earnings	Total capital
As at 31 December 2015	**204,862**	**(16,082)**	**8,625**	**2,205**	**199,610**
Other comprehensive income (Note 21)	-	-	467	-	**467**
Profit for the period	-	-	-	2,170	**2,170**
Total comprehensive income / (loss) for the period	**-**	**-**	**467**	**2,170**	**2,637**
Changes to increase of reserve capital	-	458	-	-	**458**
Increase of reserve capital		5,560	-	-	**5,560**
Distribution of 2015 year profit	-	1,829	-	-	**1,829**
As at 31 December 2016	**204,862**	**(8,235)**	**9,092**	**4,375**	**210,094**
Other comprehensive income (Note 20)	-	-	(1,161)	-	**(1,161)**
Profit for the period	-	-	-	945	**945**
Total comprehensive income / (loss) for the period	-	-	**(1,161)**	**945**	**(216)**
Changes to increase of reserve capital (Note 20)	-	(25)	-	-	**(25)**
Increase of reserve capital (Note 20)	-	2,500	-	-	**2,500**
Distribution of 2016 year profit	-	4,025	-	-	**4,025**
As at 31 December 2017	**204,862**	**(1,735)**	**7,931**	**5,320**	**216,378**

The notes on pages 16 to 41 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED CONSOLIDATED
CASH FLOW STATEMENT
(all amounts in thousands of euro)

	Notes	01/01/2017-31/12/2017	01/01/2016-31/12/2016
Profit before taxes		**945**	**2,170**
Amortisation of intangible assets and depreciation of property, plant and equipment		417	529
Interest income	**3**	(12,192)	(12,584)
Interest received		10,444	10,713
Interest expenses	**4**	807	1,707
Interests paid		(191)	(720)
Increase in provisions for impairment of loans, guarantees, other assets and held-to-maturity investment securities	**7**	1,523	(471)
Revaluation of investments in venture capital funds	**11**	5,811	1,758
Increase / (decrease) in deferred income and accrued expense		526	311
(Increase) / decrease in deferred expense and accrued income		(412)	(497)
(Increase) /decrease of other assets		(9,653)	7,736
(Decrease) / increase in other liabilities		(8,099)	20,386
(Increase) / decrease of cash and cash equivalents used before changes in assets and liabilities		**(10,074)**	**31,038**
Due from credit institutions decrease / (increase)		(4,000)	(1,832)
Decrease / (increase) of loans		7,148	(2,042)
Due to credit institutions (decrease) / increase		(3,305)	7,354
Corporate income tax		-	-
Net cash flow from operating activities		**(10,231)**	**34,518**
Cash flows from investment activities			
Investments in securities, net		5,067	25,521
Acquisition of property, plant and equipment and intangible assets		(1,342)	(777)
Sale of assets held for sale, net		5,239	-
Purchase of investment properties, net	**12**	(5,818)	(3,615)
Investments in venture capital funds, net	**11**	629	(20,370)
Net cash flow of investment activities		**3,775**	**759**
Cash flows from financing activities			
Issued debt securities	**16**	20,000	-
Increase in reserve capital		2,500	5,560
Net cash flow from financing activities		**22,500**	**5,560**
Increase in cash and cash equivalents		**16,044**	**40, 837**
Cash and cash equivalents at the beginning of period		84,553	43,716
Cash and cash equivalents at the end of period	**26**	**100,597**	**84,553**

The notes on pages 16 to 41 are an integral part of these interim condensed financial statements.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

APPROVAL OF FINANCIAL STATEMENTS

The management of the Group has approved these financial statements on 28 February 2018.

1 GENERAL INFORMATION

(1) Background information

The joint-stock company Development Finance Institution Altum (Company) was established on 27 December 2013 based on the decision of the Cabinet of Ministers.

The mission of the Group is, by merging the SJSC Rural Development Fund (RDF), single registration No 40003227583, Latvian Guarantee Agency Ltd (LGA), single registration No 40003375584, and SJSC Latvian Development Finance Institution ALTUM (ALTUM), single registration No 40003132437, into a unified aid-providing institution, to become an integrated development finance institution, which, by means of state aid financial instruments, would provide aid in an efficient and professional manner to particular target groups in the form of financial instruments (loans, guarantees, investments in venture capital funds, etc.), complementing this also with non-financial support (consultations, training, mentoring, etc.) within some programmes, as well as implementing other Government-delegated functions.

The establishment of the integrated Development Finance Institution was accomplished in two stages. The first stage was the transferring of the equity of RDF, LGA and ALTUM to the Company, thus establishing a group of development finance institutions (hereinafter – Group). This stage was accomplished successfully on 11 September 2014, when all shares of ALTUM, LGA and RDF were invested in the equity capital of the Company as investment in kind

The second stage encompassed reorganization of the Company, ALTUM, LGA and RDF thus establishing an integrated development finance institution. For this purpose, on 28 October 2014, ALTUM, LGA and RDF signed a reorganization agreement on merging these companies with JSC Development Finance Institution.

This stage was successfully completed by registration with the Enterprise Register of the Republic of Latvia on 15 April 2015. As a result, ALTUM, LGA, RDF and Company's accounting records were merged on 1 April 2015. The newly established integrated development finance institution will implement the existing state aid programmes and financial instruments of ALTUM, LGA and RDF and, together with policy makers, develop new programmes and financial instruments.

As of 15 April 2015 the Company has changed its name from JSC Development Finance Institution to JSC Development Finance Institution Altum.

The establishment of the Group and reorganization of the development finance institutions - ALTUM, LGA and RDF did not affect continuity of the existing aid programmes.

2 ACCOUNTING POLICIES

(1) Basis of preparation

These interim condensed consolidated financial statements for 12 months period ended on 31 December 2017 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*, as adopted in the European Union. The interim consolidated financial statements are to be used together with uncondensed financial statements for year 2016 prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union.

All amounts in the interim consolidated financial statements are presented in the national currency of Latvia – euro (EUR).

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

2 ACCOUNTING POLICIES (continued)

Corporate income tax is recognised for each period based on the expected average weighted effective corporate income tax rate for full financial year. The corporate income tax expense accumulated over one period of financial year may be adjusted in subsequent financial year's periods provided the estimation of the average weighted effective rate of the corporate income tax is adjusted. Corporate income tax expense for the interim period is accumulated using the tax rate to be applied to the expected annual income, i.e. the expected average weighted effective corporate income tax rate for the reporting year is applied to the profit before taxes of the interim period.

(2) Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

Several new standards and interpretations have been published that become effective for the financial reporting periods beginning on or after 1 April 2017 or have not been endorsed by the European Union yet:

FRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018).

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018).

IFRS 15: Revenue from Contracts with Customers (Clarifications) (effective for annual periods beginning on or after 1 January 2018, once endorsed by the EU).

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU).

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU).

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU).

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments) (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU).

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.).

Amendments to IAS 40: Transfers to Investment Property (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU).

IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU).

In the condensed consolidated statements for year 2016 the Group's management has described impact (if any) of the applied new standards and interpretations on these financial statements. Detailed assessment is in the pipeline with results to be presented in the financial statements for year 2017.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

3 INTEREST INCOME

	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
- interest on balances due from credit institutions	17	47
- interest on loans and guarantees	9,791	10,286
including on impaired loans (see Note 9)	*793*	*1,005*
- interest on securities at amortised cost	46	78
- interest on securities at fair value	2,094	2,173
- other interest income*	244	-
	12,192	**12,584**

* Item *Other interest income* interest income from *Alternative investment Funds'* investments in amount of 244 thsd euros.

