# AS ATTĪSTĪBAS FINANŠU INSTITŪCIJA ALTUM

Unaudited interim condensed financial report
for the nine-month period ended 30 September 2018

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AS Attīstības finanšu institūcija Altum
Doma laukums 4, Riga, LV-1050, Latvia
Phone: + 371 67774010
Fax: + 371 67820143
Registration No: 50103744891
www.altum.lv

# Altum Group

**MISSION** We help Latvia grow!

**VISION** To be a partner and financial expert in economic development

**VALUES** Excellence / Team / Responsibility

AS Attīstības finanšu institūcija Altum (the joint stock company Development Finance Institution Altum), Parent Company of the Altum Group, is a Latvia state-owned company ensuring access of enterprises and households to finance by means of financial instruments - loans, guarantees, investments in venture capital funds - in the areas defined by the State as important and supportable, thus developing national economy and enhancing the mobilisation of private capital and financial resources.

# Long-term financial objectives 2018

The Management Board and Supervisory Council of the Development Finance Institution Altum have approved the Company's strategic development directions and long-term financial objectives for the period 2016 – 2018:

Effective management of public funds, capital preservation and positive return on equity in the long-term.

Implementation of new State aid programmes, including energy efficiency programmes for multi-apartment buildings, several new guarantee and agricultural land sales and leaseback products.

Considerable (essential?) expansion of operations

- Steep growth of the guarantee portfolio
- Moderate growth of loan portfolio and investments in venture capital funds portfolios

Increase in operational efficiency

# Management report

### Activity during the reporting period

During the 9 months of 2018, the Development Finance Institution Altum group (hereinafter – the Group) earned a profit of EUR 0.976 million. The Group's parent company, the joint-stock company Development Finance Institution Altum (hereinafter – the Company), earned a profit of EUR 2.529 million.

### Key financial and performance indicators of the Group

| | 9 m 2018 (not audited) | 9 m 2017 (not audited) | 2017 (audited) | 2016 (audited) |
|---|---|---|---|---|
| **Key financial data** | | | | |
| Net income from interest, fees and commission (tEUR) | 8,101 | 9,504 | 11,374 | 11,024 |
| Profit for the period (tEUR) | 976 | 3,855 | 6,945 | 2,170 |
| Cost to income ratio (CIR) | 82.7% | 62.5% | 54.7% | 88.4% |
| Employees | 225 | 230 | 230 | 242 |
| Total assets (tEUR) | 473,473 | 432,678 | 451,686 | 443,126 |
| **Tangible common equity (TCE)/total tangible managed assets (TMA)** | 33.1% | 35.2% | 35.6% | 35.2% |
| Equity and reserves (tEUR) | 220,370 | 216,027 | 222,486 | 210,094 |
| **Total risk coverage: (tEUR)** | 68,014 | 62,701 | 65,002 | 67,705 |
| Risk coverage reserve | 65,447 | 59,724 | 60,060 | 64,833 |
| Risk coverage reserve used for provisions | -7,128 | -4,218 | -4,753 | -4,323 |
| Portfolio loss reserve (specific reserve capital) | 9,695 | 7,195 | 9,695 | 7,195 |
| Liquidity ratio for 180 days | 242% | 446% | 507% | 449% |
| **Financial instruments (gross value)** | | | | |
| **Outstanding (tEUR) (by financial instrument)** | | | | |
| Loans | 214,395 | 211,472 | 207,585 | 217,429 |
| Guarantees | 223,065 | 176,495 | 182,376 | 147,175 |
| Venture capital funds | 47,640 | 55,180 | 51,310 | 58,541 |
| **Total** | 485,100 | 443,147 | 441,271 | 423,145 |
| Number of contracts | 17,296 | 13,787 | 14,402 | 11,449 |
| **Volumes issued (tEUR) (by financial instrument)** | | | | |
| Loans | 47,200* | 39,442 | 51,869 | 59,465 |
| Guarantees | 62,763 | 50,517 | 68,615 | 56,109 |
| Venture capital funds | 1,840 | 1,808 | 2,638 | 21,356 |
| **Total** | 111,803 | 61,007 | 123,122 | 136,929 |
| Number of contracts | 4,052 | 2,314 | 4,697 | 4,461 |
| Leverage for raised private funding | 190% | 181% | 185% | 162% |

* loans issued

The figures are explained in the section "Key Financial and Performance Indicators" under Other Notes to the Interim Condensed Financial Statements.

### Financial instrument portfolio

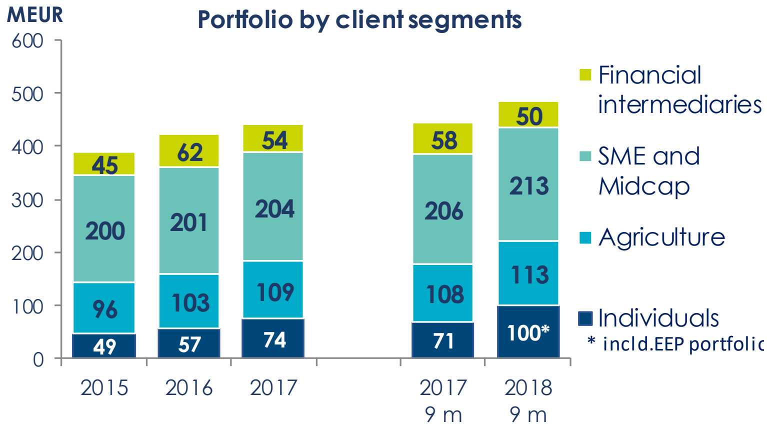
As at 30 September 2018, the Group held a portfolio of financial instruments for the total value of EUR 485 million (gross) issued for 17,296 projects under the support programmes.

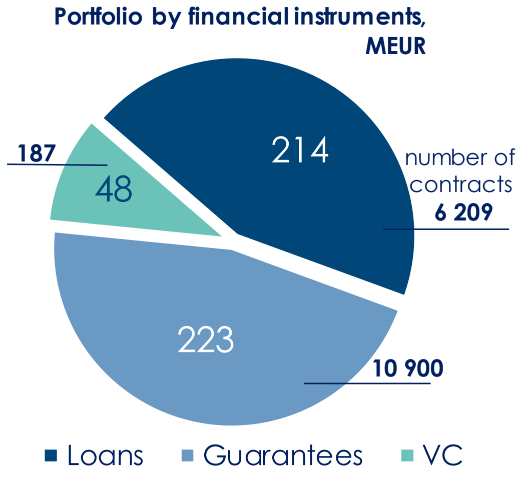
In the 9 months of 2018, the portfolio of the Group's financial instruments increased by 10% (EUR 43.8 million) in terms of volume and by 20% in terms of the number of projects (by 2,894 projects) vs year end 2017. Of the financial instruments, the guarantee portfolio had the most rapid growth by 22% in terms of volume (EUR 40.7 million) and by 35 % in terms of the number of transactions.

Already in 2Q2018, the volume of the guarantee portfolio exceeded the loan portfolio reaching the target set in the Company's Strategy 2016-2018 – to achieve a significant augmentation of the operational volumes through the focus on the indirect financial instruments (guarantees).

The segment analysis reveals that the financed projects of small, medium-sized and intermediate enterprises (SME and Mid-cap companies) account for most of the portfolio. In the 9 months of this year, the highest growth was in the segment of Individuals +35% (+EUR 26 million). During the reporting period, the portfolio increased in the SME and Mid-cap segment (+EUR 9 million) and the agriculture segment (+EUR 13 million ), while decreased in the segment of financial intermediaries (-EUR 4 million).

# Management report (cont'd)




Group 30.09.2018

In terms of the number of transactions, the largest increase vs year end 2017 was observed in the segment of Individuals. Implementation of the Housing Guarantee Programme has contributed to the rising number of transactions in this segment. The amendments to the programme's framework by expanding the programme to young professionals effective as of March 2018 have given a new impetus to the programme implementation.

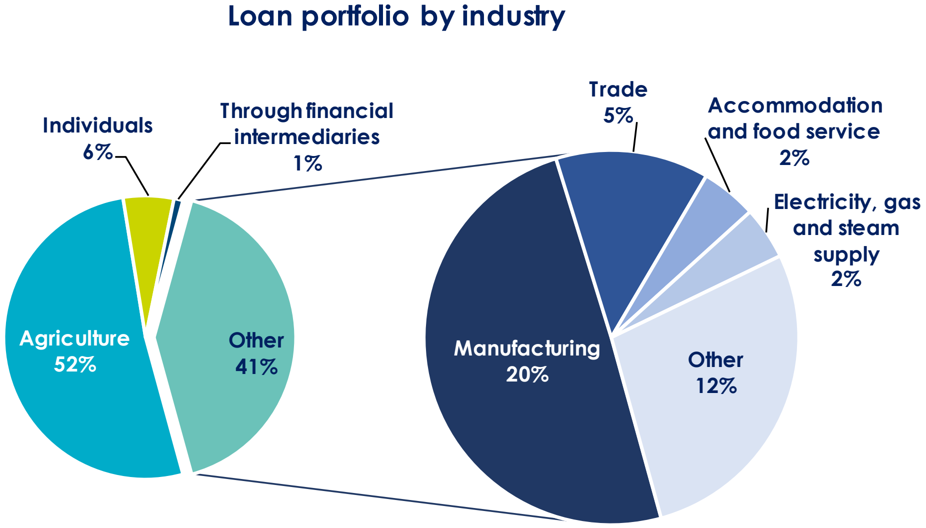
The portfolio structure of the loan and guarantee financial instruments demonstrates the priorities of the Latvian government regarding the implementation of State aid.

The State aid programmes implemented by the Group embrace different industries of the national economy and client segments resulting in a broadly diversified financial instruments portfolio of the Group.

Right from the start of its operation, the Group implements a range of lending programmes for farmers which is reflected in the structure of the loan portfolio where the agriculture segment accounts for 52%. A considerable portion of the loan portfolio goes to manufacturing (20%) and trading companies (5%).

With the approved State aid programmes closing market gaps, the SME and Mid-caps account for most of the Group's guarantees - 55%, while the segment of Individuals accounts for 40% of the guarantees comprised of the housing acquisition guarantees issued to families with children and young professionals as well as guarantees within the Energy Efficiency Programme for Multi-apartment Buildings (EEPMB).

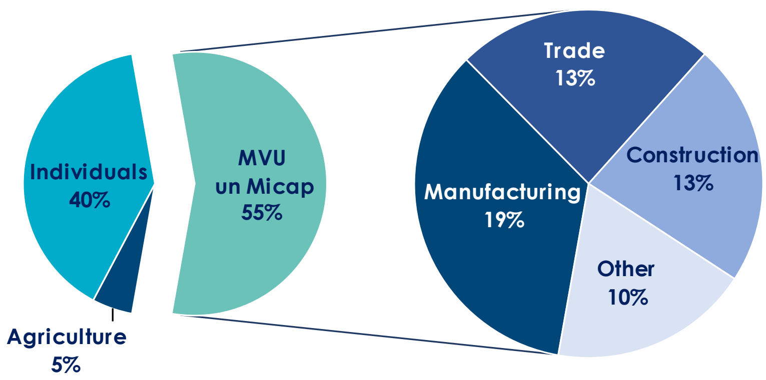
In terms of industries, the guarantees to manufacturing account for 19% of the guarantee portfolio, considerable guarantee amounts of 13% and 13% respectively are issued also to the trade and construction industries.




Group 30.09.2018

# Management Report (cont'd)

Guarantee portfolio by industry




Group 30.09.2018

As at 30 September 2018, as part of the State aid for housing acquisition by families with children, the Housing Guarantee Programme had granted 9.632 guarantees worth EUR 68 million. The programme's guarantees that help saving for the first instalment required to obtain a mortgage loan are used by families throughout Latvia: of the total number of the issued guarantees 67% were granted in Riga and its conurbations, 14% - in Vidzeme, 9% - in Kurzeme, 7% - in Zemgale and 3% - in Latgale. The average amount of one guarantee is EUR 7 thousand. From March 2018, when the programme was expanded to include young professionals, up to 30 September 2018, a total of 575 guarantees worth 4 million euro were issued to young professionals.

As at 30 September 2018, the balance sheet of the Land Fund administered by the Group listed 374 properties with a total land area of 6,618 ha worth EUR 18.34 million, including investment properties that are rented to farmers with a total land area of 5,167 ha worth EUR 13.6 million and sales and leaseback transactions, classified in loan portfolio with a total land area of 1,451 ha worth EUR 4.7 million.

**Volume of new transactions**

During the reporting period while implementing the State aid programmes, the amount of funding issued was EUR 111.8 million (56% - guarantees, 42% - loans and 2% - investments in venture capital funds). In total, 4,052 projects were supported. Compared to the respective period of the previous year, the volume of new transactions has increased by 20% (EUR 20 million), 24% more guarantees were issued (EUR 12.3 million), whereas the amount of loans increased by 20% (EUR 7.8 million).

So far a total of 406 project applications for EUR 65 million, of which 46 for EUR 8.2 million during 3Q 2018, have been submitted to the Energy Efficiency Programme for Multi-apartment Buildings for reviewing, and 306 projects for a total amount of EUR 55 million have been approved. The number of projects submitted so far accounts for 39% (8% submitted during 3Q 2018) of the total number of projects planned for the entire EEPMB implementation period (utilisation of the funds until 2022). Within this programme, a total of 165 grants were given for EUR 26.4 million (in 3Q 2018, 34 for EUR 6.7 million), 79 guarantees for EUR 11.9 million (in 3Q 2018, 23 guarantees for EUR 3.5 million) and 8 Altum loans for EUR 1.2 million (in 3Q 2018 for EUR 0.16 million).

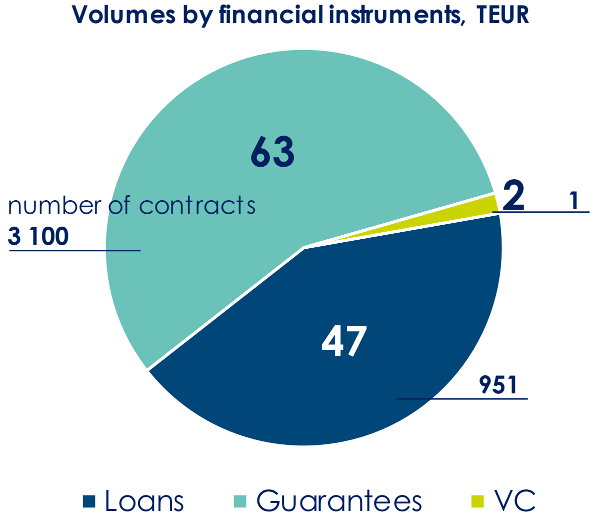
During the nine-month period, new loans for the total amount of EUR 47.2 million were issued. Out of total loans issued during 3Q 2018 the biggest volume accounts to agricultural, forestry and fishery companies in amount of EUR 10.8 million (61% out of total volume issued) as well as manufacturing companies of EUR 4.2 million (23% out of total volume issued). In 3Q 2018 the average new loan amount has been increased up to EUR 63 thousand (1Q and 2Q 2018 of EUR 44 thousand).

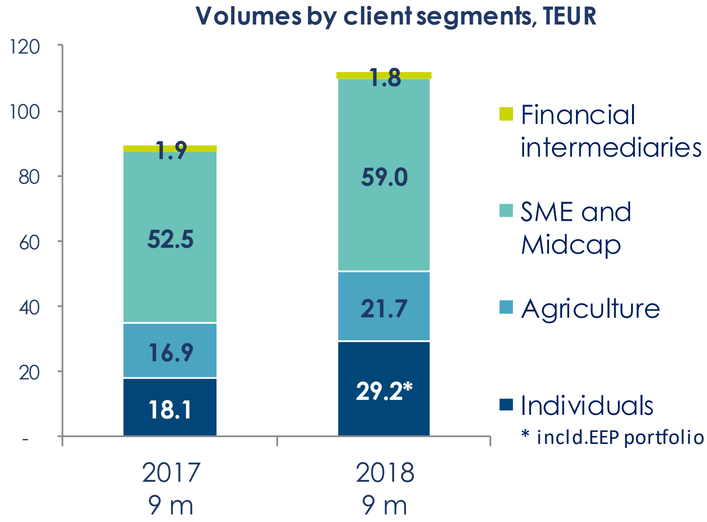
During the nine-month period, in order to facilitate entrepreneurship, new guarantees for the total amount of EUR 33.8 million were issued to business projects. The commercial banks have taken particular advantage of the loan guarantees when funding manufacturing, trade and construction companies, using the guarantees as the security for issuing bank credit lines. As in the previous periods, the portfolio of newly issued guarantees was well diversified. The decision of 2017 to increase the maximum amount of the guarantee from EUR 1.5 million to EUR 3 million had a positive effect as more and more enterprises that had reached the maximum available guarantee limits asked for new support.

During the first three quarters of the year, the amount of short-term export guarantees increased significantly reaching EUR 5.27 million (in the respective period of the previous year: EUR 1.7 million). The product sales increase, occurring in the first two quarters, continued in the third quarter of this year. The increase was brought about by expanding the programme in the previous year when including transactions to the European Union and some OECD member states by small-scale exporters (export turnover less than EUR 2 million) or exporters with a larger export turnover provided the maturity of the deferred payment exceeded 180 days as well as the removal of the condition for the product to be of local origin, thus making it also possible for re-exporters to qualify for the guarantee cover.

During the reporting period, the largest number of new transactions was recorded in the following segments - SME and Mid-caps - 53%, Individuals - 26% and Agriculture - 19%. Compared to 9 months period of 2017, the Individuals segment demonstrated a 61% (EUR 11.1 million) increase in new transactions brought about by the expansion of the Housing Guarantee Programme to young professionals from March 2018 as well as improving accessibility to the Energy Efficiency Programme for Multi-apartment Buildings (EEPMB). Agriculture and SME and Mid-caps segments demonstrated increase in new transactions of 29% (EUR 4.8 million) and 12% (EUR 6.5 million) respectively.

# Management Report (cont'd)




Group 30.09.2018

In the segment of financial intermediaries dominated by venture capital investments, the volumes of new transactions remained low during the reporting period because the managers of the new accelerator funds and venture capital funds (4th generation) commenced their investment activities in the second half of 2018.

**New products and increasing operational efficiency**

In order to foster development of the national economy through an influx of additional financial resources, the Group, following its strategy for the years 2016–2018, expanded its business of loan guarantees for promoting entrepreneurship by offering both – new guarantee products and improving the existing products.