4 INTEREST EXPENSE

	01/01/2017- 31/12/2017	01/01/2016- 31/12/2016
Interest expense:		
- expense on balances due to credit institutions	218	314
- other interest expense *	589	1,393
	807	**1,707**

* Item *Other interest expense* includes the state aid interest of 328 thsd euros (2016: 1,060 thsd euros).

5 OTHER INCOME

	01/01/2017- 31/12/2017	01/01/2016- 31/12/2016
Other operating income*	4,542	2,559
Compensations**	2,992	2,324
Income from property privatisation services	-	254
Income from lease payments for operational leases	136	195
Income from investment property revaluation	121	29
Income from compensation for loan provisions	-	167
	7,791	**5,528**

* Item *Other operating income* includes income from sale of the office building situated at Elizabetes street 41/43, Riga. As a result of the sale the Group earned 3,872 thsd euros (Note 13).

** Compensations include the compensation for management expenses of the state aid programmes implemented by the Group. Increase in received compensations is connected with implementation of the new state aid programmes - Fund of funds and Energy Efficiency Programme of Multi-apartment Buildings.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

6 ADMINISTRATIVE AND OTHER OPERATING EXPENSE

	2017	2016
Information system and communication expense	945	1,086
Premises and equipment maintenance expense	843	857
Expense of assets that have been taken over in the debt collection process	313	991
Revaluation of assets that have been taken over in the debt collection process	349	612
Professional services	413	388
Advertising and public relations	495	495
Real estate tax	137	149
Training and other staff expense	247	243
Other expense	253	760
	3,995	**5,581**

7 IMPAIRMENT PROVISIONS, NET

	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
Provisions for impairment on:		
- loans	5,683	6,474
- other assets	3,452	635
- debt securities	-	24
- investments in venture capital funds	-	246
- guarantees	2,175	5,311
	11,310	**12,690**
Release of provisions for impairment on:		
- loans	(2,112)	(2,674)
- other assets	(467)	(3,168)
- debt securities	(130)	(481)
- guarantees	(5,023)	(5,987)
	(7,732)	**(12,310)**
Income from release of provisions for onerous contracts (guarantees)	**(874)**	**116**
Recovery of loans written off in previous periods	**(1,181)**	**(967)**
Total provisions for impairment	**1,523**	**(471)**

* Item *Income from release of provisions* includes income of 24 thsd euros from impairment of venture capital funds that was 100% compensated from the Risk Coverage Reserve pursuant to the agreement *On Implementation of the Holding Fund* concluded with the Ministry of Economics (agreement No Līg.2011/15) (Note 11).

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

8 DUE FROM OTHER CREDIT INSTITUTIONS AND TREASURY

	31/12/2017	31/12/2016
Due from credit institutions registered	-	2
in OECD countries	109,594	89,551
in Latvia and Treasury	**109,594**	**89,553**

When placing the funds with the Treasury of the Republic of Latvia and monetary financial institutions, the external credit ratings assigned to these financial institutions are evaluated. The evaluation of the financial institutions not having been assigned an individual rating is based on the ratings assigned to their parent banks that are one notch lower as well as their financial and operational assessments.

Once the contracts have been concluded, the Group supervises the monetary financial institutions and follows that the assigned limits comply with credit risk assessment:

Moody`s ratings	**Aaa**	**Aa1-Aa3**	**A1-A3**	**Baa1-Baa3**	**Ba1-Ba3**	**B1-B3**	**Caa-C**	**WR**
Credit risk level	very low risk	low risk	risk below average	average risk	risk above average	high risk	very high risk	Rating cancelled

The distribution of Group's balances due from credit institutions and Treasury of the Republic of Latvia as at 31 December 2017:

Moody`s ratings	**Aaa**	**Aa1-Aa3**	**A1-A3**	**Baa1-Baa3**	**Ba1-Ba3**	**B1-B3**	**Caa-C**	**WR**	**Total**
Due from credit institutions registered in OECD countries	-	-	-	-	-	-	-	-	**-**
Due from credit institutions registered in Latvia and Treasury	-	21,094	85,297	-	3,203	-	-	-	**109,594**
Total	**-**	**21,094**	**85,297**	**-**	**3,203**	**-**	**-**	**-**	**109,594**

The distribution of Group's balances due from credit institutions and Treasury of the Republic of Latvia as at 31 December 2016:

Moody`s ratings	**Aaa**	**Aa1-Aa3**	**A1-A3**	**Baa1-Baa3**	**Ba1-Ba3**	**B1-B3**	**Caa-C**	**WR**	**Total**
Due from credit institutions registered in OECD countries	-	2	-	-	-	-	-	-	**2**
Due from credit institutions registered in Latvia and Treasury	-	23,360	63,512	-	-	2,679			**89,551**
Total	**-**	**23,362**	**63,512**	**-**	**-**	**2,679**	**-**	**-**	**89,553**

As at 31 December 2017 the Group had accounts with 5 banks and Treasury of the Republic of Latvia.

The average interest rate on balances due from credit institutions was -0.2% as at As at 31 December 2017 (at 31 December 2016: 0.07%).

For amount of cash and cash equivalents, please refer to Note 26.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

9 LOANS AND RECEIVABLES

Loans by type of borrower:

	31/12/2017	31/12/2016
Private companies	180,833	188,245
Individuals	23,324	24,490
Financial institutions	2,431	3,655
Local governments	292	344
Public and religious institutions	269	172
Accrued interest	436	523
Total gross loans	**207,585**	**217,429**
Allowance for impairment loss	(15,438)	(16,179)
Total net loans	**192,147**	**201,250**

The granted loans constitute the Group's balances due from residents of Latvia.

Granted loans by branches of economy:

	31/12/2017	31/12/2016
Agriculture and forestry	83,948	83,048
Manufacturing	44,855	47,104
Private individuals	23,324	24,490
Retail and wholesale	14,137	16,901
Other industries	14,568	14,871
Hotels and restaurants	6,564	7,653
Electricity, gas and water utilities	5,550	6,734
Transport, warehousing and communications	1,885	4,620
Real estate	4,332	4,310
Construction	3,132	3,818
Financial intermediation	1,218	2,443
Fishing	3,345	570
Municipal authorities	292	344
Accrued interest on loans	435	523
Total gross loans	**207,585**	**217,429**

The extent of loan and advance concentration with respect to a single customer with total credit exposures equal to or exceeding EUR 1,000 thsd is presented below:

	31/12/2017	31/12/2016
Number of customers	23	26
Total credit exposure of customers (thsd euro)	36,895	43,740
Percentage of total gross portfolio of loans	17.7%	20.0%

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

9 LOANS AND RECEIVABLES (continued)

Loans issued by the Group by type of impairment valuation:

			31/12/2017			**31/12/2016**
	Individuals	**Companies**	**Total loans**	**Individuals**	**Companies**	**Total loans**
Individually assessed loans	5,484	137,889	143,373	6,728	145,964	152,692
Collectively assessed loans	17,885	46,327	64,212	17,821	46,916	64,737
Total gross loans	**23,369**	**184,216**	**207,585**	**24,549**	**192,880**	**217,429**
Allowance for impairment loss -individually assessed	(1,017)	(14,307)	(15,324)	(1,105)	(14,902)	(16,007)
Allowance for impairment loss - collectively assessed	(46)	(68)	(114)	(57)	(115)	(172)
Total net loans	**22,306**	**169,841**	**192,147**	**23,387**	**177,863**	**201,250**

Loans granted by the Group by their quality assessment:

			31/12/2017			**31/12/2016**
	Individuals	**Companies**	**Total loans**	**Individuals**	**Companies**	**Total loans**
Neither past due nor impaired	18,744	140,867	159,611	19,839	137,487	157,326
Past due but not impaired	2,417	13,688	16,105	2,376	18,217	20,593
Impaired	2,208	29,661	31,869	2,334	37,176	39,510
Total loans	**23,369**	**184,216**	**207,585**	**24,549**	**192,880**	**217,429**
Allowance for impairment loss	(1,062)	(14,376)	(15,438)	(1,161)	(15,018)	(16,179)
Total net loans	**22,307**	**169,840**	**192,147**	**23,388**	**177,862**	**201,250**

Past due but not impaired loans granted by the Group by past due term profile:

			31/12/2017			**31/12/2016**
	Individuals	**Companies**	**Total loans**	**Individuals**	**Companies**	**Total loans**
Past due up to 30 days	1,676	8,843	10,519	1,228	10,935	12,163
Past due 30 – 60 days	200	569	769	337	607	944
Past due 60 – 90 days	34	216	250	121	100	221
Past due over 90 days	507	4,060	4,567	690	6,575	7,265
Total gross loans	**2,417**	**13,688**	**16,105**	**2,376**	**18,217**	**20,593**

Movement in the Group's impairment allowance for loans:

	01/01/2017-31/12/2017	01/01/2016-31/12/2016
Provisions at the beginning of period	**16,179**	**17,044**
Impairment allowance increase	5,683	6,474
Impairment allowance decrease	(2,112)	(2,674)
Accrued interest (Note 3)	(793)	(1,005)
Write-off of loans	(3,520)	(3,660)
Provisions at the end of period	**15,438**	**16,179**

As at 31 December 2017 the average annual interest rate of the Group's loan portfolio was 4.15% (at 31 December 2016: 4.16%).

Had not the *Risk coverage reserve used for provisions* amounting to 2,557 thsd euros been debited, the provisions for loan value impairment would have amounted to 17,836 thsd euros.

10 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses the following derivative financial instruments: currency forwards representing commitments to purchase foreign and domestic currency, currency swaps representing commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies.

The notional contract values and fair values of derivative instruments are provided in the table below:

	31/12/2017			31/12/2016		
	Notional contract value	Fair value		Notional contract value	Fair value	
		Assets	Liabilities		Assets	Liabilities
Currency forward	11,435	142	-	12,330	-	854
Total		**142**	**-**		**-**	**854**

The contract is in force up to 23 February 2018.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

11 INVESTMENTS IN VENTURE CAPITAL FUNDS

	31/12/2017	31/12/2016
Carrying amount at the beginning of period	**58,541**	**39,929**
Invested	2,283	21,054
Refunded	(2,912)	(684)
Share of (loss) of investment in joint venture and associate	(5,811)	(1,758)
Carrying amount at the end of period	**52,101**	**58,541**
Impairment	(221)	(245)
Net value at the end of period	**51,880**	**58,296**

Movement in the Group's impairment allowance for venture capital funds:

	01/01/2017-31/12/2017	01/01/2016-31/12/2016
Provisions at the beginning of period	**245**	**-**
Impairment allowance decrease*	(24)	245
Provisions at the end of period	**191**	**245**

* *Income from release of venture capital funds' provisions* in amount of 24 thsd euros were 100% compensated from the *Risk Coverage Reserve* pursuant to the agreement *On Implementation of the Holding Fund* concluded with the Ministry of Economics (agreement No Līg.2011/15) (Note 7).

12 INVESTMENT PROPERTY

	31/12/2017	31/12/2016
Carrying amount at the beginning of period	**17,087**	**12,247**
Reclassified to Assets held for sale (Note 13)	(12,218)	-
Acquired during the period*	5,839	3,704
Sold and written off during the period	(21)	(89)
Net gain from fair value adjustment	121	1,225
Carrying amount at the end of period	**10,808**	**17,087**

* Item *Acquired during the period* includes real estate objects purchased within the framework of *Land Fund*.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

13 ASSETS HELD FOR SALE

	31/12/2017	31/12/2016
Assets held for sale	12,935	1,367
Total	**12,935**	**1,367**

In June 2017 the Group sold its asset held for sale – office building situated at Elizabetes iela 41/43, Rīga, earning a profit of 3,872 thsd euros (Note 5).

On 28 December 2017, the Group's management made a decision to sell the shares of Alternative investment fund *Hipo Latvia Real Estate Fund I* and Alternative investment fund *Hipo Latvia Real Estate Fund II*. On 10 January 2018, the management of the Group approved the sales plan of the shares. The sales plan of Alternative investment funds is expected to be completed by 31 December 2018.
At 31 December 2017, investments in Alternative investment fund *Hipo Latvia Real Estate Fund I* and Alternative investment fund *Hipo Latvia Real Estate Fund II* were classified as *Disposal group held for sale*.
The major classes of assets and liabilities of Alternative investment fund *Hipo Latvia Real Estate Fund I* and Alternative investment fund *Hipo Latvia Real Estate Fund II* at 31 December 2017 are, as follows:

	31/12/2017	31/12/2016
Assets		
Due from other credit institutions and Treasury	256	-
Investment property	12,540	-
Other assets	139	-
Assets held for sale	**12,935**	**-**
Liabilities		
Other liabilities	2,000	-
Liabilities directly associated with assets held for sale	**2,000**	**-**

14 DUE TO CREDIT INSTITUTIONS

	31/12/2017	31/12/2016
Due to credit institutions registered in:		
OECD countries	46,933	56,195
Total	**46,933**	**56,195**

Item *Credit institutions registered in OECD area* includes loans received by Group from the European Investment Bank (EIB) of 46,933 thsd euros, where 67 thsd euros are accrued interest expenses. In the reporting period the Group paid back 9,471 thsd euros of which the accrued interest amounted to 235 thsd euros.

The Ministry of Finance of the Republic of Latvia has issued a 46,933 thsd euros guarantee (Note 22) for the loan that is a parent guarantee to the Group.

As at 31 December 2017 the average interest rate for amounts due to credit institutions was 0.41% (at 31 December 2016: 0.33%).

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

15 DUE TO GENERAL GOVERNMENTS

	31/12/2017	31/12/2016
Due to government entities	1,723	1,723
Loans received from Rural Support Service	9,685	12,990
Loans received from the Treasury	32,201	32,201
Total due to general governments	**43,609**	**46,914**

In the reporting period the Group repaid 3,304 thsd euros to Rural Support Service.

16 ISSUED DEBT SECURITIES

On October 17, 2017 the Group issued its first Green bonds in amount of 20 mln euros. The bonds are listed on the Baltic Bond List by Nasdaq Riga as of October 24, 2017.

ISIN	Currency	Number of initially issued securities	Par value, euro	Date of emission	Date of maturity	Discount/Coupon rate, %	31/12/2017	31/12/2016
LV000080235	EUR	20,000	1,000	17.10.2017	17.10.2024	1.37	20,053	-

Green minded financing instruments is used to support sustainability projects in Latvia, while providing the Group with an opportunity to diversify Group's portfolio of the attracted funding and support development of the Baltic Bond market.

Green bonds are carried at amortised cost using the effective interest method.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

17 SUPPORT PROGRAMME FUNDING AND STATE AID

	31/12/2017	31/12/2016
Support programme funding	99,351	96,822
State aid	3,968	6,849

During the reporting period, the Group has received additional funding for *Housing Guarantee Programme's* implementation in the amount of 2,849 thsd euros.

The table below presents Risk Coverage Reserve included in Support programme funding and State aid which can be used for coverage Group's credit risk losses as at 31 December 2017:

Programme	Programme funding, thsd EUR	Programme's loan portfolio, thsd EUR	Credit risk cover by public funding, %	Credit risk cover on 31/12/2017, thsd EUR
ERDFII	25,269	9,775	66%	6,451
ESF II	6,392	3,045	80%	2,436
Swiss Microcredits Programme	5,643	2,071	80%	1,657
ERDF I	1,285	1,239	50%	620
ESF I	1,008	204	90%	184
Microcredits	605	4	80%	3
ERDF II (second round)	5,528	3,974	68%	2,703
Incubators (from ESF II)	546	33	100%	546
ERDF II 2 Public fund	2,485	960	100%	960
Fund of funds and venture capital funds	16,424	-	77%	12,699
Fund of funds prog.- Start-up loans	1,316	4,066	82%	1,079
Fund of funds prog.- Microcredits	257	867	55%	141
Fund of funds prog.- Parallel loans	1,200	1,556	90%	1,080
Fund of funds prog.- Guarantees	9,500	-	91%	8,645
EEPMB* loan fund	2,512	-	18%	452
EEPMB guarantees	2,994	-	67%	2,006
EEPMB grants	4,856	4,856	0%	-
Housing Guarantee Programme	2,849	1,803	100%	2,849
Social Entrepreneurship Programme	-	-	0%	-
Start-up State Aid Cumulation Lending Programme	2,000	2,000	100%	2,000
KBLG **	5,000	-	95%	4,750
Other loans to start-ups	2,239	1,744	0%	1,677
Mezzanine Loan Programme	4,462	-	85%	3,793
Implementation of Holding Fund Activity	6,904	-	96%	6,628
Baltic Innovation Fund	394	-	100%	394
Risk Coverage Reserve	**111,668**			**63,753**

** EEPMB – Energy Efficiency Programme for Multi-apartment Buildings*
*** KBLG – Guarantee Programme for Clients of State Aid Cumulation, Grace Period and Large Economic Operators.*

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

17 SUPPORT PROGRAMME FUNDING AND STATE AID (continued)

The table below presents Risk Coverage Reserve included in Support programme funding and State aid which can be used for coverage Group's credit risk losses as at 31 December 2016:

Programme	Programme funding, thsd EUR	Programme's loan portfolio thsd EUR	Credit risk cover by public funding, %	Credit risk cover on 31/12/2016, thsd EUR
ERDFII	25,746	14,650	66%	9,669
ESF II	9,466	4,921	80%	3,937
Microcredits of Swiss programme	5,711	2,751	80%	2,201
ERAF I	1,470	1,944	50%	972
ESF I	987	234	90%	210
Microcredits	616	6	80%	5
ERAF II (second round)	5,051	5,420	68%	3,685
Incubators (from ESF II)	545	52	100%	545
ERAF II 2 Public fund	2,485	1,691	100%	1,691
Fund of funds and venture capital funds	24,207	-	49%	12,609
Fund of funds prog.- Start-up loans	625	-	82%	513
Fund of funds prog.- Microcredits	80	-	55%	44
Fund of funds prog.- Parallel loans	1,200	-	90%	1,080
Fund of funds prog.- Guarantees	3,522	-	91%	3,205
EEPMB loan fond	2,512	-	18%	452
EEPMB guarantees	3,051	-	67%	2,044
KBLG	5,000	-	95%	4,750
Other Start-up loans	2,481	2,365	0%	1,677
Mezzanine loan programme	5,322	-	85%	4,524
Investment Fund Activity	11,479	-	96%	11,020
Risk Coverage Reserve	**111,556**			**64,833**

18 OFF BALANCE SHEET ITEMS AND CONTINGENT LIABILITIES

	31/12/2017	31/12/2016
Contingent liabilities		
outstanding guarantees*	185,173	147,175
Financial commitments		
unutilised loan facilities	8,788	6,324
commitments to venture capital funds	26,941	28,940
other liabilities	-	142
Total	**220,902**	**182,581**

* According to the Law on State Budget 2017 the portfolio of Outstanding guarantees of 185,173 thsd euros is over-secured by the state funding of 200,000 thsd euros (as at 31 December 2016: 100,247 thsd euros).

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

18 OFF BALANCE SHEET ITEMS AND CONTINGENT LIABILITIES

The table below allocates the Group's off balance sheet items and contingent liabilities to maturity groupings as at 31 December 2017 based on the time remaining from the balance sheet date to the contractual maturity dates.

	Up to 1 month	1 to 3 months	3 to 6 months	Up to 1 year	1 to 5 years	Over 5 years and undated	Total
Contingent liabilities							
outstanding guarantees	2,531	6,513	6,894	22,135	61,823	85,277	**185,173**
Financial commitments							
unutilised loan facilities	8,788	-	-	-	-	-	**8,788**
commitments to venture capital funds	357	714	1,676	3,732	16,247	4,215	**26,941**
other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total financial commitments	**9,145**	**714**	**1,676**	**3,732**	**16,247**	**4,215**	**35,729**
Total	**11,676**	**7,227**	**8,570**	**25,867**	**78,070**	**89,492**	**220,902**

The table below allocates the Group's off balance sheet items and contingent liabilities to maturity groupings as at 31 December 2016 based on the time remaining from the balance sheet date to the contractual maturity dates.

	Up to 1 month	1 to 3 months	3 to 6 months	Up to 1 year	1 to 5 years	Over 5 years and undated	Total
Contingent liabilities							
outstanding guarantees	6,861	4,911	10,980	20,757	47,494	56,172	**147,175**
Financial commitments							
unutilised loan facilities	6,304	20	-	-	-	-	**6,324**
commitments to venture capital funds	149	571	1,846	4,325	19,368	2,681	**28,940**
other liabilities	-	-	-	-	-	142	**142**
Total financial commitments	**6,453**	**591**	**1,846**	**4,325**	**19,368**	**2,823**	**35,406**
Total	**13,314**	**5,502**	**12,826**	**25,082**	**66,862**	**58,995**	**182,581**

19 PROVISIONS

	31/12/2017	**31/12/2016**
Provisions for:		
Provision (onerous contracts)	8,144	9,019
Guarantee Programme (activity)	2,795	2,553
Other guarantee programmes	1,915	4,022
Loan guarantees to rural entrepreneurs	814	827
Guarantees under the Mezzanine loan programme	372	402
Housing Guarantee Programme	14	41
	14,054	**16,864**

Had not the *Risk coverage reserve used for provisions* amounting to 1,953 thsd euros been debited, the provisions for guarantees, except for Provisions for onerous contracts, would have amounted to 7,863 thsd euros.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

20 RESERVES

Movement of the Group's reserves:

	Specific reserves				
	Difference recognised in Group's reorganisation reserve, thsd EUR	Portfolio loss reserve (specific reserve capital)*, thsd EUR	General reserve capital, thsd EUR	Reserve of available for sale investments, thsd EUR	Reserves, total, thsd EUR
Reserves as at 31/12/2015	**(17,717)**	**1,635**	**-**	**8,625**	**(7,457)**
Changes of reserve capital	458	-	-	-	**458**
Distribution of 2015 year profit	**-**	-	1,829	**-**	**1,829**
Increase of reserve capital	**-**	5,560	**-**	**-**	**5,560**
Increase of available for sale reserve (Note 21)	**-**	-	**-**	467	**467**
Reserves as at 31/12/2016	**(17,259)**	**7,195**	**1,829**	**9,092**	**857**
Changes of reserve capital	(25)	-	-	**-**	**(25)**
Distribution of 2016 year profit		-	4,025	-	**4,025**
Increase of reserve capital	**-**	2,500	**-**	**-**	**2,500**
Decrease of available for sale reserve (Note 21)	**-**	-	**-**	(1,161)	**(1,161)**
Reserves as at 31/12/2017	**(17,284)**	**9,695**	**5,854**	**7,931**	**6,196**

* The position's name was changed *from Reserve capital for Housing Guarantee Programme* to *Portfolio loss reserve*

21 MOVEMENT IN REVALUTION RESERVE OF INVESTMENT SECURITIES AVAILABLE FOR SALE

	01/01/2017-31/12/2017	01/01/2016-31/12/2016
At the beginning of period	**9,092**	**8,625**
Profit / (loss) on fair value changes from	(1,161)	467
Other comprehensive income	**(1,161)**	**467**
Total	**7,931**	**9,092**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

22. RELATED PARTY TRANSACTIONS

Related parties are defined as Council and Board members of the Group, their close relatives and companies under their control as well as companies of the Group over which the Group has significant influence.