In 3Q 2018 the selected credit institutions by Altum has very successfully launched the new guarantee product in Latvia – portfolio guarantees. Differing from individual guarantees, a credit institution may provide a portfolio guarantee instrument to its own financial services, incl. loans, up to EUR 250 000, offering better terms to entrepreneurs – lower interest rates and also faster receiving of the loan (probably within a couple of days).

In September Altum launched a new loan product "Loans for enterprises in rural territories" developed together with Ministry of Agriculture to ensure easier access to funding for entrepreneurs performing commercial activities outside of big towns having relatively small annual turnover (up to EUR 70 thousand). There are available investment loans and funding for working capital up to EUR 100 thousand. These loans are attractive to agricultural start-ups, small-scale and bio-farmers as well as service providers in rural territories. The advantages of the said loan product can be used also by fishery companies irrespective of turnover and location.

Concurrently amendments to the agriculture guarantee programme are developed that will streamline the programme's framework. Amendments to be launched as of 1Q 2019 will include increased guarantee coverage at 80% (before 50-80%) and maximum guarantee cap – EUR 1 million (before EUR 43 – 712 thousand).

In September 2018 Altum also launched European Investment Fund (EIF) COSME and EaSI counter guarantees for loans up to EUR 25 thousand issued in scope of following loan products – start-up loans, micro loans, funding for working capital for farmers, loans for enterprises in rural territories. Loans eligible to terms and conditions of COSME or EaSI counter guarantees are issued without additional collaterals, with a personal guarantee only, and at a lower interest rate if compared for unsecured loans.

Altum is working actively to introduce customer service improvements and make the process of reviewing applications more efficient. As of end of August the clients of Altum are able to register, submit their applications for loans and upload the required documents only electronically. It speeds up the decision-making for issue of the State aid funding. Along with implementation of an entirely electronic application system there is also decreased the number of documents that clients have to submit. The first to benefit from a faster review of their applications were those clients applying for start-up or business development loans up to EUR 25 thousand. Now the clients are able to complete all the required steps regarding loan application remotely and visit ALTUM only to sign the loan agreement.

# Management Report (cont'd)

In 3Q 2018, venture capital acceleration investments for early stage companies are available in Latvia; it is a novelty in the start-ups eco-system of Latvia. In 3Q 2018 there was completed the first stage application and business idea assessment process organised by all three pre-seed acceleration funds. 20 teams out of 641 applicants were selected. The acceleration investments would receive approximately 120 feasible and sustainable business ideas within the next 3 years. The total public funding for the Group's investments in these funds will amount to EUR 15 million.

In 3Q 2018 the investment period commenced for one of the two growth venture capital funds while the agreement with the other growth venture capital fund manager, selected earlier in 2018, was signed. The total public funding for the Group's investments in each of these funds will amount to EUR 15 million. In respect of both seed and start-up venture capital funds, the process of attracting private investors lead by fund managers continued in 3Q 2018. The total public funding for the Group's investments in these seed and start-up venture capital funds is expected to reach EUR 30 million.

Continuing to work at the optimisation of the management cost of the programmes, in April 2018 the Group transitioned to a new transaction accounting information system that will ensure further gradual reduction of management costs over the coming years. Once implemented, the annual maintenance costs of the information system would decrease by more than EUR 0.4 million, without taking into consideration the upgrade and maintenance costs of the related infrastructure. The new system will improve the speed of information circulation and client service as the visual layout of the modern software would let its users find the necessary information intuitively without specific training. Moreover, reports and extracts could be generated without using any additional software.

### Long-term funding

In October 2017, the Company issued transferable debt securities as a series of notes in the form of a programme, which were registered with the Latvian Central Depository and listed on Nasdaq Riga. Within the framework of this EUR 30 million bonds programme and a view to diversify funding sources, on 2 March 2018 the Company issued 7 year debt securities with a total value of 10 million euro. Investors in Latvia, Lithuania and Estonia have shown a substantial interest. Similar to the emission of bond securities by the Company in October 2017, also this time the subscribed volume exceeded the issued volume by more than 6 times. The bonds were purchased by 14 investors: asset management funds, insurance companies and banks in Latvia (53%), Lithuania (22%) and Estonia (25%). By issuance of these notes the Group continues its long term active participation in the capital markets and also pursuing diversification of the structure of the attracted funding.

### 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 retains the long-term capability of implementing the established operational targets and assignments. To manage risks, the Group makes use of various risk management methods and instruments as well as establishes risk limits and restrictions. The choice of the risk management methods is based on the materiality of the particular risk and its impact on the Group's operations.

In view of the Group's activities in high-risk areas when implementing the State aid programmes, the Group has created risk coverage of EUR 68 million (as at 30 September 2018) which is available to cover expected credit loss of the State aid programmes. The expected loss is assessed before implementing the respective aid programme and a portion of the public funding received within the respective State aid programme for coverage of the expected credit loss is allocated to 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.

In 3Q 2018 there is commenced automated client assessment procedure according to the requirements of Law On International Sanctions and National Sanctions of the Republic of Latvia and automated potential client assessment procedure according to requirements of Law on the Prevention of Laundering the Proceeds from Criminal Activity and of Terrorist Financing.

### Rating

On 15 June 2017, the international credit rating agency 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 more successfully the Group's long-term strategy for raising funding through becoming a member of the capital market and issuing of notes.

### Future outlook

In view of what has been achieved and in order to set new long-term financial goals, a medium-term strategy of Altum is drafted for the years 2019-2021.

Reinis Bērziņš
Chairman of the Board

30 November 2018

# Supervisory Council and Management Board

### Supervisory Council

| Name, surname | Position | Appointment date |
|---|---|---|
| Līga Kļaviņa | Chairperson of the Council | 29/12/2016 – present |
| Jānis Šnore | Council Member | 29/12/2016 - present |
| Kristaps Soms | Council Member | 29/12/2016 - present |

There were no changes in the Supervisory Council of the Company during the reporting period.

### Management Board

On 11 June 2018, four members of Company's Board were re-elected.

| Name, surname | Position | Appointment date |
|---|---|---|
| Reinis Bērziņš | Chairman of the Board | 11/06/2018 – present |
| Jēkabs Krieviņš | Board Member | 11/06/2018 – present |
| Juris Vaskāns | Board Member | 11/06/2018 – present |
| Inese Zīle | Board Member | 11/06/2018 – present |
| Aleksandrs Bimbirulis | Board Member | 07/07/2017 – present |

# Statement of Management's responsibility

Riga 30 November 2018

The Management Board (the Management) is responsible for preparing the financial statements. The Management confirms that suitable accounting policies were used and applied consistently and reasonable and prudent judgments and estimates were made in the preparation of the financial statements on pages 10 to 50 for the period 1 January 2018 to 30 September 2018. The Management confirms that the Group's and the Company's financial statements were prepared on a going concern basis in accordance with International Accounting Standard 34 "Interim Financial Reporting".

During the reporting period 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 the Company and to prevent and detect fraud and other irregularities.

Reinis Bērziņš
Chairman of the Board

# Statement of Comprehensive Income

All amounts in thousands of euro

| | Notes | Group 01/01/2018-30/09/2018 (unaudited) | Group 01/01/2017-30/09/2017 (unaudited) | Company 01/01/2018-30/09/2018 (unaudited) | Company 01/01/2017-30/09/2017 (unaudited) |
|---|---|---|---|---|---|
| Interest income | 4 | 9,006 | 9,654 | 9,006 | 8,874 |
| Interest expense | | (1,225) | (324) | (1,225) | (324) |
| Net interest income | | 7,781 | 9,330 | 7,781 | 8,550 |
| | | | | | |
| Fee and commission income | | 397 | 366 | 398 | 366 |
| Fee and commission expense | | (77) | (192) | (131) | (192) |
| Net income from fees and commissions | | 320 | 174 | 267 | 174 |
| | | | | | |
| Net trading income | | (61) | (145) | (61) | (145) |
| Share of loss of investment in joint venture and associate | 9 | (1,243) | (3,315) | - | - |
| Other income | | 2,297 | 6,183 | 2,297 | 6,183 |
| Operating income before operating expenses | | 9,094 | 12,227 | 10,284 | 14,762 |
| | | | | | |
| Staff costs | | (5,058) | (4,503) | (5,058) | (4,503) |
| Administrative expense | | (2,322) | (2,833) | (2,322) | (2,833) |
| Amortisation of intangible assets and depreciation of property, plant and equipment | | (436) | (304) | (436) | (304) |
| (Impairment) loss, net | 6 | (659) | (732) | (666) | (728) |
| Gains on the revaluation of assets held for sale | 5 | 357 | - | 727 | - |
| Profit before corporate income tax | | 976 | 3,855 | 2,529 | 6,394 |
| | | | | | |
| Corporate income tax | | - | - | - | - |
| | | | | | |
| **Profit for the period** | | **976** | **3,855** | **2,529** | **6,394** |
| | | | | | |
| Other comprehensive income:<br>Net loss from financial assets measured at fair value through other comprehensive income | 19 | (1,784) | (860) | (1,784) | (861) |
| **Total comprehensive income for the period** | | **(808)** | **2,995** | **745** | **5,533** |

The accompanying notes on pages 15 through 50 form an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Board

Marina Baranovska
Chief Accountant

30 November 2018

# Statement of Financial Position

All amounts in thousands of euro

| | Notes | Group 30/09/2018 (unaudited) | Group 31/12/2017 (audited) | Company 30/09/2018 (unaudited) | Company 31/12/2017 (audited) |
|---|---|---|---|---|---|
| Assets | | | | | |
| Due from other credit institutions and Treasury | 7 | 117,825 | 109,594 | 117,825 | 109,594 |
| Financial assets at fair value through profit or loss - derivatives | | - | 142 | - | 142 |
| Financial assets at fair value through other comprehensive income - investment securities | | 56,565 | 61,760 | 56,565 | 61,760 |
| Financial assets at amortised cost: | | | | | |
| Investment securities | | 350 | 443 | 350 | 443 |
| Loans and receivables | 8 | 197,151 | 192,147 | 197,151 | 192,147 |
| Deferred expense | | 543 | 176 | 543 | 176 |
| Accrued income | | 2,206 | 2,080 | 2,207 | 2,080 |
| Assets held for sale | | 11,291 | 12,935 | 11,291 | 10,565 |
| Investments in venture capital funds – associates | 9 | 47,500 | 51,170 | 46,590 | 49,108 |
| Investment property | 10 | 13,632 | 10,808 | 13,632 | 10,808 |
| Property, plant and equipment | | 4,177 | 3,828 | 4,177 | 3,828 |
| Intangible assets | | 1,121 | 771 | 1,121 | 771 |
| Other assets | 11 | 21,112 | 5,832 | 21,112 | 5,832 |
| **Total assets** | | **473,473** | **451,686** | **472,564** | **447,254** |
| | | | | | |
| Liabilities | | | | | |
| Due to credit institutions | 12 | 38,205 | 46,933 | 38,205 | 46,933 |
| Financial assets at fair value through profit or loss - derivatives | | 147 | - | 147 | - |
| Due to general governments | | 44,606 | 43,609 | 44,606 | 43,609 |
| Financial liabilities at amortised cost - Issued debt securities | 13 | 30,095 | 19,852 | 30,095 | 19,852 |
| Deferred income | | 2,102 | 1,395 | 2,102 | 1,395 |
| Accrued expense | | 383 | 982 | 383 | 982 |
| Liabilities directly associated with assets held for sale | | - | 2,000 | - | - |
| Provisions for financial guarantees | 14 | 10,227 | 14,531 | 10,227 | 14,531 |
| Support programme funding | 15 | 121,529 | 90,757 | 122,230 | 94,080 |
| State aid | 15 | 2,943 | 3,968 | 2,943 | 3,968 |
| Other liabilities | | 2,866 | 3,764 | 2,590 | 3,488 |
| Corporate Income tax liabilities | | - | 125 | - | 125 |
| Total liabilities | | 253,103 | 229,200 | 253,528 | 228,963 |
| | | | | | |
| Equity | | | | | |
| Share capital | | 204,862 | 204,862 | 204,862 | 204,862 |
| Reserves | 16 | 6,974 | 2,398 | 5,498 | (386) |
| Reserve of disposal group classified as held for sale | 19 | - | 1,839 | - | 1,839 |
| Revaluation reserve of financial assets measured at fair value through other comprehensive income | 19 | 4,308 | 6,092 | 4,308 | 6,092 |
| Retained earnings | | 4,226 | 7,295 | 4,368 | 5,884 |
| Total equity | | 220,370 | 222,486 | 219,036 | 218,291 |
| **Total equity and liabilities** | | **473,473** | **451,686** | **472,564** | **447,254** |

The accompanying notes on pages 15 through 50 form an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Board

Marina Baranovska
Chief Accountant

30 November 2018

# Consolidated Statement of Changes in Equity

All amounts in thousands of euro

| | Share capital | Reserves | Revaluation reserve of financial assets measured at fair value through other comprehensive income | Reserve of disposal group classified as held for sale | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **As at 31 December 2016 (audited)** | **204,862** | **(8,235)** | **9,092** | **-** | **4,375** | **210,094** |
| | | | | | | |
| Profit for the period | - | - | - | - | 3,855 | 3,855 |
| Other comprehensive income | - | - | (860) | - | - | (860) |
| Total comprehensive income | - | - | (860) | - | 3,855 | 2,995 |
| Changes of reserves (see Note 16) | - | 2,938 | - | - | - | 2,938 |
| Distribution of 2016 year profit of the Company (Note 16) | - | 4,025 | - | - | (4,025) | - |
| | | | | | | |
| **As at 30 September 2017 (unaudited)** | **204,862** | **(1,272)** | **8,232** | **-** | **4,205** | **216,027** |
| | | | | | | |
| Profit for the period | - | - | - | - | 3,090 | 3,090 |
| Other comprehensive (loss) | - | - | (301) | - | - | (301) |
| Other comprehensive income associated with assets held for sale | - | - | (1,839) | 1,839 | - | - |
| Total comprehensive income | - | - | (2,140) | 1,839 | 3,090 | 2,789 |
| Changes of reserves (see Note 16) | - | 1,170 | - | - | - | 1,170 |
| Increase of reserve capital (see Note 16) | - | 2,500 | - | - | - | 2,500 |
| | | | | | | |
| **As at 31 December 2017 (audited)** | **204,862** | **2,398** | **6,092** | **1,839** | **7,295** | **222,486** |
| | | | | | | |
| Impact of IFRS 9 adoption (Note 2 (5)) | - | - | - | (1,839) | 1,839 | - |
| | | | | | | |
| **As at 1 January 2018 (unaudited)** | **204,862** | **2,398** | **6,092** | **-** | **9,134** | **222,486** |
| | | | | | | |
| Profit for the period | - | - | - | - | 976 | 976 |
| Other comprehensive income associated with assets held for sale | - | - | (1,784) | - | - | (1,784) |
| Total comprehensive income | - | - | (1,784) | 1,839 | 976 | (808) |
| Changes of reserves (see Note 16) | - | (1,308) | - | - | - | (1,308) |
| Distribution of 2017 year profit of the Company (Note 16) | - | 5,884 | - | - | (5,884) | - |
| | | | | | | |
| **As at 30 September 2018 (unaudited)** | **204,862** | **6,974** | **4,308** | **-** | **4,226** | **220,370** |

The accompanying notes on pages 15 through 50 form an integral part of these financial statements.

# Company's Statement of Changes in Equity

All amounts in thousands of euro

| | Share capital | Reserves | Revaluation reserve of financial assets measured at fair value through other comprehensive income | Reserve of disposal group classified as held for sale | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **As at 31 December 2016 (audited)** | **204,862** | **(6,911)** | **9,092** | **-** | **4,025** | **211,068** |
| | | | | | | |
| Profit for the period | - | - | - | - | 6,394 | 6,394 |
| Other comprehensive income (Note 19) | - | - | (861) | - | - | (861) |
| **Total comprehensive income** | **-** | **-** | **(861)** | **-** | **6,394** | **5,533** |
| Distribution of 2016 year profit (Note 16) | - | 4,025 | - | - | (4,025) | - |
| | | | | | | |
| **As at 30 September 2017 (unaudited)** | **204,862** | **(2,886)** | **8,231** | **-** | **6,394** | **216,601** |
| | | | | | | |
| Loss for the period | - | - | - | - | (510) | (510) |
| Other comprehensive income (Note 19) | - | - | (300) | - | - | (300) |
| Other comprehensive income associated with assets held for sale (Note 19) | - | - | (1,839) | 1,839 | - | - |
| **Total comprehensive loss** | **-** | **-** | **(2,139)** | **1,839** | **(510)** | **(810)** |
| Increase of reserve capital (Note 16) | - | 2,500 | - | - | - | 2,500 |
| | | | | | | |
| **As at 31 December 2017 (audited)** | **204,862** | **(386)** | **6,092** | **1,839** | **5,884** | **218,291** |
| | | | | | | |
| Impact of IFRS 9 adoption (Note 2 (5)) | - | - | - | (1,839) | 1,839 | **2,529** |
| | | | | | | |
| **As at 1 January 2018 (unaudited)** | **204,862** | **(386)** | **6,092** | **-** | **7,723** | **218,291** |
| | | | | | | |
| Profit for the period | - | - | - | - | 2,529 | 2,529 |
| Other comprehensive income (Note 19) | - | - | (1,784) | - | - | (1,784) |
| **Total comprehensive income** | **-** | **-** | **(1,784)** | **-** | **2,529** | **745** |
| Distribution of 2017 year profit (Note 16) | - | 5,884 | - | - | (5,884) | - |
| | | | | | | |
| **As at 30 September 2018 (unaudited)** | **204,862** | **5,498** | **4,308** | **-** | **4,368** | **219,036** |

The accompanying notes on pages 15 through 50 form an integral part of these financial statements.