In accordance with the International Accounting Standards (IAS) 24 *Related Party Disclosures* also the managing personnel, directly or indirectly authorised and responsible for planning, management and control of the Group's operations are treated as parties related to the Group.

The powers granted to the heads of the Group's structural units do not allow them to manage the operations of the Group and decide on material transactions that could affect the Group's operations and/or result in legal consequences.

In the reporting period the remuneration of the members of the Group's Council and Board amounted to 376 thsd euros.

The Group has entered into a number of transactions with other government entities. The most significant being obtaining funding from Ministry of Finance, Ministry of Economics, Rural Support Service and Central Finance and Contracting Agency that co-finances the development programmes of the Group.

The following table provides the total amount of transactions that have been entered into with related parties as at 31 December 2017 and 31 December 2016:

		Received support programme funding, thsd EUR	Granted support programme funding or funding paid back, thsd EUR	Received reserve capital, thsd EUR
Transactions with shareholders:				
Ministry of Finance	31/12/2017	-	(336)	-
	31/12/2016	-	-	5,559
Ministry of Economics	31/12/2017	5,349	(217)	-
	31/12/2016	29,610	-	-
Entity with significant influence:				
Investment funds	31/12/2017	-	-	-
	31/12/2016	-	-	-
Associates:				
Venture capital funds	31/12/2017	2,912	(3,998)	-
	31/12/2016	-	(22,932)	-
Other companies owned by Group shareholders:				
Rural Support Service	31/12/2017	-	(3,304)	-
	31/12/2016	9,387	-	-
Central Finance and Contracting Agency	31/12/2017	4,946	-	-
	31/12/2016	5,563	-	-

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

22. RELATED PARTY TRANSACTIONS (continued)

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Interest received, thsd EUR	Interest paid, thsd EUR	Other expenses, thsd. EUR
Transactions with shareholders:				
Ministry of Finance	2017	-	-	-
	2016	-	(167)	-
Other companies owned by Group shareholders				
Central Finance and Contracting Agency	2017	-	-	-
	2016	-	-	(216)

Balances, including off-balance sheet financial liabilities, with related parties as at 31 December 2017 and 31 December 2016:

		Entity with significant influence, thsd. EUR	Transactions with shareholders, thsd. EUR	Associates, thsd. EUR	Other companies owned by Group shareholders, thsd. EUR
Due from other credit institutions and Treasury	31/12/2017	-	-	-	-
	31/12/2016	34	-	-	-
Investment property	31/12/2017	-	-	-	-
	31/12/2016	11,273	-	-	-
Investments in venture capital funds – associates	31/12/2017	-	-	52,101	-
(Allowance for impairment loss)	31/12/2017	-	-	(221)	-
(Note 11)	31/12/2016	-	-	58,541	-
	31/12/2016	-	-	(245)	-
Other assets	31/12/2017	-	-	-	-
	31/12/2016	140	-	-	-
Assets held for sale (Note 13)	31/12/2017	12,935	-	-	-
	31/12/2016	-	-	-	-
Due to general governments	31/12/2017	-	-	-	9,685
(Note 15)	31/12/2016	-	-	-	12,990
Support programme funding and state aid	31/12/2017	-	92,957	-	10,362
	31/12/2016	-	98,108	-	5,563
Liabilities directly associated with assets held for sale held for sale (Note 13)	31/12/2017	2,000	-	-	-
	31/12/2016	-	-	-	-
Off-balance sheet financial liabilities for venture capital funds	31/12/2017	-	-	26,941	-
(Note 18)	31/12/2016	-	-	28,940	-

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

23. MAXIMUM EXPOSURE TO CREDIT RISK

The credit risk is a risk that a customer or cooperation partner of the Group is unable or unwilling to meet its liabilities towards the Group in full and within the established term.

The table below shows credit risk exposures of the balance and off-balance sheet items (before collateral held or other credit security):

	31/12/2017	31/12/2016
Statement of financial position assets exposed to credit risk		
Investment securities – held to maturity	443	1,531
Investment securities - available for sale	61,760	64,294
Due from other credit institutions and Treasury	109,594	89,553
Loans and receivables	193,137	201,250
Investments in venture capital funds	51,880	58,296
Other assets	3,866	901
Total	**420,680**	**415,825**
Off-balance sheet items exposed to credit risk		
Contingent liabilities (Note 18)	185,173	147,175
Financial commitments (Note 18)	35,729	35,406
Total	**220,902**	**182,581**

As at December 31, 2017 a part of the Group's assets amounting to EUR 79,134 thsd has been pledged. Detailed information about the loan agreements concluded by the Group as at 31 December 2017:
On June 16, 2015 the commercial pledge stemming from the loan agreement No A/1/F12/296 and its amendments concluded between the Group and Ministry of Finance of the Republic of Latvia was renewed. The commercial pledge is related to the loans granted by Group in compliance with the Cabinet of Ministers Regulations No 381 dated May 29, 2012 *Procedure for Granting State Aid when Acquiring Farmland for Agricultural Production* as well as future components of the aggregation of property. The claim amount is 32,201 thsd euros (2016: 32,201 thsd euros).
As at 31 December 2017 the total amount of Group's entitlements considered as an aggregate property in favour of the Ministry of Finance was 46,933 thsd euros. Guarantee of the Ministry of Finance of the Republic of Latvia amounting to EUR 46,933 thsd that has been issued to back the Group's loan from EIB (2016: 56,111 thsd euros) (Note 14).

For information about commercial pledges stemming from the signed loan agreements where, as at 31 December 2017, the available funding has not been absorbed:
Based on the loan agreement No A1/1/F16/474 dated 24 November 2016 between the Group and Treasury of the Republic of Latvia a commercial pledge agreement was concluded on the same date. The commercial pledge refers to the loan funds the Group received from the Treasury and used to grant loans according to the Cabinet Regulation No 469 dated 15 July 2016 On Parallel Loans for Improvement of Competitiveness of Businesses. The maximum secured claim amount is 24,000 thsd euros. The composition of the commercial pledge: claim rights and their future components resulting from the aforementioned loans the Group has granted. Within 2017 year the Group had not started to use the Treasury's loan as yet.
On 29 December 2016 a commercial pledge agreement was concluded based on the following two loan agreements: loan agreement No A1/1/15/698 dated 18 December 2015 and loan agreement No A1/1/16/395 dated 26 September 2016. The loan agreement No A1/1/15/698 dated 18 December 2015 was concluded between the Group and Treasury of the Republic of Latvia.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

23. MAXIMUM EXPOSURE TO CREDIT RISK (continued)

The commercial pledge refers to the loan funds the Group received from the Treasury and used to grant loans according to the Cabinet Regulation No 1065 dated 15 September 2009 On Loans for Promoting the Development of Micro, Small and Medium Sized Merchants and Agricultural Service Co-operative Societies.

The loan agreement No A1/1/16/395 dated 26 September 2016 was concluded between the Group and Treasury of the Republic of Latvia. The commercial pledge refers to the loan funds the Group received from the Treasury and used to grant loans according to the Cabinet Regulation No 328 dated 31 May 2016 On Micro Loans and Start-up Loans. The total maximum secured claim amount is 39,600 thsd euros. The composition of the commercial pledge: claim rights and their future components resulting from the aforementioned loans the Group has granted. Within 2017 year the Group had not started to use the Treasury's loan as yet.

On 19 October 2017 a loan agreement with the Council of Europe Development Bank was signed. Within the framework of the loan agreement Group would have the opportunity of borrowing EUR 50 mln for implementation of the energy efficiency improvement measures in multi-apartment buildings. The agreement has been signed to fund Group's loans within the energy efficiency programme of the multi-apartment buildings. Nevertheless, in year 2017 Group didn't use the funds of the Council of Europe Development Bank as Group's loan for implementation of the project involving the multi-apartment buildings could only be granted if the commercial banks refused to fund the project, but in view of the current economic circumstances such occurrences were rear (in year 2017 – 4 loans worth EUR 0.6 mln). The funds available through the loan agreement won't be used to grant small loans; these funds will be used only if there is a demand for Group's loans of at least 12,5 mln which is the minimum amount of the tranche. As stipulated by agreement, the first tranche has to be disbursed within 12 months and there is no payment on the portion of the loan that has not been absorbed.
The loan is not secured by a registered collateral, but presents *pari passu* rights against other collaterals.

Transactions with derivatives that were in effect as at 31 December 2017, had been concluded seeking to cushion the effect of exchange rate fluctuations on the value of balance-sheet assets (see Note 10).

Loans to customers are secured, mostly by real estate, to a lesser extent – by other types of assets or commercial pledge. Some loans, granted during lending campaigns, are partially covered by guarantees of state aid programmes. Loan loss impairment estimates take into account the expected cash flows from collateral. Loan quality is described in Note 9.

The counter-guarantees of the Treasury are available for the following guarantee programmes:

- under the Funding Covenant concluded with the Central Finance and Contracting Agency (contract dated 08/06/2016) on implementation of the fund of funds the guarantees are available under specific support objective 3.1.1.1 with the earmarked funding of 15 mln euros.
- funding of 6 mln euros is earmarked for the state aid combination guarantees for the small and medium-sized enterprises sourced from repayments made on sub-activity 2.2.1.4.1. *Support in the Form of Loan for Improvement of Competitiveness of Businesses*; as regards the guarantees for large companies – the funding of 675 thsd euros is available from activity 3.1.3. *Training and Consultations for Business and Self-employment Start-ups* as well as reflows from activity 1.3.1.2. *Support to Self-employment and Business Start-ups* under operational programme *Human Resources and Employment* (482 thsd euros);
- Loan guarantees of 4,3 mln euros are available to the farmers;
- As of 8 June 2016 the loan guarantees are issued under specific support objective 3.1.1.1. As at 31 December 2017, 243 guarantees with the total funding of 39,1 mln euros were issued under specific support objective 3.1.1.1., whereas 19 guarantees with the total funding of 8.8 mln euros were issued to large companies. From 1 January 2017 to 31 December 2017 there were 34 guarantees with the total funding of 4,4 mln euros issued to farmers;

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

23. MAXIMUM EXPOSURE TO CREDIT RISK (continued)

- *InnovFIN* Facility guarantees are available to the innovative companies complying with the conditions of specific support objective 3.1.1.1. as well as large companies. There is an agreement (dated 13/10/2016) concluded with the European Investment Fund on *InnovFIN* Facility counter-guarantees for 30 mln euros. As of conclusion of the agreement up to 31 December 2017 there were 7 guarantees issued with *InnovFin* counter guarantee with the total funding of 1,2 mln euros.
- The guarantees of the Energy Efficiency Programme of Multi-apartment Buildings (EEPMB) are issued within the framework of the specific objective's measure 4.2.1.1. To Increase Energy Efficiency in Residential Buildings. The funding of 12,2 mln euros is earmarked for EEPMB guarantees. As at 31 December 2017 there were 18 EEPMB guarantees granted for 2,1 mln euros.
- The housing guarantees to the families with underage children are issued based on the Cabinet of Ministers Regulation No 443 *On State Assistance to Acquisition or Construction of Living Accommodation* adopted on 5 August 2014. The Housing Guarantee Programme has been running since January, 2015 with 7 co-operating commercial banks involved in its implementation. 3,113 housing guarantees for 22,3 mln euros were granted from 1 January 2017 to 31 December 2017.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

24. FAIR VALUES OF ASSETS AND LIABILITIES

In the opinion of Management, the fair value of assets and liabilities held in the Group's balance sheet at amounts other than fair value differs from their carrying values and those booked at fair value, as follows:

	31/12/2017		31/12/2016	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Assets				
Due from other credit institutions and Treasury	109,594	109,594	89,553	89,537
Debt securities	61,760	61,760	64,294	64,294
Investment securities - available for sale	**61,760**	**61,760**	**64,294**	**64,294**
Individuals	21,635	21,597	22,722	22,684
Companies	170,512	169,699	178,528	177,644
Loans and receivables	**192,147**	**191,296**	**201,250**	**200,328**
Debt securities	443	1,208	1,531	3,315
Investment securities – held to maturity	**443**	**1,208**	**1,531**	**3,315**
Derivatives	142	142	-	-
Investments in venture capital funds	51,880	51,880	58,296	58,296
Investment property	10,808	10,808	17,087	17,087
Assets held for sale	12,935	12,935	1,367	3,488
Liabilities				
Due to credit institutions	46,933	46,933	56,195	56,195
Derivatives	-	-	854	854
Due to general governments	43,609	42,103	46,914	46,914
Support program funding, net of state aid	99,351	99,351	96,822	96,822

Assets
Fair value of securities has been estimated based on quoted market prices where available. In assessing the fair value for other financial assets, the management has performed discounted cash flow analysis, estimating cash flows upon assumptions based on the most up-to-date market information at the moment of assessment. For loans having fixed rates in fixed terms, the management has conducted discounted cash flow analysis, while for loans where the base interest rates are pegged to floating market interest rates, the Group has assumed that the carrying value of such loans equals their fair value.

Liabilities
Fair value of financial liabilities at amortised cost, such as *Due to credit institutions*, has been estimated based on discounted cash flow model using interest rates for similar products as at year-end. Fair value of those financial liabilities that are on demand or have floating interest rate (e.g. *Due to credit institutions*) has been estimated to be approximately equal to its carrying amount.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

24. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

The following table shows the hierarchy of the Group's financial assets and liabilities assessed and recognised at fair value as at 31 December 2017:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investment property (Note 12)	-	-	10,808	**10,808**
Debt securities - available for sale	37,723	24,037	-	**61,760**
Derivatives (Note 10)	-	142	-	**142**
Assets held for sale	-	-	12,935	**12,935**
Assets for which fair values are disclosed:				
Loans and receivables (Note 9)	-	-	191,296	**191,296**
Due from other credit institutions and Treasury (Note 8)	100,594	-	9,000	**109,594**
Total	**138,317**	**24,179**	**224,039**	**386,535**
Liabilities measured at fair value:				
Derivatives	-	-	-	**-**
Liabilities for which fair values are disclosed:				
Due to credit institutions (Note 14)	-	-	46,933	**46,933**
Due to general governments (Note 15)	-	-	42,103	**42,103**
Support program funding, net of state aid (Note 17)	-	-	99,351	**99,351**
Total	**-**	**-**	**188,387**	**188,387**