# Statement of Cash Flows

All amounts in thousands of euro

| | Notes | Group 01/01/2018-30/09/2018 (unaudited) | Group 01/01/2017-30/09/2017 (unaudited) | Company 01/01/2018-30/09/2018 (unaudited) | Company 01/01/2017-30/09/2017 (unaudited) |
|---|---|---|---|---|---|
| **Profit before taxes** | | **976** | **3,855** | **2,529** | **6,394** |
| Amortisation of intangible assets and depreciation of property, plant and equipment | | 436 | 304 | 436 | 304 |
| Interest income | 4 | (9,006) | (9,654) | (9,006) | (8,874) |
| Interest received | | 5,789 | 8,041 | 5,789 | 7,261 |
| Interest expenses | | 1,225 | 324 | 1,225 | 324 |
| Interests paid | | (210) | (345) | (210) | (345) |
| Increase in provisions for impairment of loans, guarantees, other assets and investment securities measured at amortised cost | 6 | 659 | 732 | 666 | 728 |
| Increase in share of profit in joint venture and associate capital funds | 9 | 1,243 | 3,315 | - | - |
| Increase in deferred income and accrued expense | | 109 | 180 | 108 | 180 |
| (Decrease) in deferred expense and accrued income | | (493) | (130) | (493) | (130) |
| **Increase of cash and cash equivalents used before changes in assets and liabilities** | | **728** | **6,622** | **1,044** | **5,842** |
| (Increase) in other assets | | (14,427) | (6,082) | (16,801) | (5,926) |
| Increase / (decrease) in other liabilities | | 23,131 | (13,336) | 25,463 | (14,503) |
| Decrease in balances due from credit institutions | | 1,998 | 5,000 | 1,998 | 5,002 |
| (Increase) / decrease in loans | | (6,890) | 5,756 | (6,890) | 5,756 |
| Increase / (decrease) in balances due to credit institutions | | (7,750) | (27) | 7,751 | 2,614 |
| Corporate income tax | | - | - | - | - |
| **Net cash flows to/ from operating activities** | | **(3,210)** | **(2,067)** | **(2,937)** | **(1,215)** |
| **Cash flows to/ from investing activities** | | | | | |
| Sale of investment securities, net | | 6,372 | 4,514 | 6,372 | 4,356 |
| Purchase of property, plant and equipment and intangible assets | | (1,132) | (1,024) | (1,132) | (1,028) |
| Purchase of investment properties | | (2,824) | (4,634) | (2,824) | (4,635) |
| Sale of assets held for sale | | - | 5,239 | - | 5,239 |
| Investments in venture capital funds, net | | 1,113 | 46 | 840 | (663) |
| **Net cash flows to/ from investing activities** | | **3,529** | **4,141** | **3,256** | **3,269** |
| **Cash flows to/ from financing activities** | | | | | |
| Debt securities issued | | 9,901 | - | 9,901 | - |
| **Net cash flows to/ from financing activities** | | **9,901** | **-** | **9,901** | **-** |
| **Increase in cash and cash equivalents** | | **10,220** | **2,074** | **10,220** | **2,054** |
| Cash and cash equivalents at the beginning of the period | | 100,597 | 84,553 | 100,597 | 84,406 |
| **Cash and cash equivalents at the end of the period** | 18 | **110,817** | **86,627** | **110,817** | **86,460** |

The accompanying notes on pages 15 through 50 form an integral part of these financial statements.

# Approval of the Financial Statements

The Management of the Group/Company has approved these unaudited interim condensed financial statements on 30 November 2018.

# 1 General information

**(1) Corporate information**

These unaudited interim condensed financial statements contain the financial information about AS Attīstības finanšu institūcija Altum (AS Development Finance Institution Altum) (hereinafter – the Company) and its subsidiaries (hereinafter — the Group). To comply with legal requirements, the separate financial statements of the Company are included in these consolidated financial statements. The Company is the parent entity of the Group.

By means of support financial instruments – loans, guarantees, investments in venture capital funds – the Group ensures access of enterprises and households to financing resources in the areas the state has defined to be important and supportable, thus developing the national economy and promoting the mobilisation of private capital and financial resources.

The Company is a Latvia state owned company, established on 27 December 2013 by a decision of the Cabinet of Ministers.

The mission of the Company is, by merging VAS Lauku attīstības fonds (the Rural Development Fund) (hereinafter – RDF), unified registration No 40003227583, SIA Latvijas Garantiju aģentūra (the Latvian Guarantee Agency)( hereinafter - LGA), unified registration No 40003375584, and VAS Latvijas Attīstības finanšu institūcija Altum (VAS Latvian Development Finance Institution Altum) (hereinafter – ALTUM), unified registration No 40003132437, into a single aid-providing institution, to become an integrated development finance institution, which, by means of the State aid financial instruments, provides support 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 it with non-financial support (consultations, training, mentoring, etc.) 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 transferring of the equity of RDF, LGA and ALTUM to the Company, thus establishing a group of development finance institutions. This stage was accomplished successfully on 11 September 2014, when all shares of ALTUM, LGA and RDF were invested into the share capital of the Company as contributions in kind.

The second stage was the 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 which established the merger of these companies with AS 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, the accounting records of ALTUM, LGA, RDF and the Company were merged on 1 April 2015. The newly established integrated development finance institution set its business to be implementation of the existing State aid programmes and financial instruments of ALTUM, LGA and RDF and, together with policy makers, develop new programmes and financial instruments.

On 15 April 2015 the Company changed its name from AS Attīstības finanšu institūcija (AS Development Finance Institution) to AS Attīstības finanšu institūcija Altum (AS Development Finance Institution Altum).

# 2 Summary of significant accounting policies

**(1) Basis of presentation**

These unaudited interim condensed financial statements for the nine-month period ended 30 September 2018 were prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted in the European Union. These financial statements are to be used together with the complete financial statements for the year 2017 prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union.

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

**(2) Application of IFRS 9 "Financial Instruments"**

Classifying the financial assets and liabilities according to IFRS 9 "Financial Instruments" – a) measured at amortised cost, b) measured at fair value through other comprehensive income or c) measured at fair value through profit and loss – their carrying values as at 1 January 2018 did not change and there was no impact on the Group's / Company's financial result.

Comparison of classifications of financial instruments according to IAS 39 and IFRS 9:

| | Classification according to IAS 39 | Classification according to IFRS 9 | Change in carrying amount due to classification |
|---|---|---|---|
| **Financial assets** | | | |
| Due from other credit institutions and Treasury | Loans and receivables | Measured at amortised cost | - |
| Derivatives | Measured at fair value through profit or loss | Measured at fair value through profit or loss | - |
| Investment securities - available for sale | Financial assets available for sale | Measured at fair value through other comprehensive income | - |
| Investment securities - held to maturity | Financial assets held to maturity | Measured at amortised cost | - |
| Assets held for sale | Financial assets available for sale | Measured at fair value through profit or loss | |
| Loans and receivables | Loans and receivables | Measured at amortised cost | - |
| Other financial assets | Loans and receivables | Measured at amortised cost | - |
| **Financial liabilities** | | | |
| Due to credit institutions | Measured at amortised cost | Measured at amortised cost | - |
| Derivatives | Measured at fair value through profit or loss | Measured at fair value through profit or loss | - |
| Due to general governments | Measured at amortised cost | Measured at amortised cost | - |
| Issued debt securities | Measured at amortised cost | Measured at amortised cost | - |
| Support programme funding and state aid | Measured at amortised cost | Measured at amortised cost | - |
| Other financial liabilities | Measured at amortised cost | Measured at amortised cost | - |

As a result of the transition to IFRS 9, incurred loss model used in the measurement of impairment allowances applied to financial instruments was replaced by expected loss model, where expected credit losses are measured depending on changes in the credit quality of financial instruments:

- For financial instruments without a significant increase in their credit risk from that of the initial recognition or which at the reporting date had a low credit risk, the allowances for expected losses are measured as an amount equal to the 12-month expected credit losses, while interest income is calculated from the carrying amount of the financial instrument.
- For financial instruments with a significant increase in their credit risk from that of the initial recognition, but without objective evidence of impairment, the allowances for expected losses are measured as an amount equal to expected credit losses over the expected life of the financial instrument, while interest income is calculated from the carrying amount of the financial instrument.
- For financial instruments, regarding which there is objective evidence of impairment at the reporting date, the allowances are measured at an amount equal to expected credit losses over the expected life of the financial instrument, while interest income is calculated from the carrying amount of the financial instrument, net of the allowances for expected credit losses.

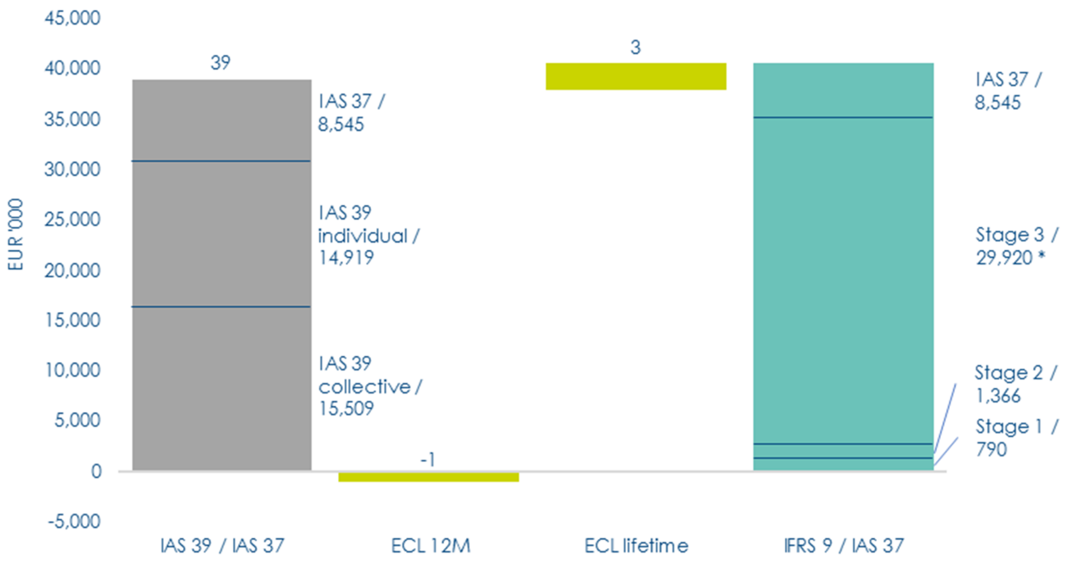
# 2 Summary of significant accounting policies (cont'd)

**(2) Application of IFRS 9 "Financial Instruments" (cont'd)**
For financial instruments, without objective evidence of impairment, expected credit losses are measured based on historical data of the probability of default (PD) and loss given default (LGD), adjusted for future macroeconomic forecasts, for example, changes in gross domestic product or real estate prices. Investments in securities and the balances due from credit institutions are measured based on credit ratings assigned to the particular issuer or counterparty as well as the statistics on the probability of default and loss given default published by the international rating agency Moody's.

For individually significant financial instruments with objective evidence of impairment, expected credit losses are measured as the amount equal to the difference between the carrying amount of the financial instrument and the discounted future cash flow of the particular financial instrument. For other financial instruments with objective evidence of impairment, expected credit losses are measured by applying the average historical LGD rates of the group of financial instruments that have similar credit risk characteristics.

**(3) Impact of the transition to IFRS 9 "Financial Instruments"**
On 1 January 2018, the Group / Company adopted the requirements of IFRS 9 "Financial Instruments" with respect to the recognition and measurement of financial instruments. As at 1 January 2018, the impact of transition from IAS 39 to IFRS 9 was a decrease in equity of EUR 1,648 thousand, arising from additional impairment allowances.

Change in the impairment allowances due to the transition from IAS 39 / IAS 37 to IFRS 9 ECL / IAS 37:




*EUR 2,093 thousand are the impairment allowances for restructured loans for which there was no relevant objective evidence of impairment at the reporting date and which after a fixed observation period (min 1 year) will be moved to stage 2.

The Group's / Company's total impairment due to credit losses as at 1 January 2018 was EUR 32,075 thousand, which comprised a EUR 27,114 thousand impairment of financial assets measured at amortised cost due to credit losses, EUR 33 thousand impairment of financial assets measured at fair value through other comprehensive income due to credit losses and EUR 4,928 thousand impairment of financial guarantees due to credit losses.

.

# 2 Summary of significant accounting policies (cont'd)

**(3) Impact of the transition to IFRS 9 "Financial Instruments"** (cont'd)

Financial instruments to which the IFRS 9 impairment requirements are applied:

| | 01.01.2018 | | | 31.12.2017 | | |
|---|---|---|---|---|---|---|
| | Gross carrying amount | Allowances for credit losses | | Gross carrying amount | Allowances for credit losses | |
| | | IAS 37 | IFRS 9 | | IAS 37 | IAS 39 |
| Due to credit institutions and the Treasury | 109,594 | - | 6 | 109,594 | - | - |
| Investment securities held to maturity | 4,247 | - | 3,804 | 4,247 | - | 3,804 |
| Loans and receivables | 207,586 | - | 17,907 | 207,585 | - | 15,438 |
| Other financial assets | 6,588 | - | 5,397 | 6,588 | - | 5,200 |
| **Financial assets measured at amortised cost, total** | **328,015** | **-** | **27,114** | **328,014** | **-** | **24,442** |
| Investment securities available for sale | 61,760 | - | 33 | 61,760 | - | - |
| **Financial assets measured at fair value through other comprehensive income, total** | **61,760** | **-** | **33** | **61,760** | **-** | **-** |
| **Financial guarantees** | **182,376** | **8,545** | **4,928** | **182,376** | **8,545** | **5,986** |

The Group / Company continue to test and improve the new recognition and measurement processes, internal controls and management framework required for the adoption of the IFRS 9 requirements. Therefore, the estimates of expected credit losses and related impacts on the financial position and the Group's/Company's result will change until finalisation of the financial statements for the year ending 31 December 2018.

**(4) Classification of Investments of the 4th Generation Venture Capital Funds**

In the 2Q2018, the Group/Company made the first disbursements to the 4th generation venture capital funds. The disbursements made were classified as investments in associates.

Up to the end of the reporting year, examination of the provisions of existing contracts and assessments of monitoring their compliance with IFRS and qualifying holding will continue, which may result in changes in the classification of investments.

For information on the subscribed capital of the venture capital funds see Note 17.

**(5) Classification of assets held for sale**

The balance item *Assets held for sale* includes investments in alternative investment funds 'Hipo Latvia Real Estate Fund I' and 'Hipo Latvia Real Estate Fund II' concerning which sale decision was passed at the end of year 2017. As a result, these investments were classified in the Group's financial statements as *Disposal group held for sale*, but in the Company's standalone statements - reclassified from *Investments in subsidiaries to Assets held for sale*.

IFRS 5 provides for continued measurement of the *Disposal groups held for sale* that were measured earlier through application of IFRS 9 according to *IFRS 9* (in year 2017 IAS 39 was used). As of adoption of IFRS 9 on 1 January 2018, the management, having decided to sell these investments and determined to make accounting for the investments more transparent that would, in its turn, give the users of the financial statements a better outlook, decided to measure the investments of the *Disposal groups held for sale* at fair value with revaluation in the profit or loss calculation. Earlier the investments of the *Disposal groups held for sale* were measured at fair value with recognition of the revaluation result in other income.

Reclassification from one category to another was done as part of adoption of IFRS 9 on 1 January 2018. The revaluation reserve of EUR 1,839 thsd recognised earlier in other income that was due to measurement at fair value as at 31 December 2017 was transferred to the retained earnings of the previous periods; while the revaluation result of year 2018 measured at fair value as at 30 September 2018, is included in the Group's profit or loss calculation for 357 thsd euro and in the Company's profit or loss calculation – for 727 thsd euro. For more information see Note 5 and Note 19.

At the beginning of year 2018 an active sale process of the assets held by the alternative investment funds 'Hipo Latvia Real Estate Fund ' and 'Hipo Latvia Real Estate Fund II' was commenced following the sale plan drafted by the Funds' manager. One of the funds' assets was sold in August, 2018 with the other expected to be realised by 31 December 2018. Accordingly, as at 30 September 2018 the said investments are classified as Disposal group held for sale.

**(6) Application of new and/or amended IFRS and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC)**

Several new standards and interpretations have been published which become effective for the financial reporting periods beginning on or after 1 April 2018 or have not yet been endorsed by the European Union:

- **IFRS 16: Leases**
  The standard is effective for annual reporting periods beginning on or after 1 January 2019.

- **IFRS 9: Prepayment features with negative compensation (Amendment)**
  The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**
  The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted.

- **IFRIC Interpretation 23: Uncertainty over Income Tax Treatments**
  The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted.

# 3 Risk management

The most significant risks to which the Group / Company are exposed are credit risk, liquidity risk and operational risk. These unaudited interim condensed financial statements do not include all information on risk management and disclosures required in the annual financial statements. They are to be viewed together with the complete financial statements for the year 2017.

# 4 Interest income

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 01/01/2018-30/09/2018 (unaudited) | 01/01/2017-30/09/2017 (unaudited) | 01/01/2018-30/09/2018 (unaudited) | 01/01/2017-30/09/2017 (unaudited) |
| Interest on loans and guarantees* | 7,455 | 7,195 | 7,455 | 7,195 |
| Interest on securities at amortised cost | 19 | 42 | 19 | 42 |
| Interest on securities at fair value | 1,529 | 1,572 | 1,529 | 1,572 |
| Other interest income | - | 831 | - | 51 |
| Interest on balances due from credit institutions | 3 | 14 | 3 | 14 |
| Interest income from venture capital funds ** | - | - | - | - |
| **Total interest income** | **9,006** | **9,654** | **9,006** | **8,874** |

* Based on the Mezzanine and Guarantee Fund Activity Agreement concluded with the Ministry of Economics in 2016 (Agreement No 2011/16), the financing given by the Ministry of Economics must be increased by the income of the Mezzanine and Guarantee Fund from the placement of free funds, interest income from loans, premium income on issued guarantees, commissions, contractual penalties, etc. As a result, the Group's/Company's sub-item *Interest income on loans and guarantees* is reduced by EUR 380 thousand (for the nine months of 2017: EUR 0).

** Based on the Investment Fund Activity Agreement (Agreement No Līg.2011/15) concluded with the Ministry of Economics, the financing given by the Ministry of Economics must be increased by net interest and other income as stipulated by contracts with financial intermediaries, the venture capital funds including. As a result, the Company's sub-item *Interest income from venture capital funds* is reduced by EUR 782 thousand (for nine months of 2017: EUR 532 thousand). Hence, the item *Interest income from venture capital funds* records zero (Note 20).

Due to the use of the equity method at the Group level, all interest income received from venture capital funds reduces the value of investments made by venture capital funds.

# 5 Gains on the revaluation of assets held for sale

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 01/01/2018-30/09/2018 (unaudited) | 01/01/2017-30/09/2017 (unaudited) | 01/01/2018-30/09/2018 (unaudited) | 01/01/2017-30/09/2017 (unaudited) |
| Gains on the revaluation of assets held for sale* | 357 | - | 727 | - |
| **Total** | **357** | **-** | **727** | **-** |

*More information is available in Note 2 (5).