The following table shows the hierarchy of the Group's financial assets and liabilities assessed and recognised at fair value as at 31 December 2016:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investment property (Note 12)	-	-	17,087	**17,087**
Debt securities - available for sale	39,026	25,268	-	**64,294**
Assets for which fair values are disclosed:				
Loans and receivables (Note 9)	-	-	200,328	**200,328**
Due from other credit institutions and Treasury (Note 8)	79,437	-	10,100	**89,537**
Total	**118,463**	**25,268**	**227,515**	**371,246**
Liabilities measured at fair value:				
Derivatives (Note 10)	-	854	-	**854**
Liabilities for which fair values are disclosed:				
Due to credit institutions (Note 14)	-	-	56,195	**56,195**
Due to general governments (Note 15)	-	-	46,914	**46,914**
Support program funding, net of state aid (Note 17)	-	-	96,822	**96,822**
Total	**-**	**854**	**199,931**	**200,785**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

24. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Fair value hierarchy of financial assets and liabilities

The Group classifies the fair value measurements based on the fair value hierarchy, which reflects significance of the data used in measurement. The fair value hierarchy of the Group has 3 levels:

- *Level 1* includes *Due from other credit institutions and the Treasury* as well as listed financial instruments having an active market, if the Group, to determine their fair value, uses unadjusted quoted market prices, obtained from the stock-exchange or reliable information systems;
- *Level 2* includes financial instruments traded over the counter and financial instruments having no active market or declining active market whose fair value measurements are based mostly on observable market inputs (e.g., similar instruments, benchmark financial instruments, credit risk insurance transaction rates, a.o.);
- *Level 3* includes financial instruments whose fair value measurements rely on observable market inputs requiring significant adjustment due to the unobservable market inputs, and financial instruments whose fair value measurements are based primarily on the data that cannot be observed in the active market and assumptions and estimates of the Group that enable a credible measurement of the financial instrument's value.

Debt securities

The debt securities are measured using the quoted prices or valuation techniques using both - observable and unobservable market inputs and a combination of the two. The majority of investments in debt securities recognised at fair value are investments in Latvian government debt securities having a quoted price, but not being traded on the active market. The management has estimated that the quoted price is a reasonable approximation of the fair value by reference to yield of similar risk investments.

Derivatives

The derivatives measured using valuation techniques relying on observable market inputs are mainly currency swaps and over-the-counter forward exchange contracts. Most frequently applied valuation techniques include discounted cash flow calculation, where inputs include foreign exchange spot and forward rates as well as interest rate curves.

Assets held for sale

The investments in the shares of the alternative investment funds are values that are based on net redemption price as the investments are made in alternative investment funds.

Investment property

Investments in real estate are evaluated in accordance with Latvian and International Valuation Standards (IVS) for real estate involving professional and certified valuators.

Property investments are evaluated at their fair value using one of the following approaches:

(a) market data (comparable sales) approach;

(b) income approach;

(c) depreciated replacement cost method.

The valuation method is selected depending on the type of property and acquisition purpose. Property valuation is carried out by a professional and certified valuator, selected by the Group, according to the abovementioned methods.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

25 LIQUIDITY RISK

The table below provides the maturity structure of expected undiscounted future cash flows of the Group's financial liabilities, off-balance liabilities and liquid assets, including the balances of *Due from other credit institutions and Treasury* and *Investment securities* as at 31 December 2017. The presentation is based on the expected future cash flows linked with payment schedules and includes interest; while the maturity analysis presented in Note 27 discloses the term structure of actual balances of liabilities and assets:

	Up to 1 year	1 to 5 years	Over 5 years and w/o date	**Total**
Due to credit institutions	8,857	32,376	6,309	**47,542**
Due to general governments	163	612	44,869	**45,644**
Support programme funding, net of state aid	-	-	99,351	**99,351**
Other liabilities	-	-	3,765	**3,765**
Total financial liabilities	**9,020**	**32,988**	**154,294**	**196,302**
Off-balance items and contingent liabilities (Note 18)	53,339	78,070	89,493	**220,902**
Total financial liabilities, off-balance items and contingent liabilities	**62,359**	**111,058**	**243,787**	**417,204**
Due from other credit institutions and Treasury	109,594	-	-	**109,594**
Investment securities	38	51,426	10,738	**62,202**
Liquid assets	**109,632**	**51,426**	**10,738**	**171,796**

The table below provides the maturity structure of expected undiscounted future cash flows of the Group's financial liabilities, off-balance liabilities and liquid assets as at 31 December 2016:

	Up to 1 year	1 to 5 years	Over 5 years and w/o date	**Total**
Due to credit institutions	9,483	35,368	12,293	**57,144**
Due to general governments	163	653	50,017	**50,833**
Support programme funding, net of state aid	-	-	96,822	**96,822**
Other liabilities	-	-	6,559	**6,559**
Total financial liabilities	**9,646**	**36,021**	**165,691**	**211,358**
Off-balance items and contingent liabilities (Note 18)	63,019	56,967	75,782	**195,768**
Total financial liabilities, off-balance items and contingent liabilities	**72,665**	**92,988**	**241,473**	**407,126**
Due from other credit institutions and Treasury	89,553	-	-	**89,553**
Investment securities	11,403	39,800	14,622	**65,825**
Liquid assets	**100,956**	**39,800**	**14,622**	**155,378**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

26 CASH AND CASH EQUIVALENTS

	31/12/2017	31/12/2016
Demand deposits with other credit institutions	100,597	79,553
Deposits with credit institutions with original maturity of less than 1 month	-	5,000
	100,597	**84,553**

27 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below discloses assets and liabilities according to their contractual maturity. With regard to loans and advances to customers, the Group uses the same basis of expected repayment behaviour as used for estimating the effective interest rate. The issued debts reflect the contractual coupon amortisations.

The table below allocates the Group's assets and liabilities to maturity groupings as at 31 December 2017 based on the time remaining from the balance sheet date to the contractual maturity dates.

	Up to 1 month	1 to 3 months	3 to 6 months	Up to 1 year	1 to 5 years	Over 5 years and undated	**Total**
ASSETS							
Due from other credit institutions and Treasury	100,597	-	-	8,997	-	-	**109,594**
Investment securities	-	-	-	38	51,426	10,739	**62,203**
Loans and receivables	10,698	11,789	10,152	19,765	-	140,733	**193,137**
Derivatives	-	142	-	-	-	-	**142**
Investments in venture capital funds	-	864	-	-	44,675	6,341	**51,880**
Deferred expense and accrued income	669	1,581	3	3	9	207	**2,472**
Investment property	-	-	-	234	8,142	2,432	**10,808**
Property, plant and equipment	-	-	-	-	-	3,828	**3,828**
Intangible assets	-	-	-	-	-	771	**771**
Other assets	271	-	139	-	1,966	3,457	**5,833**
Assets held for sale	-	-	-	12,935	-	-	**12,935**
Total assets	**112,235**	**14,376**	**10,294**	**41,972**	**106,218**	**168,508**	**453,603**
LIABILITIES							
Due to credit institutions	-	4,399	-	4,340	31,944	6,250	**46,933**
Due to general governments	-	-	-	-	5,000	38,609	**43,609**
Issued debt securities	-	-	-	53	-	20,000	**20,053**
Deferred income and accrued expense	174	87	451	425	135	1,230	**2,502**
Support programme funding and state aid	9,795	-	-	7,006	29,392	57,126	**103,319**
Provisions for off-balance sheet commitments	365	757	66	259	4,199	8,408	**14,054**
Other liabilities	2,962	-	53	319	-	431	**3,765**
Liabilities directly associated with assets held for sale	-	-	-	2,000	-	-	**2,000**
Total liabilities	**13,296**	**5,243**	**570**	**14,402**	**70,670**	**132,054**	**236,235**
Net liquidity	**98,939**	**9,133**	**9,724**	**27,570**	**35,548**	**36,454**	**217,368**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

27 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

The table below allocates the Group's assets and liabilities to maturity groupings as at 31 December 2016 based on the time remaining from the balance sheet date to the contractual maturity dates.