# 6 Impairment losses, net

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 01/01/2018-30/09/2018 (unaudited) | 01/01/2017-30/09/2017 (unaudited) | 01/01/2018-30/09/2018 (unaudited) | 01/01/2017-30/09/2017 (unaudited) |
| impairment losses on: | 10,943 | 6,870 | 10,950 | 6,870 |
| loans | 8,231 | 3,806 | 8,231 | 3,806 |
| other assets | 1,220 | 1,207 | 1,220 | 1,207 |
| debt securities | 33 | - | 33 | - |
| investments in venture capital funds | - | - | 7 | - |
| guarantees | 1,459 | 1,857 | 1,459 | 1,857 |
| | | | | |
| Reversal of impairment on: | (7,638) | (4,574) | (7,638) | (4,578) |
| loans | (3,094) | (1,874) | (3,094) | (1,874) |
| other assets | (290) | (287) | (290) | (291) |
| debt securities | (2) | (53) | (2) | (53) |
| investments in venture capital funds | - | - | - | - |
| guarantees | (4,252) | (2,360) | (4,252) | (2,360) |
| | | | | |
| (Income) from release of provisions for onerous contracts (guarantees) | (1,508) | (704) | (1,508) | (704) |
| Recovery of loans written off in previous periods | (1,138) | (860) | (1,138) | (860) |
| **Total impairment losses, net** | **659** | **732** | **666** | **728** |

In the Company's financial statements the impairment of the 2nd and 3rd generation venture capital funds was increased by EUR 1,635 thousand, where EUR 1,628 thousand was compensated from the risk coverage reserve in accordance with Agreement No Līg.2011/15 on implementation of the Holding Fund concluded with the Ministry of Economics. Also the impairment of the Baltic Innovation Fund was increased by EUR 43 thousand and was also 100% compensated from the Risk Coverage Reserve in accordance with the agreement signed with the Ministry of Economics on 29 December 2017 regarding the use of the recovered public funding from the activities co-financed by the European Union structural funds.

In the Group's financial statements, the impairment of the venture capital funds, which was compensated to the Group, reached EUR 1,314 thousand and was attributable to the impairment all venture capital funds (Note 9).

# 7 Due from other credit institutions and the Treasury

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Due from credit institutions registered in Latvia and the Treasury | 117,830 | 109,594 | 117,830 | 109,594 |
| Impairment allowances | (5) | - | (5) | - |
| **Total net** | **117,825** | **109,594** | **117,825** | **109,594** |

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 individual ratings is based on the ratings assigned to their parent banks as well as their financial and operational assessments. Once the contracts have been concluded, the Group/Company supervises the monetary financial institutions and follows that the assigned limits comply with credit risk assessment.

The table below shows the breakdown of the Group's/Company's balances due from credit institutions and the Treasury by categories as at 30 September 2018 (gross):

| **Moody`s ratings** | **Aaa** | **Aa1-Aa3** | **A1-A3** | **Baa1-Baa3** | **Ba1-Ba3** | **B1-B3** | **Caa-C** | **Withdrawn rating (WR)** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Due from credit institutions registered in the Republic of Latvia and the Treasury | - | 23,043 | 81,752 | 8,795 | 4,240 | - | - | - | 117,830 |
| **Total gross** | **-** | **23,043** | **81,752** | **8,795** | **4,240** | **-** | **-** | **-** | **117,830** |

The table below shows the breakdown of the Group's/Company's balances due from credit institutions and the Treasury by categories as at 31 December 2017:

| **Moody`s ratings** | **Aaa** | **Aa1-Aa3** | **A1-A3** | **Baa1-Baa3** | **Ba1-Ba3** | **B1-B3** | **Caa-C** | **Withdrawn rating (WR)** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Due from credit institutions registered in the Republic of Latvia and the Treasury | - | 21,094 | 85,297 | - | 3,203 | - | - | - | 109,594 |
| **Total gross** | **-** | **21,094** | **85,297** | **-** | **3,203** | **-** | **-** | **-** | **109,594** |

The increase in balances due from other credit institutions and the Treasury is related to the advance payment of EUR 28 million received in 2018 from the Central Finance and Contracting Agency (CFLA) for the grants issued under the Energy Efficiency Programme for Multi-apartment Buildings. In addition, in March 2018, the Company issued EUR 10 million bonds maturing on 7 March 2025 (Note 13).

As at 30 September 2018, the Group/Company held accounts with 5 banks and the Treasury of the Republic of Latvia.

As at 30 September 2018, the average interest rate on balances due from credit institutions was - 0.0047% (31 December 2017: -0.078%).

# 8 Loans

The Group's/ Company's loans by the borrower profile:

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Private companies | 184,114 | 180,833 | 184,114 | 180,833 |
| Individuals | 25,267 | 23,324 | 25,267 | 23,324 |
| Financial institutions | 2,141 | 2,431 | 2,141 | 2,431 |
| Local governments | 251 | 292 | 251 | 292 |
| Public and religious institutions | 509 | 269 | 509 | 269 |
| Accrued interest* | 2,113 | 436 | 2,113 | 436 |
| **Total gross loans** | **214,395** | **207,585** | **214,395** | **207,585** |
| Impairment allowances* | (17,244) | (15,438) | (17,244) | (15,438) |
| **Total net loans** | **197,151** | **192,147** | **197,151** | **192,147** |

* As of 1 January 2018, the Group / Company have improved the methodology for calculating interest income on loans. At present, in accordance with IFRS 9, interest income is recognised in the Group's / Company's statement of profit or loss also for the loans overdue by more than 90 days (Note 2 (3)). As a result of the change, on 1 January 2018, such items of the statement of financial position as *Accrued interest* and *Impairment allowances* were increased by EUR 1,745 thousand without affecting the Group's / Company's statement of profit or loss.

The increase in the impairment allowances were affected by the transition from IAS 39 to IFRS 9, as well as changes in allowances resulting from the results of the assessment of expected credit losses for the nine months of 2018.

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

Granted loans by industries:

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Agriculture and forestry | 93,889 | 83,948 | 93,889 | 83,948 |
| Manufacturing | 44,040 | 44,855 | 44,040 | 44,855 |
| Private individuals | 23,132 | 23,324 | 23,132 | 23,324 |
| Other industries | 19,824 | 14,137 | 19,824 | 14,137 |
| Retail and wholesale | 11,955 | 14,568 | 11,955 | 14,568 |
| Hotels and restaurants | 4,243 | 6,564 | 4,243 | 6,564 |
| Electricity, gas and water utilities | 4,008 | 5,550 | 4,008 | 5,550 |
| Transport, warehousing and communications | 1,134 | 1,885 | 1,134 | 1,885 |
| Real estate | 3,761 | 4,332 | 3,761 | 4,332 |
| Construction | 3,051 | 3,132 | 3,051 | 3,132 |
| Financial intermediation | 932 | 1,218 | 932 | 1,218 |
| Fishing | 2,062 | 3,345 | 2,062 | 3,345 |
| Municipal authorities | 251 | 292 | 251 | 292 |
| Accrued interest on loans | 2,113 | 435 | 2,113 | 435 |
| **Total gross loans** | **214,395** | **207,585** | **214,395** | **207,585** |

The loan amount, equalling to or exceeding EUR 1,000 thousand, issued to one customer is presented below:

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Number of customers | 13 | 23 | 13 | 23 |
| Total credit exposure of customers (EUR '000)) | 16,385 | 36,895 | 16,385 | 36,895 |
| Percentage of total gross portfolio of loans | 7.64% | 17.7% | 7.64% | 17,7% |

# 8 Loans (cont'd)

Breakdown of the Group's / Company's loans by their qualitative assessment after the adoption of IFRS 9:

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Credit risk has not increased significantly (Stage 1) | 156,362 | 149,296 | 156,362 | 149,296 |
| Credit risk has increased significantly (Stage 2) | 16,066 | 10,349 | 16,066 | 10,349 |
| Loans which have objective evidence of impairment (Stage 3) | 41,967 | 47,940 | 41,967 | 47,940 |
| **Total loans gross** | **214,395** | **207,585** | **214,395** | **207,585** |
| Impairment allowances | (17,244) | (19,651) | (17,244) | (19,651) |
| **Total net loans** | **197,151** | **187,934** | **197,151** | **187,934** |

Aging analysis of the loans issued by the Group / Company, without accrued interest:

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30.09.2018 (not audited) | 31.12.2017 (audited) | 30.09.2018 (not audited) | 31.12.2017 (audited) |
| Performing | 174,593 | 171,560 | 174,593 | 171,560 |
| Past due up to 30 days | 16,416 | 12,034 | 16,416 | 12,034 |
| Past due from 31 to 60 days | 2,624 | 885 | 2,624 | 885 |
| Past due from 61 to 90 days | 530 | 283 | 530 | 283 |
| Past due over 90 days | 18,119 | 22,388 | 18,119 | 22,388 |
| **Total gross loans, without interest accrued on the loans** | **212,282** | **207,150** | **212,282** | **207,150** |

Movement in the Group's/ Company's impairment allowances:

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Allowances at the beginning of the period | 15,438 | 16,179 | 15,438 | 16,179 |
| Allowances for accrued income* | 1,745 | - | 1,745 | - |
| Increase in impairment allowances | 8,231 | 3,806 | 8,231 | 3,806 |
| Decrease in impairment allowances | (3,203) | (1,874) | (3,203) | (1,874) |
| Accrued interest | - | (603) | - | (603) |
| Write-off of loans | (4,981) | (905) | (4,981) | (905) |
| Increase in provisions for interest accrued from net value (Stage 3) | 19 | - | 19 | - |
| Currency change | (4) | - | (4) | - |
| **Allowances at the end of the period ended 30 September (unaudited)** | **17,244** | **16,603** | **17,244** | **16,603** |
| Increase in impairment allowances | - | 1,877 | - | 1,877 |
| Decrease in impairment allowances | - | (238) | - | (238) |
| Accrued interest | - | (190) | - | (190) |
| Write-off of loans | - | (2,614) | - | (2,614) |
| **Allowances at the end of the period ended 31 December (audited)** | **-** | **15,438** | **-** | **15,438** |

* As of 1 January 2018, the Group / Company have improved the methodology for calculating interest income on loans. At present, in accordance with IFRS 9, interest income is recognised in the Group's/ Company's statement of profit or loss also for the loans overdue by more than 90 days (Note 2 (3)). As a result of the change, on 1 January 2018, such items of the statement of financial position as *Accrued interest* and *Impairment allowances* were increased by EUR 1,745 thousand without affecting the Group's / Company's statement of profit or loss.

In calculating the impairment loss due to default on loan principal or interest payments or other loss events the following is taken into account:

- Collateral, including real estate and commercial pledges measured at market value. The value of collateral is based on the valuations performed by independent valuers;
- Risk coverage reserve (Note 15).

# 8 Loans (cont'd)

Information on the value of collateral (assessed at fair value as at 30 September 2018) and position against net loan portfolio is provided below:

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Real estate (loans) | 154,760 | 151,321 | 154,760 | 151,321 |
| Real estate (leaseback) | 4,708 | 520 | 4,708 | 520 |
| Movable property | 21,567 | 26,250 | 21,567 | 26,250 |
| Guarantees | 323 | 238 | 323 | 238 |
| Risk coverage of loan funds | 5,240 | 2,557 | 5,240 | 2,557 |
| **Total collateral** | **186,598** | **180,886** | **186,598** | **180,886** |
| Loan portfolio, gross | 214,395 | 207,585 | 214,395 | 207,585 |
| Provisions | (17,244) | (15,438) | (17,244) | (15,438) |
| Loan portfolio, net | 197,151 | 192,147 | 197,151 | 192,147 |
| **Exposed** | **5.35%** | **5.86%** | **5.35%** | **5.86%** |

As at 30 September 2018, according to the Group's/Company's estimates, the allowances for expected credit losses should amount to EUR 22,484 thousand (2017: EUR 17,836 thousand), less the risk coverage amount of EUR 5,240 thousand (2017: EUR 2,557 thousand). Risk coverage is not attributable to the accrued loan interest income of 1,764 thousand.

As at 30 September 2018, the average annual interest rate for the loan portfolio of the Group/Company was 4.13% (30 September 2017: 4.14%).

# 9 Investments in venture capital funds

The Group/Company have a number of investments in the venture capital funds, mentioned below.

All venture capital funds, except Baltic Innovation Fund, are limited liability companies registered in Latvia. *Baltic Innovation Fund* is a Fund-of-Fund initiative launched by the European Investment Fund (EIF) in close co-operation with the Governments of Lithuania, Latvia and Estonia to boost equity investments into Baltic small and medium-sized enterprises with high growth potential. Baltic Innovation Fund is registered in Luxemburg. None of the funds is listed on any public stock exchange.
The Group's investments in associates:

| | | 30/09/2018 (unaudited) | | | 30/09/2018 (unaudited) | 31/12/2017 (audited) | | | 31/12/2017 (audited) |
|---|---|---|---|---|---|---|---|---|---|
| **Company** | **Country of incorpo-ration** | **Equity per company** | **Group's correction*** | **Group's share of total share capital, %** | **Carrying amount under equity method** | **Equity per company** | **Group's correction*** | **Group's share of total share capital, %** | **Carrying amount under equity method** |
| KS Otrais Eko Fonds | LV | 2,238 | - | 33.33 | 746 | 2,387 | - | 33.33 | 796 |
| KS Baltcap Latvia Venture Capital Fund | LV | 8,932 | | 66.67 | 5,955 | 10,272 | | 66.67 | 6,848 |
| KS Imprimatur Capital Seed Fund | LV | 3,650 | (24) | 100 | 3,626 | 4,474 | (24) | 100 | 4,450 |
| KS Imprimatur Capital Technology Venture Fund | LV | 3,870 | (18) | 67 | 2,581 | 3,899 | (18) | 67 | 2,600 |
| KS Expansion Capital Fund | LV | 13,626 | - | 95.24 | 12,977 | 13,738 | - | 95.24 | 13,084 |
| KS ZGI-3 | LV | 10,769 | (4,656) | 95.24 | 5,823 | 7,474 | - | 95.24 | 7,118 |
| KS Flycap Investment Fund | LV | 8,823 | - | 95.24 | 8,403 | 10,502 | - | 95.24 | 10,002 |
| Baltic Innovation Fund | LU | 37,647 | - | 20 | 7,529 | 32,058 | - | 20 | 6,412 |
| KS Overkill Ventures Fund I | LV | 72 | (72) | 100 | - | - | - | - | - |
| KS Overkill Ventures Fund II | LV | - | - | 80 | - | - | - | - | - |
| KS Buildit Latvia Seed Fund | LV | 15 | (15) | 80 | - | - | - | - | - |
| KS Buildit Latvia Pre-Seed Fund | LV | 29 | (29) | 100 | - | - | - | - | - |
| KS Commercialization Reactor Pre-seed Fund | LV | 86 | (86) | 100 | - | - | - | - | - |
| KS Commercialization Reactor Seed Fund | LV | - | - | 80 | - | - | - | - | - |
| KS ZGI-4 | LV | - | - | 60 | - | - | - | - | - |
| **Total investments in associates** | | **89,757** | **(4,900)** | **X** | **47,640** | **84,804** | **(42)** | **x** | **51,310** |

* Adjusted to align with the Group accounting policies.

# 9 Investments in venture capital funds (cont'd)

As at 30 September 2018, according to the Group's/Company's estimates, the allowances for expected credit losses should amount to EUR 22,484 thousand (2017: EUR 17,836 thousand), less the risk coverage amount of EUR 5,240 thousand (2017: EUR 2,557 thousand). Risk coverage is not attributable to the accrued loan interest income of 1,764 thousand.
As at 30 September 2018, the average annual interest rate for the loan portfolio of the Group/Company was 4.13% (30 September 2017: 4.14%)

The movement in the Group's investments in associates:

| | Group | Group |
|---|---|---|
| | 01/01/2018-30/09/2018 | 01/01/2017-31/12/2017 |
| Carrying amount at the beginning of period | 51,310 | 58,541 |
| Invested | 3,233 | 134 |
| Refunded | (4,346) | (1,008) |
| Share of loss of investment in joint venture and associate | (1,243) | (693) |
| Compensation of impairment loss * | (1,314) | - |
| Carrying amount at the end of the period ended 30 September under equity method (unaudited) | 47,640 | 56,974 |
| Invested | - | 3,864 |
| Refunded | - | (2,022) |
| Share of (loss) of investment in joint venture and associate | - | (7,506) |
| Carrying amount at the end of the period ended 31 December under equity method (audited) | - | 51,310 |
| Impairment allowances | (140) | (140) |
| **Net carrying amount at the end of the period under equity method** | **47,500** | **51,170** |

* For nine months of 2018, the Group used EUR 1,314 thousand from the risk coverage reserve to compensate for the impairment of the venture capital funds in accordance with Agreement No Līg.2011/15 on implementation of the Holding Fund concluded with the Ministry of Economics and the agreement signed with the Ministry of Economics on 29 December 2017 regarding the use of the public funding recovery from the activities co-financed by the European Union structural funds (Note 6). In 2017, the principles for using the Risk Coverage Reserve for venture capital funds were agreed in the financial statements of the Company and the Group. As a result, in comparison with previous reporting years, a considerably larger portion of the risk coverage reserve was used to counterbalance the item Share of income/ (loss) from investments in joint ventures and associates vs the amount recognized in the comprehensive statement of income.

The Company's investments in the venture capital funds are recognised at cost less any impairment in value.

The following table illustrates the movement in the Company's investments in associates:

| | Company | Company |
|---|---|---|
| | 01/01/2018-30/09/2018 | 01/01/2017-31/12/2017 |
| Carrying amount at the beginning of the period | 63,504 | 64,746 |
| Invested | 3,233 | 3,033 |
| Management fee* | (1,433) | (1,310) |
| Refunded | (2,640) | (1,060) |
| Carrying amount at the end of the period ended 30 September under cost method (unaudited) | 62,664 | 65,409 |
| Invested | - | 965 |
| Management fee | - | (405) |
| Refunded | - | (725) |
| Written-off | - | (1,740) |
| Carrying amount at the end of the period ended 31 December under cost (audited) | - | 63,504 |
| Impairment allowances ** | (16,074) | (14,396) |
| **Net carrying amount at the end of the period under cost method, less impairment** | **46,590** | **49,108** |

* In the reporting period, the Company's expenses included:

- EUR 1,001 thousand from the risk coverage reserve used to cover management fees for the 2nd and 3rd generation venture capital funds;
- Management fees for the *Baltic Innovation Fund* amounting to EUR 134 thousand, of which EUR 80 thousand was compensated from the risk coverage reserve;
- EUR 298 thousand from the risk coverage reserve used to cover management fees for the 4th generation venture capital funds.

# 9 Investments in venture capital funds (cont'd)

** For nine months of 2018, the Company established allowances for investments in the 2nd and 3rd generation venture capital funds amounting to EUR 1,635 thousand which, based on Agreement No Līg.2011/15 "On Implementation of the Holding Fund" concluded with the Ministry of Economics, were 100 % compensated from the risk coverage reserve (Note 6). The Company also established allowances of EUR 43 thousand for investments in the *Baltic Innovation Fund* which, based on the agreement signed with the Ministry of Economics on 29 December 2017 regarding the use of public funding recovery from the activities co-financed by the European Union structural funds, were 100 % compensated from the risk coverage reserve (Note 6).

In 2Q2018 and 3Q2018, disbursements were made to the 4th generation venture capital funds - *Overkill Ventures Fund I AIF, Buildit Latvia Pre-Seed Fund AIF*, Buildit Latvia Pre-Seed Fund AIF, Commercialization Reactor Pre-seed Fund and ZGI – 4 AIF classified as investments in associates. For more information on the classification see Note 2 (4).

For information on the subscribed capital of the funds see Note 17.

# 10 Investment properties

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Carrying amount at the beginning of period | 10,808 | 17,087 | 10,808 | 4,869 |
| Acquired during the reporting period* | 1,967 | 3,150 | 1,967 | 3,150 |
| Disposals during the reporting period | - | (21) | - | (21) |
| Net gain from fair value adjustment | - | - | - | - |
| Carrying amount at the end of the period ended 30 September (unaudited) | 12,775 | 20,216 | 12,775 | 7,998 |
| Reclassified as assets held for sale | - | (12,218) | - | - |
| Acquired during the reporting period* | - | 2,689 | - | 2,689 |
| Disposals during the reporting period | - | - | - | - |
| Net gain from fair value adjustment | - | 121 | - | 121 |
| **Carrying amount at the end of the period ended 31 December (audited)** | **-** | **10,808** | **-** | **10,808** |

* In the reporting period, all acquisitions of investment properties were related to the activities of the Land Fund programme.

# 11 Other assets

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Financial assets | 33,785 | 16,735 | 33,785 | 16,735 |
| Other assets (inventories) | 1,044 | 1,946 | 1,044 | 1,946 |
| **Total other assets (gross)** | **34,829** | **18,681** | **34,829** | **18,681** |
| Impairment provision for financial assets | (13,717) | (12,849) | (13,717) | (12,849) |
| **Total other assets (net)** | **21,112** | **5,832** | **21,112** | **5,832** |

The Group's/ Company's item *Financial assets* includes assets that arise from:

- Disbursed compensations under guarantee arrangements of EUR 5,762 thousand (2017: EUR 5,073 thousand) for which allowances of EUR 5,762 thousand were established (2017: EUR 5,073 thousand);
- Term deposits of AS Latvijas Krājbanka (Savings Bank of Latvia), under liquidation, of EUR 7,648 thousand that were fully provided for;
- Grants issued under the Energy Efficiency Programme for Multi-apartment Buildings of EUR 18,777 thousand (2017: EUR 2,772 thousand);
- Financial assets of EUR 1,164 thousand (2017: EUR 197 thousand) for which allowances of EUR 237 thousand were established (2017: EUR 122 thousand).
- Other financial assets of EUR 434 thousand (2017: EUR 1,045 thousand) for which allowances of EUR 70 thousand were established (2017: EUR 6 thousand).

*Other assets* - assets that have been taken over in the debt collection process and are held to be sold in the ordinary course of business.

# 12 Due to credit institutions

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Due to credit institutions registered in OECD countries | 38,205 | 46,933 | 38,205 | 46,933 |
| **Total** | **38,205** | **46,933** | **38,205** | **46,933** |

Balances due to credit institutions registered in the OECD countries include loans received by the Group/Company from the European Investment Bank (EIB) of EUR 38,205 thousand, of which EUR 18 thousand constitutes accrued interest expenses. During the reporting period, the Group/Company repaid EUR 8,856 thousand, of which accrued interest was EUR 175 thousand.
The Ministry of Finance of the Republic of Latvia has issued a guarantee for the loan of EUR 38,205 thousand (Note 22) which is considered a parent guarantee on behalf of the Group/Company.
As at 30 September 2018, the average interest rate for the balances due to credit institutions was 0.41% (2017: 0.41%).

# 13 Issued debt securities

In March 2018, the Company's second bond issue took place totalling EUR 10 million. All bonds are listed on the *Nasdaq Baltic Bond List*.

| ISIN | Currency | Number of initially issued securities | Par value | Date of emission | Date of maturity | Discount / Coupon rate, % | Group 30/09/2018 (unaudited) | Group 31/12/2017 (audited) | Company 30/09/2018 (unaudited) | Company 31/12/2017 (audited) |
|---|---|---|---|---|---|---|---|---|---|---|
| LV0000802353 | EUR | 20,000 | 1,000 | 17.10.2017 | 17.10.2024 | 1.37 | 20,070 | 19,852 | 20,070 | 19,852 |
| LV0000880037 | EUR | 10,000 | 1,000 | 07.03.2018 | 07.03.2025 | 1.3 | 10,025 | - | 10,025 | - |
| **Total issued debt securities** | | | | | | | **30,095** | **19,852** | **30,095** | **19,852** |

# 14 Provisions for financial guarantees

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Provisions for: | | | | |
| Onerous contracts | 7,037 | 8,545 | 7,037 | 8,545 |
| Other guarantee programmes | 1,223 | 3,817 | 1,223 | 3,817 |
| Guarantee activity | 1,316 | 941 | 1,316 | 941 |
| Loan guarantees to rural entrepreneurs | 527 | 824 | 527 | 824 |
| Guarantees *under the Mezzanine loan programme* | 100 | 391 | 100 | 391 |
| Housing Guarantee Programme | 24 | 13 | 24 | 13 |
| **Total provisions** | **10,227** | **14,531** | **10,227** | **14,531** |

Provisions for onerous contracts include losses from concessions calculated as discounted difference between the total of actual commissions receivable and the total of commissions below the market rate. Provisions for onerous contracts relate to the guarantees issued which initially are stated at fair value based on equivalent market rates.

# 14 Provisions for financial guarantees (cont'd)

**Movements in the Group's / Company's provisions for financial guarantees:**

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Provisions at the beginning of the period | 5,986 | 7,845 | 5,986 | 7,845 |
| Increase in impairment allowances | 1,459 | 2,239 | 1,459 | 2,239 |
| Decrease in impairment allowances | (4,252) | (2,360) | (4,252) | (2,360) |
| Currency change | (3) | - | (3) | - |
| Provisions at the end of the period ended 30 September* (unaudited) | 3,190 | 7,724 | 3,190 | 7,724 |
| Increase in impairment allowances | - | 1,019 | - | 1,019 |
| Decrease in impairment allowances | - | (2,741) | - | (2,741) |
| Currency change | - | (16) | - | (16) |
| **Provisions at the end of the period ended 31 December * (audited)** | **-** | **5,986** | **-** | **5,986** |

* As at 30 September 2018, according to the Group's/Company's estimates, the provisions for guarantees should amount to EUR 5,078 thousand (2017: EUR 8,182 thousand), not including the risk coverage amount of EUR 1,888 thousand (2017: EUR 2,196 thousand).

The provisions for guarantees are measured at the highest of the unamortised amount of provisions for onerous contracts and allowances for expected credit losses in accordance with IFRS 9, which amounted to EUR 3,190 thousand as at 30 September 2018.

**Analysis of the movement in the Group's / Company's provisions for onerous contracts:**

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Provisions at the beginning of the period | 8,544 | 9,019 | 8,544 | 9,019 |
| Increase in provisions | 186 | 2 736 | 186 | 2 736 |
| Decrease in provisions | (1,694) | (3,439) | (1,694) | (3,439) |
| Currency change | 1 | - | 1 | - |
| Provisions at the end of the period ended 30 September (unaudited) | 7,037 | 8,315 | 7,037 | 8,315 |
| Increase in provisions | - | 1,204 | - | 1,204 |
| Decrease in provisions | - | (976) | - | (976) |
| **Provisions at the end of the period ended 31 December (audited)** | **-** | **8,544** | **-** | **8,544** |

**Financial guarantees, gross and net amounts:**

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Maximum exposure to credit risk with regard to the off-balance sheet amount | 223,065 | 182,376 | 223,065 | 182,376 |
| Provisions for guarantees | (3,190) | (5,986) | (3,190) | (5,986) |
| **Off-balance sheet amount of guarantees** | **219,875** | **176,390** | **219,875** | **176,390** |

For information on the amounts and categories of guarantees see Note 17.

# 15 Support programme funding and State aid

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| **Support programme funding** | **121,529** | **92,041** | **122,230** | **94,080** |
| **State aid** | **2,943** | **3,968** | **2,943** | **3,968** |

The support programme funding is considered as the Group's/Company's liabilities, while the State aid is a grant. The major State aid programmes benefiting from the financing received are:

- Fund of funds – EUR 27,833 thousand;
- Energy Efficiency Programme for Multi-apartment Buildings (EEPMB) – EUR 36,995 thousand;
- ERDFII – EUR 20,298 thousand;
- Other support programmes – EUR 42,888 thousand.

The terms of use of the public funding from each State aid programme, including covering of the management expenses and credit risk losses, are stipulated by an agreement between the implementing body and the particular ministry and/or state-owned Central Finance and Contracting Agency.

Support programme funding is provided with a zero interest rate.

Maturities for the co-financing received by the Group / Company for the implementation of major State aid programmes are as follows:

- Fund of Funds –until the end of 2029;
- Energy Efficiency Programme for Multi-apartment Buildings – until the end of 2034;
- ERAFII – until the end of 2020.

The table below presents the risk coverage reserve included in the support programme funding and State aid, which can be used for covering the Group's credit risk losses as at 30 September 2018 and 31 December 2017:

| Programme | Programme funding as at 30/09/2018, EUR '000 | Credit risk covered as at 30/09/2018, EUR '000 | Programme funding at 31/12/2017, EUR '000 | Programme funding at 31/12/2017, EUR '000 |
|---|---|---|---|---|
| ERDFII | 20,298 | 5,463 | 25,269 | 6,451 |
| ESF II | 1,000 | 1,446 | 6,392 | 2,436 |
| Microcredits of Swiss programme | 5,590 | 1,679 | 5,643 | 1,657 |
| ERAF I | 914 | 218 | 1,285 | 620 |
| ESF I | 370 | 161 | 1,008 | 184 |
| Microcredits | 15 | - | 605 | 3 |
| ERAF II (second round) | 5,898 | 2,006 | 5,528 | 2,703 |
| Incubators (from ESF II) | 74 | 25 | 546 | 546 |
| ERAF II 2 Public fund | 2,485 | 411 | 2,485 | 960 |
| Fund of Funds and venture capital funds | 7,526 | 6,042 | 16,424 | 12,699 |
| Fund of Funds programme - Start-up loans | 1,972 | 1,972 | 1,316 | 1,079 |
| Fund of Funds programme – Microcredits | 258 | 258 | 257 | 141 |
| Fund of Funds programme - Parallel loans | 2,358 | 2,358 | 1,200 | 1,080 |
| Fund of Funds programme - Guarantees | 15,719 | 15,719 | 9,500 | 8645 |
| EEPMB* loan fond | 2,512 | 2,512 | 2,512 | 452 |
| EEPMB guarantees | 2,998 | 2,392 | 2,994 | 2,006 |
| EEPMB grants | 31,305 | - | 4,856 | - |
| Housing Guarantee Programme | 6,849 | 6,849 | 2,849 | 2,849 |
| Social Entrepreneurship Programme | 770 | - | - | - |
| Start-up State Aid Cumulation Lending Programme | 1,000 | 1,000 | 2,000 | 2,000 |
| GPLEC ** | 1,158 | 1,158 | 5,000 | 4,750 |
| Other loans to start-ups | 2,250 | 901 | 2,239 | 1,677 |
| Mezzanine Loan Programme | 3,899 | 3,314 | 4,462 | 3,793 |
| Investment Fund Activity | 1,315 | 1,144 | 1,074 | 1,031 |
| Baltic Innovation Fund | 973 | 973 | 394 | 394 |
| Guarantees and interest grants programme | 4,346 | 4,346 | 1,904 | 1,904 |
| Parallel loans to large entrepreneurs | 580 | 580 | - | - |
| Portfolio Guarantee Fund | 2,800 | 2,520 | - | - |
| Parallel loans | 2,000 | - | - | - |
| **Total** | **129,232** | **65,447** | **107,742** | **60,060** |

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

# 15 Support programme funding and State aid (cont'd)

The table below presents the risk coverage reserve included in the support programme funding and State aid, which can be used for covering the Company's credit risk losses as at 30 September 2018 and 31 December 2017:

| Programme | Programme funding as at 30/09/2018, EUR '000 | Credit risk covered as at 30/09/2018, EUR '000 | Programme funding at 31/12/2017, EUR '000 | Programme funding at 31/12/2017, EUR '000 |
|---|---|---|---|---|
| ERDFII | 20,298 | 5,463 | 25,269 | 6,451 |
| ESF II | 1,000 | 1,446 | 6,392 | 2,436 |
| Microcredits of Swiss programme | 5,590 | 1,679 | 5,643 | 1,657 |
| ERAF I | 914 | 218 | 1,285 | 620 |
| ESF I | 370 | 161 | 1,008 | 184 |
| Microcredits | 15 | - | 605 | 3 |
| ERAF II (second round) | 5,898 | 2,006 | 5,528 | 2,703 |
| Incubators (from ESF II) | 74 | 25 | 546 | 546 |
| ERAF II 2 Public fund | 2,485 | 411 | 2,485 | 960 |
| Fund of funds and venture capital funds | 7,526 | 6,042 | 16,424 | 12,699 |
| Fund of funds programme - Start-up loans | 1,972 | 1,972 | 1,316 | 1,079 |
| Fund of funds programme – Microcredits | 258 | 258 | 257 | 141 |
| Fund of funds programme - Parallel loans | 2,358 | 2,358 | 1,200 | 1,080 |
| Fund of funds programme - Guarantees | 15,719 | 15,719 | 9,500 | 8,645 |
| EEPMB* loan fond | 2,512 | 2,512 | 2,512 | 452 |
| EEPMB guarantees | 2,998 | 2,392 | 2,994 | 2,006 |
| EEPMB grants | 31,305 | - | 4,856 | - |
| Housing Guarantee Programme | 6,849 | 6,849 | 2,849 | 2,849 |
| Social Entrepreneurship Programme | 770 | - | - | - |
| Start-up State Aid Cumulation Lending Programme | 1,000 | 1,000 | 2,000 | 2,000 |
| GPLEC ** | 1,158 | 1,158 | 5,000 | 4,750 |
| Other loans to start-ups | 2,250 | 901 | 2,239 | 1,677 |
| Mezzanine Loan Programme | 3,899 | 3,314 | 4,462 | 3,793 |
| Investment Fund Activity | - | - | 1,286 | 1,235 |
| Baltic Innovation Fund | 890 | 890 | 394 | 394 |
| Guarantees and interest grants programme | 4,346 | 4,346 | 1,904 | 1,904 |
| Parallel loans to large entrepreneurs | 580 | 580 | - | - |
| Portfolio Guarantee Fund | 2,800 | 2,520 | - | - |
| Parallel loans | 2,000 | - | - | - |
| **Total** | **127,834** | **64,220** | **107,954** | **60,264** |

Based on the concluded programme implementation contracts, the funding received could be reduced by the outstanding principal amount of the loans classified as lost, non-repaid loan principal amount and / or disbursements of guarantee compensations. The Group/Company need not have to repay the reductions of funding to the funding provider.

# 16 Reserves

Movements in the Group's reserves:

| | Specific reserves | | | | | |
|---|---|---|---|---|---|---|
| | Difference recognised in the Group's reorganisation reserve, EUR '000 | Reserves for the Housing Guarantee Programme, EUR '000 | General reserves, EUR '000 | Reserve of disposal group classified as held for sale, EUR '000 | Revaluation reserve of financial assets measured at fair value through other comprehensive income, EUR '000 | Reserves, EUR '000 |
| Reserves as at 01/01/2017 (audited) | (17,259) | 7,195 | 1,829 | - | 9,092 | 857 |
| Changes in reserves | 2,938 | - | - | - | - | 2,938 |
| Distribution of the Company's profit for 2016 | - | - | 4,025 | - | - | 4,025 |
| (Decrease) in revaluation reserve of financial assets at fair value through other comprehensive income (Note 19) | - | - | - | - | (860) | (860) |
| **Reserves as at 30/09/2017 (unaudited)** | **(14,321)** | **7,195** | **5,854** | **-** | **8,232** | **6,960** |
| Changes in reserves | 1,170 | - | - | - | - | 1,170 |
| Increase in reserves | - | 2,500 | - | - | - | 2,500 |
| (Decrease) in revaluation reserve of financial assets at fair value through other comprehensive income (Note 19) | - | - | - | - | (301) | (301) |
| Increase / (decrease) in reserve of disposal group classified as held for sale (Note 19) | | | | 1,839 | (1,839) | - |
| **Reserves as at 31/12/2017 (audited)** | **(13,151)** | **9,695** | **5,854** | **1,839** | **6,092** | **10,329** |
| (Change) in reserve of disposal group classified as held for sale due to IFRS 9 adoption (Note 2 (5), Note 19) | - | - | - | (1,839) | - | (1,839) |
| **Reserves as at 01/01/2018 (unaudited)** | **(13,151)** | **9,695** | **5,854** | **-** | **6,092** | **8,490** |
| Changes in reserves | (1,308) | - | - | - | - | (1,308) |
| Distribution of the Company's profit for 2017 | - | - | 5,884 | - | - | 5,884 |
| (Decrease) in revaluation reserve of financial assets at fair value through other comprehensive income (Note 19) | - | - | - | - | (1,784) | (1,784) |
| **Reserves as at 30/09/2018 (unaudited)** | **(14,459)** | **9,695** | **11,738** | **-** | **4,308** | **11,282** |

# 16 Reserves (cont’d)

Movements in the Company’s reserves:

| | Difference recognised in Company’s reorganisation reserve, EUR ‘000 | Reserve of disposal group classified as held for sale, EUR ‘000 | Revaluation reserve of financial assets measured at fair value through other comprehensive income, EUR ‘000 | Reserves for the Housing Guarantee Programme*, EUR ‘000 | Reserves, EUR ‘000 | Reserves, EUR ‘00 |
|---|---|---|---|---|---|---|
| Reserves as at 01/01/2017 (audited) | (15,935) | - | 9,092 | 7,195 | 1,829 | 2,181 |
| (Decrease) in revaluation reserve for financial assets measured at fair value through other comprehensive income (Note 19) | - | - | (861) | - | - | (861) |
| Distribution of the profit for 2016 | - | - | - | - | 4,025 | 4,025 |
| **Reserves as at 30/09/2017 (audited)** | **(15,935)** | **-** | **8,231** | **7,195** | **5,854** | **5,345** |
| (Decrease) in revaluation reserve for financial assets measured at fair value through other comprehensive income (Note 19) | - | - | (300) | - | - | (300) |
| Increase / (decrease) in reserve of disposal group classified as held for sale (Note 19) | - | 1,839 | (1,839) | - | - | - |
| Increase in reserves* | - | - | - | 2,500 | - | 2,500 |
| **Reserves as at 31/12/2017 (audited)** | **(15,935)** | **1,839** | **6,092** | **9,695** | **5,854** | **7,545** |
| Change) in reserve of disposal group classified as held for sale due to IFRS 9 adoption (Note 2 (5), Note 19) | - | (1,839) | - | - | - | (1,839) |
| **Reserves as at 01/01/2018 (unaudited)** | **(15,935)** | **-** | **6,092** | **9,695** | **5,854** | **5,706** |
| (Decrease) in revaluation reserve for financial assets measured at fair value through other comprehensive income (Note 19) | - | - | (1,784) | - | - | (1,784) |
| Distribution of the profit for 2017 | - | - | - | - | 5,884 | 5,884 |
| **Reserves as at 30/09/2018 (unaudited)** | **(15,935)** | **-** | **4,308** | **9,695** | **11,738** | **9,806** |

*The Group’s/Company’s reserves relate to the Housing Guarantee Programme. To implement this programme the Group’s/Company’s reserves were increased to EUR 2,500 thousand in 2017.