	Up to 1 month	1 to 3 months	3 to 6 months	Up to 1 year	1 to 5 years	Over 5 years and undated	**Total**
ASSETS							
Due from other credit institutions and Treasury	79,553	5,000	-	5,000	-	-	**89,553**
Investment securities	-	-	1,027	-	50,176	14,622	**65,825**
Loans and receivables	14,369	9,473	8,997	19,313	91,132	57,966	**201,250**
Investments in venture capital funds	-	799	-	-	51,894	5,603	**58,296**
Deferred expense and accrued income	410	1,640	4	1	4	-	**2,059**
Investment property	-	-	-	12,218	-	4,869	**17,087**
Property, plant and equipment	-	-	-	-	-	3,507	**3,507**
Intangible assets	-	-	-	-	-	168	**168**
Deferred tax asset	-	-	-	-	-	-	**-**
Other assets	735	-	-	1	3,113	165	**4,014**
Assets held for sale	-	-	-	1,367	-	-	**1,367**
Total assets	**95,067**	**16,912**	**10,028**	**37,900**	**196,319**	**86,900**	**443,126**
LIABILITIES							
Due to credit institutions	-	4,896	93	4,340	34,717	12,149	**56,195**
Derivatives	-	854	-	-	-	-	**854**
Due to general governments	1,723	-	-	-	-	45,191	**46,914**
Deferred income and accrued expense	160	17	464	427	201	706	**1,975**
Support programme funding	6,182	-	-	2,098	36,995	58 396	**103,671**
Provisions for off-balance sheet commitments	2,509	1,195	970	31	6,591	5,568	**16,864**
Other liabilities	3,686	-	376	174	292	2,031	**6,559**
Total liabilities	**14,260**	**6,962**	**1,903**	**7,070**	**78,796**	**124,041**	**233,032**
Net liquidity	**80,807**	**9,950**	**8,125**	**30,830**	**117,523**	**(37,141)**	**210,094**

28 SUBSEQUENT EVENTS

There are no other subsequent events from the last day of the reporting period until signature of this report, which would have a significant effect on the financial position of the Group.

OTHER NOTES TO FINANCIAL STATEMENTS

Key Financial Data, Operational Volumes and Results 2015 - 2017

Key financial data	**2017**	**2016**	***2015***
	(Unaudited)	*(Audited)*	*(Audited)*
Net income from interest, fees and commission (tEUR)1)	11,613	11,024	16,419
Profit (period) (tEUR)	945	2,170	4,924
Cost to income ratio (CIR)2)	81.58%	88.4%	55.8%
Employees	230	242	282
Total assets (tEUR)	452,613	443,126	406,918
Tangible common equity (TCE)/total tangible managed assets (TMA)3)	34.1%	35.2%	37.3%
Equity and reserves (tEUR)	216,378	210,094	199,610
Total risk coverage 4) (tEUR):	68,938	67,705	41,021
Risk coverage reserve	63,753	64,833	40,662
Risk coverage reserve used for provisions	-4,510	-4,323	-1,276
Portfolio loss reserve (specific reserve capital)	9,695	7,195	1,635
Liquidity ratio for 180 days5)	529.82%	449.3%	351.9%
Financial instruments (gross value)			
Outstanding (tEUR) (by financial instrument)			
Loans	207,585	217,429	218,562
Guarantees	185,173	147,175	131,120
Venture capital 7)	52,101	58,541	39,929
Total	**444'859**	**423,145**	**389,611**
Number of contracts	14,402	11,449	8,901
Volumes granted (tEUR) (by financial instrument)			
Loans	51,869	59,465	52,329
Guarantees	68,615	56,109	50,065
Venture capital	2,638	21,356	18,798
Total	**123,122**	**136,929**	**121,192**
Number of contracts	4,697	4,461	2,819
Leverage for raised private funding6)	**186%**	**162%**	**104%**

1) Net Income from Interest, Fees and Commission consists of the following items of the Income statement: Net Interest Income and Net Commission Income. The indicator demonstrates operating income of ALTUM Group.

2) Cost to Income Ratio (CIR) is calculated by dividing the sum of the Personnel expenses, Administrative expenses and Depreciation of intangible assets and property, plant and equipment by Operating income before operating expense included in the Income Statement. CIR is the indicator for establishing efficiency of the operating activities.

3) Tangible Common Equity (TCE)/Tangible Managed Assets (TMA)

   Tangible Common Equity (TCE) is calculated by subtracting from Total equity the Revaluation reserve of available for sale investments.
   The Total Tangible Managed Assets (TMA) include the total assets of ALTUM Group adding the guarantees entered into the off-balance and taking into account the provisions for guarantees from which the following is subtracted: Deferred expense, Accrued income, Property, plant and equipment, Intangible assets, Other assets and Available for sale assets.
   The items used to calculate both indicators (TCE, TMA) are included in the following financial statements of ALTUM Group: Statement of Financial Position and Statement of Changes in Equity, and in the following notes: Off-balance items and contingent liabilities and Provisions. TCE/TMA are used assess the Group's capital adequacy.

OTHER NOTES TO FINANCIAL STATEMENTS (continued)

4) Total Risk Coverage is the net funding available for covering of the expected credit losses of the state aid programmes implemented by ALTUM. The Total Risk Coverage is the sum total of Risk Coverage Reserve and Portfolio Loss Reserve (Specific Reserve Capital) less Risk Coverage Reserve Used for Provisions. The expected losses are estimated before implementation of the respective state aid programme and a portion of the public funding intended for coverage of the credit risk losses expected in the respective state aid programme is either transferred to the Portfolio Loss Reserve that is the Group's specific reserve capital or accounted for separately as provisions for risk coverage under liabilities' item Risk Coverage Reserve. The Portfolio Loss Reserve (specific reserve capital) is included in the Note on Reserves to the financial statements of ALTUM Group. While the Risk Coverage Reserve is included in the Note on Support Programme Funding and State Aid to the financial statements of ALTUM Group. The Risk Coverage Reserve Used for Provisions is the amount of the Risk Coverage Reserve allocated to and used for provisioning for impairment of the loan portfolio and guarantees which in its turn is included in the Note on Loans and Note on Provisions to the financial statements of ALTUM Group.
   Total Risk Coverage is a key indicator for assessment of the risk coverage in the state aid programmes implemented by ALTUM and long-term financial stability of the Group.

5) The liquidity ratio for 180 days is calculated by dividing the sum of Due from other credit institutions and Treasury with a maturity of up to 1 month and Investment securities – available for sale by sum of Total liabilities maturing within 6 months and Total financial liabilities maturing within 6 months (off-balance item). The data required for calculation of the liquidity ratio for 180 days are included in the following financial statements of ALTUM Group: Financial Position Statement and notes – Off-balance items and contingent liabilities and Maturity analysis of assets and liabilities. The liquidity ratio for 180 days represents ability of ALTUM Group to honour its obligations in due time with currently available liquid assets.

6) Leverage for raised private funding indicates the amount of additional private funds invested in a project on top of funding provided by ALTUM. Leverage is determined considering the funding invested by a private co-financier and a project's implementer on top of ALTUM's funding, which, on average, makes up to 50 per cent for loans, up to 70 per cent for guarantees and venture capital (except for the first instalment of the Housing Guarantee Programme where the ratio is 795 per cent).

7) In accordance with the accounting policies, the part of the losses from investments in associates is included.