# 17 Off-balance sheet items and contingent liabilities

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Contingent liabilities: | | | | |
| outstanding guarantees | 223,065 | 182,376 | 223,065 | 182,376 |
| Financial commitments: | | | | |
| unutilised loan facilities | 16,908 | 8,788 | 16,908 | 8,788 |
| commitments to venture capital funds | 53,811 | 27,020 | 53,811 | 27,020 |
| **Total contingent liabilities** | **293,784** | **218,184** | **293,784** | **218,184** |

The largest portion of the Group's/Company's off-balance sheet items presents the guarantees issued by the Group/Company. The Company's guarantee portfolio consists of the portfolios of the State aid programmes implemented through guarantees.

Commitments to venture capital funds are contingent liabilities, which are based on agreements between the Group/Company and the venture capital fund which put an obligation on the Group/Company to allocate financial resources to the fund. In the reporting period, the Group/Company concluded several agreements with the 4th generation venture capital funds. For more information on the classification of the new venture capital funds see Note 2 (3).

Approved funding for the venture capital funds:

| | Contract period | Commitment, EUR '000 | Amount of commitment, which is not contributed to the fund 30/09/2018, EUR '000 (unaudited) | Amount of commitment, which is not contributed to the fund 31/12/2017, EUR '000 (audited) |
|---|---|---|---|---|
| BaltCap LatviaVentureCapital Fund,KS | 22.01.2020 | 20,000 | 4,114 | 4,114 |
| AIF Impr.Cap.Technol.Vent.Fund,KS | 11.06.2020 | 4,966 | 638 | 638 |
| AIF Imprimatur Capital Seed Fund,KS | 11.06.2020 | 10,000 | 858 | 893 |
| ZGI-3,KS | 31.12.2020 | 11,800 | 1,389 | 1,502 |
| FlyCap Investment Fund I AIF,KS | 31.12.2020 | 15,000 | 1,709 | 1,875 |
| Expansion Capital Fund AIF,KS | 31.12.2020 | 15,000 | 331 | 331 |
| Baltic Innovation Fund | 01.01.2029 | 26,000 | 17,067 | 17,667 |
| Overkill Ventures Fund I AIF | 09.05.2026 | 3,200 | 3,086 | - |
| Overkill Ventures Fund II AIF | 09.08.2026. | 1,800 | 1,800 | - |
| Buildit Latvia Seed Fund AIF | 20.06.2026 | 1,800 | 1,800 | - |
| Buildit Latvia Pre-Seed Fund | 31.06.2026 | 3,200 | 3,082 | - |
| Commercialization Reactor Pre-seed Fund | 24.07.2026. | 3,200 | 3,074 | - |
| Commercialization Reactor Seed Fund | 22.08.2026. | 1,800 | 1,800 | - |
| ZGI-4 AIF,KS | 24.08.2028. | 15,000 | 15,000 | - |
| **Total** | | **132,766** | **55,748** | **27,020** |

The following table shows the remaining contractual maturities of the Group's / Company's off-balance sheet assets and contingent liabilities as at 30 September 2018:

| | 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 | 5,219 | 4,915 | 16,718 | 31,270 | 57,820 | 107,123 | 223,065 |
| Financial commitments | | | | | | | |
| unutilised loan facilities | 16,908 | - | - | - | - | - | 16,908 |
| commitments to venture capital funds | 600 | 2,100 | 4,600 | 2,700 | 38,511 | 5,300 | 53,811 |
| Total financial commitments | 17,508 | 2,100 | 4,600 | 2,700 | 38,511 | 5,300 | 70,719 |
| **Total** | **22,727** | **7,015** | **21,318** | **33,970** | **96,331** | **112,423** | **293,784** |

# 17 Off-balance sheet items and contingent liabilities (cont'd)

The following table shows the remaining contractual maturities of the Group's / Company's off-balance sheet assets and contingent liabilities as at 31 December 2017:

| | 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 | - | 19 | 832 | 13,165 | 58,688 | 109,672 | 182,376 |
| Financial commitments | | | | | | | |
| unutilised loan facilities | 8,788 | - | - | - | - | - | 8,788 |
| commitments to venture capital funds | 436 | 714 | 1,676 | 3,732 | 16,246 | 4,216 | 27,020 |
| Total financial commitments | 9,224 | 714 | 1,676 | 3,732 | 16,246 | 4,216 | 35,808 |
| **Total** | **9,224** | **733** | **2,508** | **16,897** | **74,934** | **113,888** | **218,184** |

# 18 Cash and cash equivalents

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 30/09/2017 (unaudited) | 30/09/2018 (unaudited) | 30/09/2017 (unaudited) |
| Demand deposits with other credit institutions | 110,817 | 86,627 | 110,817 | 86,460 |
| **Total** | **110,817** | **86,627** | **110,817** | **86,460** |

# 19 Revaluation reserve of financial assets measured at fair value through other comprehensive income

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| As at 31 December | 7,931 | 9,092 | 7,931 | 9,092 |
| Decrease of reserve of disposal group classified as held for sale Due to IFRS 9 adoption* | (1,839) | - | (1,839) | - |
| As at 1 January | 6,092 | 9,092 | 6,092 | 9,092 |
| (Loss) from changes in fair value* | (1,815) | (1,161) | (1,815) | (1,161) |
| Impairment loss** | 31 | - | 31 | - |
| Other comprehensive income | (1,784) | (1,161) | (1,784) | (1,161) |
| **Total** | **4,308** | **7,931** | **4,308** | **7,931** |
| **Reserve of disposal group classified as held for sale** | **-** | **(1,839)** | **-** | **(1,839)** |
| **Revaluation reserve of financial assets measured at fair value through other comprehensive income** | **4,308** | **6,092** | **4,308** | **6,092** |

* For more information see Note 2 (5).

** For more information see Note 2 (3).

# 20 Related party transactions

Related parties are defined as members of the Supervisory Council and the Management Board of the Group/Company, their close family members, as well as companies under their control.

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

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

In the reporting period, the remuneration of the members of the Supervisory Council and the Management Board of the Company amounted to EUR 404 thousand, incl. social insurance contributions

The Company has entered into a number of transactions with other public authorities. The most significant were obtaining financing from the Investment and Development Agency of Latvia, Ministry of Finance, Ministry of Economics, Rural Support Service and Central Finance and Contracting Agency, which co-finance the development programmes of the Company.

The Group's transactions with related parties in the reporting period ended 30 September 2018 and in the year ended 31 December 2017 are summarised below:

| | | Received State aid funding, EUR '000 | Granted State aid funding or funding paid back, EUR '000 |
|---|---|---|---|
| Transactions with shareholders:<br>Ministry of Finance | 30/09/2018 | - | - |
| | 31/12/2017 | - | (336) |
| Ministry of Economics | 30/09/2018 | - | - |
| | 31/12/2017 | 5,349 | (217) |
| Associates:<br>Venture capital funds | 30/09/2018 | 4,346 | (3,233) |
| | 31/12/2017 | 3,030 | (3,998) |
| Other companies owned by Group's shareholders:<br>Rural Support Service | 30/09/2018 | - | - |
| | 31/12/2017 | - | (3,304) |
| Central Finance and Contracting Agency | 30/09/2018 | 28,000 | - |
| | 31/12/2017 | 4,946 | - |

In the reporting period, the Group did not generate any gain or loss on transactions with related parties.

The Group's balances from transactions with related parties, including off-balance sheet financial liabilities, as at 30 September 2018 and 31 December 2017 can be summarised as follows:

| | | People with significant control (PSC), EUR '000 | Transactions with shareholders, EUR '000 | Associates, EUR '000 | Other companies owned by the Group's shareholders, EUR '000 |
|---|---|---|---|---|---|
| Investments in venture capital funds – associates | 30/09/2018 | - | - | 47,640 | - |
| (Impairment allowances) (Note 9) | 30/09/2018 | - | - | (140) | - |
| | 31/12/017 | - | - | 51,310 | - |
| | 31/12/2017 | - | - | (140) | - |
| Assets held for sale | 30/09/2018 | 11,291 | - | - | - |
| | 31/12/2017 | 12,935 | - | - | - |
| Due to general governments | 30/09/2018 | - | - | - | 9,681 |
| | 31/12/2017 | - | - | - | 9,686 |
| Support programme funding and State aid (Note 15) | 30/09/2018 | - | 96,639 | | 27,833 |
| | 31/12/2017 | - | 84,363 | - | 10,362 |
| Liabilities directly associated with assets held for sale | 30/09/2018 | - | - | - | - |
| | 31/12/2017 | 2,000 | - | - | - |
| Commitments to venture capital funds | 30/09/2018 | - | - | 53,811 | - |
| (Note 17) | 31/12/2017 | - | - | 27,020 | - |

# 20 Related party transactions (cont'd)

The Company's transactions with related parties in the reporting period ended 30 September 2018 and in the year ended 31 December 2017 are summarised below:

| | | Received State aid funding, EUR '000 | Granted State aid funding or funding paid back, EUR '000 |
|---|---|---|---|
| Transactions with shareholders:<br>Ministry of Finance | 30/09/2018 | - | - |
| | 31/12/2017 | - | (336) |
| Ministry of Economics | 30/09/2018 | - | - |
| | 31/12/2017 | 5,349 | (217) |
| Associates:<br>Venture capital funds | 30/09/2018 | 2,640 | (3,233) |
| | 31/12/2017 | 1,785 | (3,998) |
| Other companies owned by Altum shareholders<br>Rural Support Service | 30/09/2018 | - | - |
| | 31/12/2017 | - | (3,304) |
| Central Finance and Contracting Agency | 30/09/2018 | 28,000 | - |
| | 31/12/2017 | 4,946 | - |

Gain or loss on related party transactions for nine months of 2018 and 2017:

| | | Interest received, EUR '000 | Interest paid, EUR '000 | Realised gain, EUR '000 | Realised interest paid, EUR '000 |
|---|---|---|---|---|---|
| Associates: | | | | | |
| Venture capital funds | 01/01/2018-30/09/2018 | 782 | (782) | 626 | (626) |
| | 01/01/2017-30/09/2017 | 532 | (532) | 238 | (238) |

For nine months of 2018, the venture capital funds yielded EUR 782 thousand of interest income and EUR 626 thousand of income from investments which were fully added to the Ministry of Economics funding (Note 4).

The Company's balances from transactions with related parties, including off-balance sheet financial liabilities, as at 30 September 2018 and 31 December 2017 can be summarised as follows:

| | | People with significant control (PSC), EUR '000 | Transactions with shareholders, EUR '000 | Associates, EUR '000 | Other companies owned by Altum shareholders, EUR '000 |
|---|---|---|---|---|---|
| Investments in venture capital funds – associates | 30/09/2018 | - | - | 62,664 | - |
| (Impairment allowances) (Note 9) | 30/09/2018 | - | - | (16,074) | - |
| | 31/12/2017 | - | - | 63,504 | - |
| | 31/12/2017 | - | - | (14,396) | - |
| Due to general governments | 30/09/2018 | - | - | - | 9,681 |
| | 31/12/2017 | - | - | - | 9,685 |
| Support programme funding and State aid (Note 15) | 30/09/2018 | - | 97,340 | - | 27,833 |
| | 31/12/2017 | - | 87,686 | - | 10,362 |
| Off-balance sheet financial liabilities for venture capital funds (Note 17) | 30/09/2018 | - | - | 53,811 | - |
| | 31/12/2017 | - | - | 27,020 | - |

# 20 Related party transactions (cont'd)

The following table provides information regarding the Group:

| Company | Legal address | Equity interest, % |
|---|---|---|
| *Associates* | | |
| KS Otrais Eko Fonds | Dārza 2, Riga, LV-1007 | 33 |
| KS Baltcap Latvia Venture Capital Fund | Jaunmoku street 34, Riga, Latvia, LV-1046 | 67 |
| KS Imprimatur Capital Technology Venture Fund | Elizabetes street 85a-18, Riga, Latvia, LV-1050 | 67 |
| KS Imprimatur Capital Seed Fund | Elizabetes street 85a-18, Riga, Latvia, LV-1050 | 100 |
| KS ZGI-3 | Daugavgrivas street 21, Riga, Latvia, LV-1048 | 95 |
| KS FlyCap investment Fund | Matrožu iela 15A, Riga, Latvia, LV-1048 | 95 |
| KS Expansion Capital fund | Krišjāņa Barona street 32-7, Riga, Latvia, LV-1011 | 95 |
| Baltic Innovation Fund | European Investment Fund, 37B, avenue J.F. Kennedy, L-2968 Luxembourg | 20 |
| Overkill Ventures Fund I AIF | Dzirnavu street 105, Riga, Latvia, LV-1011 | 100 |
| Overkill Ventures Fund II AIF | Dzirnavu street 105, Riga, Latvia, LV-1011 | 80 |
| Buildit Latvia Seed Fund AIF | Sporta street 2, Riga, Latvia, LV-1013 | 80 |
| Buildit Latvia Pre-Seed Fund AIF | Sporta street 2, Riga, Latvia, LV-1013 | 100 |
| Commercialization Reactor Pre-seed Fund | Brivibas gatve 300 -9, Riga, Latvia | 100 |
| Commercialization Reactor Seed Fund | Brivibas gatve 300 -9, Riga, Latvia | 80 |
| ZGI-4 AIF | Daugavgrivas street 21, Riga, Latvia, LV-1048 | 60 |
| *Alternative investment funds conrrolled by the Company* | | |
| Hipo Latvia Real Estate Fund I | Elizabetes street 41/43, Riga, Latvia, LV-1010 | 100 |
| Hipo Latvia Real Estate Fund II | Elizabetes street 41/43, Riga, Latvia, LV-1010 | 100 |

# 21 Segment information

The Management of the Group believes that the Group's operations can be organised into four segments based on the following core business activities: loan services (lending), guarantee services, investments in venture capital funds and other services.
The Group defines its operating segments based on the financial products offered to its customers.
Information on the operating segments is prepared on the basis of internal reports.
Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision making body. The chief decision making body is an individual or a group of individuals who allocates resources to and assesses the performance of the operating segments of an entity. The chief decision making body is the Management Board of the Company.
The Group does not provide any detailed information on the types of transactions as all transactions are external.

Analysis of the Group's operating segments from 1 January 2018 to 30 September 2018:

| | Loan service (lending), EUR '000 | Guarantee service, EUR '000 | Venture capital funds service, EUR '000 | Other services, EUR '000 | Total, EUR '000 |
|---|---|---|---|---|---|
| Net interest income | 6,106 | 1,533 | 30 | 112 | 7,781 |
| Net income / (expense) from fees and commissions | 630 | (304) | (1) | (5) | 320 |
| Net trading income | (39) | (22) | - | - | (61) |
| Share of profit of investment in joint venture and associate | - | - | - | (1,243) | (1,243) |
| Other income | 346 | 486 | 264 | 1,558 | 2,654 |
| **Operating income before operating expenses** | **7,043** | **1,693** | **293** | **422** | **9,451** |
| Staff costs | (2,553) | (919) | (190) | (1,396) | (5,058) |
| Administrative expense | (1,197) | (543) | (189) | (393) | (2,322) |
| Amortisation of intangible assets and depreciation of property, plant and equipment | (196) | (143) | (13) | (84) | (436) |
| Net impairment provisions | (3,999) | 3,371 | - | (31) | (659) |
| Corporate income tax | - | - | - | - | - |
| **Total segment profit/(loss)** | **(902)** | **3,459** | **(99)** | **(1,482)** | **976** |
| Investments in venture capital funds - associates | - | - | 47,640 | - | 47,640 |
| Purchase of property and equipment, intangible assets and investment properties | 2,829 | 917 | 98 | 15,085 | 18,930 |
| **Total segment assets** | 274,614 | 89,703 | 47,500 | 61,657 | 473,473 |
| **Total segment liabilities** | 154,322 | 57,433 | 8,881 | 32,468 | 253,103 |

# 21 Segment information (cont'd)

Analysis of the Group's operating segments from 1 January 2017 to 31 December 2017:

| | Loan service (lending), EUR '000 | Guarantee service, EUR '000 | Venture capital funds service, EUR '000 | Other services, EUR '000 | Total, EUR '000 |
|---|---|---|---|---|---|
| Net interest income | 9,671 | 1,399 | 96 | 208 | 11,374 |
| Net income from fees and commissions | 449 | (24) | (191) | (6) | 228 |
| Net trading income | (97) | (83) | (10) | (1) | (191) |
| Share of profit of investment in joint venture and associate | - | - | 818 | - | 818 |
| Other income | 1,623 | 454 | 636 | 5,078 | 7,791 |
| **Operating income before operating expenses** | 11,646 | 1,746 | 1,349 | 5,279 | 20,020 |
| Staff costs | (3,653) | (1,203) | (241) | (1,425) | (6,522) |
| Administrative expense | (2,849) | (275) | (140) | (746) | (4,010) |
| Amortisation of intangible assets and depreciation of property, plant and equipment | (344) | (40) | (7) | (26) | (417) |
| Net impairment provisions | (2,390) | 2,318 | - | (1,929) | (2,001) |
| Corporate income tax | (43) | (45) | (17) | (20) | (125) |
| **Total segment profit** | 2,367 | 2,501 | 944 | 1,133 | 6,945 |
| Investments in venture capital funds - associates | - | - | 51,310 | - | 51,310 |
| Additions of property and equipment, intangible assets and investment property | 786 | 234 | 49 | 273 | 1,342 |
| **Total segment assets** | 286,204 | 82,305 | 57,582 | 25,595 | 451,686 |
| **Total segment liabilities** | 176,196 | 31,014 | 12,453 | 9,537 | 229,200 |

Other services include the Land Fund transactions, services provided by the customer service centres for the Energy Efficiency Programme for Multi-apartment Buildings, grants under the Social Entrepreneurship Programme, transactions with assets taken over through debt collection, development of new State aid as well as transactions not related to any State aid programmes.

# 22 Maximum exposure to credit risk

Credit risk is a risk that a customer or cooperation partner of the Group/Company will be unable or unwilling to meet in full their liabilities towards the Group/Company and within the established timeframe.

The table below shows the credit risk exposures of the balance and off-balance sheet items (not including collateral held or other security):

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Assets exposed to credit risk | | | | |
| Due from other credit institutions and the Treasury | 117,825 | 109,594 | 117,825 | 109,594 |
| Financial assets at fair value through other comprehensive income - investment securities | 56,565 | 61,760 | 56,565 | 61,760 |
| Financial assets at amortised cost: | | | | |
| Investment securities | 350 | 443 | 350 | 443 |
| Loans and receivables | 197,151 | 192,147 | 197,151 | 192,147 |
| Investments in venture capital funds | 47,500 | 51,170 | 46,590 | 49,108 |
| Other assets | 20,068 | 3,886 | 20,068 | 3,886 |
| **Total** | **439,459** | **419,000** | **438,549** | **416,938** |
| | **Group** | **Group** | **Company** | **Company** |
| | 30/09/2018 (unaudited) | 31/12/2017 (audited) | 30/09/2018 (unaudited) | 31/12/2017 (audited) |
| Off-balance sheet items exposed to credit risk | | | | |
| Contingent liabilities (Note 17) | 223,065 | 182,376 | 223,065 | 182,376 |
| Financial commitments (Note 17) | 70,719 | 35,808 | 70,719 | 35,808 |
| **Total** | **293,784** | **218,184** | **293,784** | **218,184** |

As at 30 September 2018, a part of the Group/Company assets amounting to EUR 70,406 thousand were pledged. Detailed information on the loan agreements concluded by the Group/Company as at 30 September 2018:

On 16 June 2015, a commercial pledge stemming from loan agreement No A/1/F12/296 and its amendments concluded between the Group/Company and the Ministry of Finance of the Republic of Latvia was renewed. The commercial pledge refers to the loans granted by the Group/Company in compliance with Cabinet Regulation No 381 "Procedure for Granting State Aid for the Acquisition of Agricultural Land Used for Agricultural Production", dated 29 May 2012, as well as future components of the aggregation of property. The secured claim amount is EUR 32,201 thousand (2017: EUR 32,201 thousand).

As at 30 September 2018, the total amount of the Group/Company commitments considered as an aggregation of property in favour of the Ministry of Finance was EUR 38,205 thousand (2017: EUR 46,933 thousand). A guarantee of the Ministry of Finance of the Republic of Latvia amounting to EUR 38,205 thousand was issued to secure the Group's/Company's loan from EIB (Note 12).

Detailed information on commercial pledges stemming from the signed loan agreements, the funding under which was not used, as at 30 September 2018:

Based on the loan agreement No A1/1/F16/474 dated 24 November 2016 between the Group/Company 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 that the Group/Company 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 euro. Within year 2018 the Group/Company 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 commercial pledge refers to the funding the Group/Company 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 and Cabinet Regulation No 328 dated 31 May 2016 On Micro Loans and Start-up Loans. The maximum secured claim amount is 39,600 thsd euro. Within year 2018 the Group/Company had not started to use the Treasury's loan as yet.

# 22 Maximum exposure to credit risk (cont'd)

Transactions with derivatives, effective as at 30 September 2018, were concluded to minimise the effect of exchange rate fluctuations on the value of balance-sheet items.

Loans are secured mostly by real estate, to a lesser extent – by other types of assets or commercial pledges. Some loans, granted during lending campaigns, are partially covered by guarantees under the State aid programmes. In estimating the loan impairment, the expected cash flows from collateral are taken into account. Information on the loan quality is provided in Note 8).

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

- Under the funding agreement concluded with the Central Finance and Contracting Agency (dated 8 June 2016) for the implementation of the Fund of Funds, the guarantees are available under specific support objective of 3.1.1.1; the available funding is EUR 44.8 million (incl. performance framework of 6.5 million);
- Funding of EUR 6 million is earmarked for the guarantee programme for small and medium-sized enterprises from the recovery of the funding under activity 2.2.1.4.1 "Support in the Form of Loans for the Development of Enterprise Competitiveness"; as regards the guarantees for large companies –funding of EUR 675 thousand is available under activity 3.1.3 "Training and Consultations for Business and Self-employment Start-ups" as well as from the second time recovery of funding under activity 1.3.1.2 "Support for Starting Self-employment and Business" under the operational programme "Human Resources and Employment" (EUR 482 thousand), as well as from the recovered funding under the Start-up and Micro Loan Programme up to EUR 1.5 million;
- Farmers can apply for Guarantees and the expected funding amount is EUR 4,3 million;
- The funding available for export credit guarantees is based on public funding recovered under sub-activity 2.2.1.4.1 "Support in the Form of Loans for Development of Enterprise Competitiveness" of EUR 2,030 thousand and public funding recovered under activity 1.3.1.2 "Support for Starting Self-employment and Business" of EUR 470 thousand;
- The guarantees for the Energy Efficiency Programme for Multi-apartment Buildings (EEPMB) are issued within the framework of measure 4.2.1.1 "Increasing Energy Efficiency in Residential Buildings" of Specific Objective 4.2.1 "Promote the Increase of Energy Efficiency in Public and Residential Buildings". The available funding is EUR 12,2 million;
- From 1 January 2018 to 30 September 2018 there were 123 guarantees totalling 21.8 mln euro issued under the specific support objective 3.1.1.1. Meanwhile, 18 guarantees totalling 4.4 mln euro were issued within the Additional Guarantee Programme and to the large enterprises. In the given period the farmers were issued 10 guarantees amounting to 2.1 mln euro;
- The InnovFIN Guarantee Facility is available to innovative companies meeting the requirements of specific support objective 3.1.1.1 as well as large economic operators. On 13 October 2016, an agreement regarding InnovFIN counter-guarantees was signed with the European Investment Fund for EUR 30 million. Since the signing date of the agreement up to 30 September 2018 there have been issued 7 guarantees with InnovFin counter-guarantees for a total amount of EUR 1.2 million;
- 54 EEPMB guarantees for a total funding of EUR 8.2 million were issued in the reporting period;
- In the reporting period, 75 export credit guarantees were issued for EUR 5.7 million;
- Based on Cabinet Regulation No 95 "On State Aid for Acquisition or Construction of Housing", housing guarantees are available to: 1) families with children (23 years of age, inclusive); 2) young professionals (persons with a secondary vocational or higher education and not above 35 years of age). The Housing Guarantee Programme has been running since January 2015 in co-operation with 5 commercial banks. From 1 January 2018 to 30 September 2018, families with children were issued 2,223 housing guarantees for a total amount of EUR 16.7 million, whereas young professionals - 574 guarantees for a total amount of EUR 4 million.

# 23 Fair values of assets and liabilities

The Management considers that the fair value of assets and liabilities which in the Group's statement of financial position are not stated at their fair value differs from their carrying values and from those assets and liabilities which are stated at fair value, as follows:

| | 30/09/2018 (unaudited) | | 31/12/2017 (audited) | |
|---|---|---|---|---|
| | Carrying amount, EUR '000 | Fair value, EUR '000 | Carrying amount, EUR '000 | Fair value, EUR '000 |
| Assets | | | | |
| Due from other credit institutions and Treasury | 117,825 | 117,837 | 109,594 | 109,594 |
| Individuals | 23,466 | 23,383 | 21,635 | 21,597 |
| Companies | 173,685 | 172,204 | 170,512 | 169,699 |
| Loans and receivables | 197,151 | 195,587 | 192,147 | 191,296 |
| Debt securities | 350 | 1,148 | 443 | 1,208 |
| Investments in venture capital funds | 47,500 | 47,500 | 51,170 | 51,170 |
| Assets held for sale | 11,291 | 11,291 | 12,935 | 12,935 |
| Liabilities | | | | |
| Due to credit institutions | 38,205 | 38,205 | 46,933 | 46,933 |
| Due to general governments | 44,606 | 43,978 | 43,609 | 42,103 |
| Support program funding, net of State aid | 121,529 | 121,529 | 90,757 | 90,757 |

The Management considers that the fair value of assets and liabilities which in the Company's statement of financial position are not stated at their fair value differs from their carrying values and from those assets and liabilities which are stated at fair value, as follows:

| | 30/09/2018 (unaudited) | | 31/12/2017 (audited) | |
|---|---|---|---|---|
| | Carrying amount, EUR '000 | Fair value, EUR '000 | Carrying amount, EUR '000 | Fair value, EUR '000 |
| Assets | | | | |
| Due from other credit institutions and Treasury | 117,825 | 117,837 | 109,594 | 109,594 |
| Individuals | 23,466 | 23,383 | 21,635 | 21,597 |
| Companies | 173,685 | 172,204 | 170,512 | 169,699 |
| Loans and receivables | 197,151 | 195,587 | 192,147 | 191,296 |
| Debt securities | 350 | 1,223 | 443 | 1,208 |
| Investments in venture capital funds | 46,590 | 46,590 | 49,108 | 49,108 |
| Assets held for sale | 11,291 | 11,291 | 10,565 | 10,565 |
| Liabilities | | | | |
| Due to credit institutions | 38,205 | 38,205 | 46,933 | 46,933 |
| Due to general governments | 44,606 | 43,978 | 43,609 | 42,103 |
| Support program funding, net of State aid | 122,230 | 122,230 | 94,080 | 94,080 |

**Assets**

Where possible, the fair value of securities is estimated on the basis of quoted market prices. For determining the fair value of other securities, the Management has applied the discounted cash flow method where the cash flow forecasts are based on assumptions and up-to-date market information available at the time of measurement. The fair value of loans with interest payable at fixed rates by specified dates was determined by applying the discounted cash flow method, whilst in regard to the fair value of loans with their basic interest rate tied to variable market rates, the Group/Company have assumed that the carrying amount of such loans corresponds to their fair value.

**Liabilities**

The fair value of financial liabilities stated at amortised cost, for example, the fair value of balances due to credit institutions, is estimated using the discounted cash flow method and the interest rates applied to similar products at the end of the year. The fair value of financial liabilities (for example, balances due to credit institutions) repayable on demand or subject to a variable interest rate, approximately corresponds to their carrying amount.

# 23 Fair values of assets and liabilities (cont'd)

The following table shows the hierarchy of the Group's financial assets and liabilities measured and disclosed at fair value as at 30 September 2018:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets measured at fair value: | | | | |
| Investment property (Note 10) | - | - | 13,632 | 13,632 |
| Financial assets at fair value through other comprehensive income - investment securities | 36,455 | 20,110 | - | 56,565 |
| Derivatives | - | - | - | - |
| Assets held for sale | - | - | 11,291 | 11,291 |
| Assets with fair values disclosed: | | | | |
| Loans and receivables (Note 8) | - | - | 195,587 | 195,587 |
| Due from other credit institutions and Treasury (Notes 7, 18) | 110,825 | - | 7,012 | 117,837 |
| **Total assets** | **147,280** | **20,110** | **227,522** | **394,912** |
| Liabilities measured at fair value: | | | | |
| Derivatives | - | 147 | - | 147 |
| **Liabilities with fair values disclosed:** | | | | |
| Due to credit institutions (Note 12) | - | - | 38,205 | 38,205 |
| Due to general governments | - | - | 43,978 | 43,978 |
| Support program funding (Note 15) | - | - | 121,529 | 121,529 |
| **Total liabilities** | **-** | **147** | **203,712** | **203,859** |

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

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets measured at fair value: | | | | |
| Investment property (Note 10) | - | - | 10,808 | 10,808 |
| Financial assets at fair value through other comprehensive income - investment securities | 37,723 | 24,037 | - | 61,760 |
| Derivatives | - | 142 | - | 142 |
| Assets held for sale | - | - | 12,935 | 12,935 |
| Assets with fair values disclosed: | | | | |
| Loans and receivables (Note 8) | - | - | 191,296 | 191,296 |
| Due from other credit institutions and Treasury (Notes 7,18) | 100,594 | - | 9,000 | 109,594 |
| **Total assets** | **138,317** | **24,179** | **224,039** | **386,535** |
| Liabilities measured at fair value: | | | | |
| Derivatives | - | - | - | - |
| **Liabilities with fair values disclosed:** | | | | |
| Due to credit institutions (Note 12) | - | - | 46,933 | 46,933 |
| Due to general governments | - | - | 43,609 | 43,609 |
| Support program funding (Note 15) | - | - | 90,757 | 90,757 |
| **Total liabilities** | **-** | **-** | **181,299** | **181,299** |

# 23 Fair values of assets and liabilities (cont'd)

The following table shows the hierarchy of the Company's financial assets and liabilities measured and disclosed at fair value as at 30 September 2018:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets measured at fair value: | | | | |
| Investment property (Note 10) | - | - | 13,632 | 13,632 |
| Financial assets at fair value through other comprehensive income - investment securities | 36,455 | 20,110 | - | 56,565 |
| Derivatives | - | - | - | - |
| Assets held for sale | - | - | 11,291 | 11,291 |
| Assets with fair values disclosed: | | | | - |
| Loans and receivables (Note 8) | - | - | 23,383 | 23,383 |
| Due from other credit institutions and Treasury (Notes 7, 18) | 110,825 | - | 7,012 | 11,7837 |
| **Total assets** | **147,280** | **20,110** | **55,318** | **222,708** |
| Liabilities measured at fair value: | | | | |
| Derivatives | - | 147 | - | 147 |
| **Liabilities with fair values disclosed:** | | | | |
| Due to credit institutions (Note 12) | - | - | 38,205 | 38,205 |
| Due to general governments | - | - | 43,978 | 43,978 |
| Support program funding (Note 15) | - | - | 122,230 | 122,230 |
| **Total liabilities** | **-** | **147** | **204,413** | **204,560** |

The following table shows the hierarchy of the Company's financial assets and liabilities measured and disclosed at fair value as at 31 December 2017:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets measured at fair value: | | | | |
| Investment property (Note 10) | - | - | 10,808 | 10,808 |
| Financial assets at fair value through other comprehensive income - investment securities) | 37,723 | 24,037 | - | 61,760 |
| Derivatives | - | 142 | - | 142 |
| Assets held for sale | - | - | 10,565 | 10,565 |
| Assets with fair values disclosed: | | | | |
| Loans and receivables (Note 8) | - | - | 191,296 | 191,296 |
| Due from other credit institutions and Treasury (Notes 7, 18) | 100,594 | - | 9,000 | 109,594 |
| **Total assets** | **138,317** | **24,179** | **221,669** | **384,165** |
| Liabilities measured at fair value: | | | | |
| Derivatives | - | - | - | - |
| **Liabilities with fair values disclosed:** | | | | |
| Due to credit institutions (Note 12) | - | - | 46,933 | 46,933 |
| Due to general governments | - | - | 43,609 | 43,609 |
| Support program funding (Note 15) | - | - | 94,080 | 94,080 |
| **Total liabilities** | **-** | **-** | **184,622** | **184,622** |

# 23 Fair values of assets and liabilities (cont'd)

**Fair value hierarchy of financial assets and liabilities**

The Group/Company classify the fair value measurements based on the fair value hierarchy, reflecting the significance of the input data. The fair value hierarchy of the Group/Company has 3 levels:

- *Level 1* includes balances due from other credit institutions and the Treasury as well as listed financial instruments for which an active market exists, if in determining their fair value the Group/Company use unadjusted quoted market prices, obtained from a stock-exchange or reliable information systems;
- *Level 2* includes financial instruments traded over the counter (OTC) and financial instruments having no active market or a declining active market whose fair value measurements are based to a significant extent on observable market inputs (e.g., rates applied to similar instruments, benchmark financial instruments, credit risk insurance transactions, etc.);
- *Level 3* includes financial instruments whose fair value measurements rely on observable market inputs requiring significant adjustment and have to be supported by unobservable market inputs, and financial instruments whose fair value measurements are based to a significant extent on data that cannot be observed on the active market and assumptions and estimates of the Group/Company that enable a credible measurement of the financial instrument's value

***Debt securities***

Debt securities are measured applying quoted prices or valuation techniques using observable or unobservable market inputs or combination of the two. The majority of investments in debt securities recognised at fair value are investments in Latvian treasury bills with a quoted price, but not traded on the active market. The Management has estimated that it is reasonable to presume the fair value of these securities to be equal to their quoted price.

***Derivatives***

The derivatives, measured using valuation techniques which rely on observable market inputs, are mainly currency swaps and forwards. The most frequently applied valuation techniques include discounted cash flow calculations, where inputs include foreign exchange spot and forward rates as well as interest rate curves.

***Investments in venture capital funds***

The Group/Company have a number of investments in venture capital funds.

The Group's and the Company's investments in venture capital funds are treated as investments in associates. An associate is a company in which the Group or the Company has significant influence, but does not have control. Significant influence is defined as the power to affect the financial and operating policy decisions of the investee. The significance of the influence is classified based on the same parameters that are applied to the branches.

In measuring investments in venture capital funds, the equity method is used at the Group level, whilst at the Company level these investments are recognised at cost less any impairment.

***Investment properties***

Investments in real estate are measured in accordance with Latvian and International Valuation Standards (IVS) for real estate using the involvement of independent and professional committee of experts.

Investments in property are measured at fair value applying one of the following three methods:

(a) Market approach;

(b) Income approach;

(c) Cost approach.

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

***Assets held for sale***

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount is recovered through a sale transaction rather than through continuing use. This condition is regarded to be met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, and the sale transaction must be classified as a completed sale within one year from the date of classification.

# 24 Liquidity risk

The table below presents the maturity profile of expected undiscounted future cash flows of the Group's financial liabilities, off-balance liabilities and liquid assets, including balances due from other credit institutions and the Treasury and investment securities as at 30 September 2018. The amounts are based on the expected future cash flow dependent on payment schedules and includes interest while the maturity analysis presented in Note 25 discloses the maturity profile of the actual balances of liabilities and assets.

| | Up to 1 year | 1 to 5 years | Over 5 years and w/o date | Total |
|---|---|---|---|---|
| Due to other credit institutions | 8,831 | 26,711 | 3,143 | 38,685 |
| Due to general governments | 161 | 644 | 44,712 | 45,517 |
| Support programme funding | - | - | 121,529 | 121,529 |
| Other liabilities | - | - | 2,866 | 2,866 |
| **Total financial liabilities** | **8,992** | **27,355** | **172,250** | **208,597** |
| Off-balance items and contingent liabilities | 85,030 | 96,331 | 112,423 | 293,784 |
| **Total financial liabilities, off-balance items and contingent liabilities** | **94,022** | **123,686** | **284,673** | **502,381** |
| Due from other credit institutions and the State Treasury | 117,825 | - | - | 117,825 |
| Investment securities | 170 | 46,275 | 10,470 | 56,915 |
| **Liquid assets** | **117,995** | **46,275** | **10,470** | **174,740** |

The table below presents the maturity profile of expected undiscounted future cash flows of the Group's financial liabilities, off-balance liabilities and liquid assets as at 31 December 2017:

| | Up to 1 year | 1 to 5 years | Over 5 years and w/o date | Total |
|---|---|---|---|---|
| Due to other credit institutions | 8,857 | 32,376 | 6,309 | 47,542 |
| Due to general governments | 163 | 612 | 44,869 | 45,644 |
| Support programme funding | - | - | 90,757 | 90,757 |
| Other liabilities | - | - | 3,764 | 3,764 |
| **Total financial liabilities** | **9,020** | **32,988** | **145,699** | **187,707** |
| Off-balance items and contingent liabilities | 29,361 | 74,935 | 113,888 | 218,184 |
| **Total financial liabilities, off-balance items and contingent liabilities** | **38,381** | **107,923** | **259,587** | **405,891** |
| Due from other credit institutions and the State Treasury | 109,594 | - | - | 109,594 |
| Investment securities | 38 | 51,426 | 10,739 | 62,203 |
| **Liquid assets** | **109,632** | **51,426** | **10,739** | **171,797** |

# 24 Liquidity risk (cont'd)

The table below presents the maturity profile of expected undiscounted future cash flows of the Company's financial liabilities, off-balance liabilities and liquid assets as at 30 September 2018:

| | Up to 1 year | 1 to 5 years | Over 5 years and w/o date | Total |
|---|---|---|---|---|
| Due to other credit institutions | 8,831 | 26,711 | 3,143 | 38,685 |
| Due to general governments | 161 | 644 | 44,712 | 45,517 |
| Support programme funding | - | - | 122,230 | 122,230 |
| Other liabilities | - | - | 2,590 | 2,590 |
| **Total financial liabilities** | **8,992** | **27,355** | **172,675** | **209,022** |
| Off-balance items and contingent liabilities | 85,030 | 96,331 | 112,423 | 293,784 |
| **Total financial liabilities, off-balance items and contingent liabilities** | **94,022** | **123,686** | **285,098** | **502,806** |
| Due from other credit institutions and the State Treasury | 117,825 | - | - | 117,825 |
| Investment securities | 170 | 46,275 | 10,470 | 56,915 |
| **Liquid assets** | **117,995** | **46,275** | **10,470** | **174,740** |

The table below presents the maturity profile of expected undiscounted future cash flows of the Company's financial liabilities, off-balance liabilities and liquid assets as at 31 December 2017:

| | Up to 1 year | 1 to 5 years | Over 5 years and w/o date | Total |
|---|---|---|---|---|
| Due to other credit institutions | 8,857 | 32,376 | 6,309 | 47,542 |
| Due to general governments | 163 | 612 | 44,869 | 45,644 |
| Support programme funding | - | - | 94,080 | 94,080 |
| Other liabilities | - | - | 3,488 | 3,488 |
| **Total financial liabilities** | **9,020** | **32,988** | **148,746** | **190,754** |
| Off-balance items and contingent liabilities | 29,361 | 74,935 | 113,887 | 218,184 |
| **Total financial liabilities, off-balance items and contingent liabilities** | **38,381** | **107,923** | **262,633** | **408,938** |
| Due from other credit institutions and the State Treasury | 109,594 | - | - | 109,594 |
| Investment securities | 38 | 51,426 | 10,738 | 62,202 |
| **Liquid assets** | **109,632** | **51,426** | **10,738** | **171,796** |

# 25 Analysis of remaining maturities of assets and liabilities

The table below provides an analysis of assets and liabilities by 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. Investments in securities reflect their contractual coupon amortisations.

The table below presents the breakdown of the Group's assets by maturity profile as at 30 September 2018 based on the time remaining from the reporting date to their contractual maturity.

| | 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 the State Treasury | 117,825 | - | - | - | - | - | 117,825 |
| Investment securities | - | 138 | - | 32 | 46,275 | 10,470 | 56,915 |
| Loans and receivables | 8,286 | 10,958 | 13,270 | 14,911 | 84,925 | 64,801 | 197,151 |
| Derivatives | - | - | - | - | - | - | - |
| Assets held for sale | - | 11 291 | - | - | - | - | 11,291 |
| Investments in venture capital funds | 746 | - | - | - | 39,224 | 7,530 | 47,500 |
| Deferred expense and accrued income | 2,649 | 3 | 4 | 8 | 66 | 19 | 2,749 |
| Investment property | - | - | - | - | 11,200 | 2,432 | 13,632 |
| Property, plant and equipment | - | - | - | - | - | 4,177 | 4,177 |
| Intangible assets | - | - | - | - | - | 1,121 | 1,121 |
| Other assets | 843 | - | - | 1,044 | 19,225 | - | 21,112 |
| **Total assets** | **130,349** | **22,390** | **13,274** | **15,995** | **200,915** | **90,550** | **473,473** |
| Liabilities | | | | | | | |
| Due to credit institutions | - | 12 | 4,340 | 4,340 | 26,389 | 3,124 | 38,205 |
| Derivatives | 147 | - | - | - | - | - | 147 |
| Due to general governments | - | - | - | - | 5,000 | 39,606 | 44,606 |
| Issued debt securities | - | - | - | - | - | 30,095 | 30,095 |
| Deferred income and accrued expense | 522 | 181 | 220 | 277 | 697 | 588 | 2,485 |
| Support programme funding and State aid | 38,838 | - | 1,284 | - | 17,291 | 67,060 | 124,472 |
| Liabilities directly associated with assets held for sale | - | - | - | - | - | - | - |
| Provisions for financial guarantees | 1,580 | 13 | 221 | 505 | 3,229 | 4,679 | 10,227 |
| Corporate income tax liabilities | - | - | - | - | - | - | - |
| Other liabilities | 2,236 | - | - | 58 | - | 572 | 2,866 |
| **Total liabilities** | **43,323** | **206** | **6,065** | **5,180** | **52,606** | **145,724** | **253,103** |
| **Net liquidity** | **87,026** | **22,184** | **7,209** | **10,815** | **148,309** | **(55,174)** | **220,370** |

# 25 Analysis of remaining maturities of assets and liabilities (cont'd)

The table below presents the breakdown of the Group's assets by maturity profile as at 31 December 2017 based on the time remaining from the reporting date to their contractual maturity.

| | 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 the State Treasury | 100,597 | - | - | 8,997 | - | - | 109,594 |
| Investment securities | - | - | - | 38 | 51,426 | 10,739 | 62,203 |
| Loans and receivables | 9,708 | 11,789 | 10,152 | 19,765 | - | 140,733 | 192,147 |
| Derivatives | - | 142 | - | - | - | - | 142 |
| Assets held for sale | - | - | - | 12,935 | - | - | 12,935 |
| Investments in venture capital funds | - | 864 | - | - | 43,964 | 6,342 | 51,170 |
| Deferred expense and accrued income | 655 | 1,581 | 3 | 3 | 9 | 5 | 2,256 |
| 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 | 3,456 | 5,832 |
| **Total assets** | **111,231** | **14,376** | **10,294** | **41,972** | **105,507** | **168,306** | **451,686** |
| 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 | - | 19,799 | 19,852 |
| Deferred income and accrued expense | 48 | 87 | 451 | 425 | 135 | 1,231 | 2,377 |
| Support programme funding and State aid | 9,795 | - | - | 8,290 | 20,798 | 57,126 | 96,009 |
| Liabilities directly associated with assets held for sale | - | - | - | 2,000 | - | - | 2,000 |
| Provisions for off-balance sheet commitments | 843 | 757 | 66 | 259 | 4 199 | 8,407 | 14,531 |
| Corporate income tax liabilities | 125 | - | - | - | - | - | 125 |
| Other liabilities | 2,962 | - | 53 | 319 | - | 430 | 3,764 |
| **Total liabilities** | **13,773** | **5,243** | **570** | **15,686** | **62,076** | **131,852** | **229,200** |
| **Net liquidity** | **97,458** | **9,133** | **9,724** | **26,286** | **43,431** | **36,454** | **222,486** |

# 25 Analysis of remaining maturities of assets and liabilities (cont'd)

The table below presents the breakdown of the Company's assets by maturity profile as at 30 September 2018 based on the time remaining from the reporting date to their contractual maturity.

| | 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 the State Treasury | 117,825 | - | - | - | - | - | 117,825 |
| Investment securities | - | 138 | - | 32 | 46,275 | 10,470 | 56,915 |
| Loans and receivables | 8,286 | 10,958 | 13,270 | 14,911 | 84,925 | 64,801 | 197,151 |
| Derivatives | - | - | - | - | - | - | - |
| Assets held for sale | - | 11,291 | - | - | - | - | 11,291 |
| Investments in venture capital funds | 492 | 331 | - | - | 37,761 | 8,006 | 46,590 |
| Deferred expense and accrued income | 1 | 3 | 4 | 2,656 | 66 | 20 | 2,750 |
| Investment property | - | - | - | - | 11,200 | 2,432 | 13,632 |
| Property, plant and equipment | - | - | - | - | - | 4,177 | 4,177 |
| Intangible assets | - | - | - | - | - | 1,121 | 1,121 |
| Other assets | 843 | - | - | 1,044 | 19,225 | - | 21,112 |
| **Total assets** | **127,447** | **22,721** | **13,274** | **18,643** | **199,452** | **91,027** | **472,564** |
| Liabilities | | | | | | | |
| Due to credit institutions | - | 12 | 4,340 | 4,340 | 26,389 | 3,124 | 38,205 |
| Derivatives | 147 | - | - | - | - | - | 147 |
| Due to general governments | - | - | - | - | 5,000 | 39,606 | 44,606 |
| Issued debt securities | - | - | - | - | - | 30,095 | 30,095 |
| Deferred income and accrued expense | 522 | 181 | 220 | 277 | 697 | 588 | 2,485 |
| Support programme funding and State aid | 38,838 | - | 1,284 | - | 17,992 | 67,059 | 125,173 |
| Provisions for off-balance sheet commitments | 1,580 | 13 | 221 | 505 | 3,229 | 4,679 | 10,227 |
| Corporate income tax liabilities | - | - | - | - | - | - | - |
| Other liabilities | 1,959 | - | - | 58 | - | 573 | 2,590 |
| **Total liabilities** | **43,046** | **206** | **6,065** | **5,180** | **53,307** | **145,724** | **253,528** |
| **Net liquidity** | **84,401** | **22,515** | **7,209** | **13,463** | **146,145** | **(54,697)** | **219,036** |

# 25 Analysis of remaining maturities of assets and liabilities (cont'd)

The table below presents the breakdown of the Company's assets by maturity profile as at 31 December 2017 based on the time remaining from the reporting date to their contractual maturity.

| | 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 the State Treasury | 100,597 | - | - | 8,997 | - | - | 109,594 |
| Investment securities | - | - | - | 38 | 51,426 | 10,739 | 62,203 |
| Loans and receivables | 9,708 | 11,789 | 10,152 | 19,765 | - | 140,733 | 192,147 |
| Derivatives | - | 142 | - | - | - | - | 142 |
| Investments in venture capital funds | - | 1,008 | - | - | 41,757 | 6,343 | 49,108 |
| Deferred expense and accrued income | 655 | 1 581 | 3 | 3 | 9 | 5 | 2,256 |
| 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 | 3,456 | 5,832 |
| Assets held for sale | - | - | - | 10,565 | - | - | 10,565 |
| **Total assets** | **111,231** | **14,520** | **10,294** | **39,602** | **103,300** | **168,307** | **447,254** |
| 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 | - | 19,799 | 19,852 |
| Deferred income and accrued expense | 48 | 87 | 451 | 425 | 135 | 1,231 | 2,377 |
| Support programme funding and State aid | 9,625 | - | - | 1,904 | 29,392 | 57,127 | 98,048 |
| Provisions for off-balance sheet commitments | 843 | 757 | 66 | 259 | 4 199 | 8,407 | 14,531 |
| Corporate income tax liabilities | 125 | - | - | - | - | - | 125 |
| Other liabilities | 2,962 | - | 53 | 42 | - | 431 | 3,488 |
| **Total liabilities** | **13,603** | **5,243** | **570** | **7,023** | **70,670** | **131,854** | **228,963** |
| **Net liquidity** | **97,628** | **9,277** | **9,724** | **32,579** | **32,630** | **36,453** | **218,291** |

# 26 Events after the reporting date

As of the last day of the reporting period until the date of signing these financial statements there have been no other events which could produce a material effect on the financial position of the Group/Company.

# OTHER NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

## KEY FINANCIAL AND PERFORMANCE INDICATORS

| | 2017 (audited) | 2016 (audited) | 2015 (audited) | 2018 Q3 (unaudited) | 2017 Q3 (unaudited) |
|---|---|---|---|---|---|
| **Key financial data** | | | | | |
| Net income from interest, fees and commission (tEUR) | 11,374 | 11,024 | 16,419 | 8,101 | 9,504 |
| Profit for the period (tEUR) | 6,945 | 2,170 | 4,924 | 976 | 3,855 |
| Cost to income ratio (CIR) | 54.7% | 88,4% | 55,8% | 82.7% | 62.5% |
| Employees | 230 | 242 | 282 | 225 | 230 |
| **Total assets (tEUR)** | **451,686** | **443,126** | **406,918** | **473,473** | **432,678** |
| Tangible common equity (TCE)/total tangible managed assets (TMA) | 35.6% | 35,2% | 37,3% | 33.1% | 35.2% |
| Equity and reserves (tEUR) | 222,486 | 210,094 | 199,610 | 220,370 | 216,027 |
| Total risk coverage: (tEUR) | 65,002 | 67,705 | 41,021 | 68,014 | 62,701 |
| Risk coverage reserve | 60,060 | 64,833 | 40,662 | 65,447 | 59,724 |
| Risk coverage reserve used for provisions | -4,753 | -4,323 | -1,276 | -7,128 | -4,218 |
| Portfolio loss reserve (specific reserve capital) | 9,695 | 7,195 | 1,635 | 9,695 | 7,195 |
| Liquidity ratio for 180 days | 507% | 449% | 352% | 242% | 446% |
| | | | | | |
| **Financial instruments (gross value)** | | | | | |
| **Outstanding (tEUR) (by financial instrument)** | | | | | |
| Loans | 207,585 | 217,429 | 218,562 | 214,395 | 211,472 |
| Guarantees | 182,376 | 147,175 | 131,120 | 223,065 | 176,495 |
| Venture capital funds | 51,310 | 58,541 | 39,929 | 47,640 | 55,180 |
| **Total** | **441,271** | **423,145** | **389,611** | **485,100** | **443,147** |
| Number of contracts | 14,402 | 11,449 | 8,901 | 17,296 | 13,787 |
| **Volumes granted (tEUR) (by financial instrument)** | | | | | |
| Loans | 51,869 | 59,465 | 52,329 | 47,200* | 39,442 |
| Guarantees | 68,615 | 56,109 | 50,065 | 62,763 | 50,517 |
| Venture capital funds | 2,638 | 21,356 | 18,798 | 1,840 | 1,808 |
| **Total** | **123,122** | **136,929** | **121,192** | **111,803** | **91,767** |
| Number of contracts | 4,697 | 4,461 | 2,819 | 4,052 | 3,500 |
| Leverage for raised private funding | 185% | 162% | 104% | 190% | 185% |

* loans Issued

# Definitions of ratios

| | |
|---|---|
| *Net income from interest, fees and commission* | Net income from interest, fees and commission consists of the following items in the statement of profit or loss: net interest income and net commission income. It measures operating income of the ALTUM Group. |
| *Cost to income ratio (CIR)* | Cost to income ratio (CIR) is calculated by dividing the amount of personnel expenses, administrative expenses and depreciation of intangible assets and property, plant and equipment by operating income before operating expense included in the statement of profit or loss. It measures operating income of the ALTUM. |
| *Tangible common equity (TCE) / tangible managed assets (TMA)* | Tangible Common Equity (TCE) is calculated by subtracting the revaluation reserve of available for sale investments from total equity.<br>The amount of total managed assets (TMA) is calculated by adding the guarantees shown as off-balance sheet items to the total assets of ALTUM Group taking into account provisions for these guarantees and subtracting deferred expense, accrued income, property, plant and equipment, intangible assets, other assets and available for sale assets.<br>The items used to calculate both indicators (TCE, TMA) are included in the following financial statements of the 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 to measure the Group's capital adequacy. |
| *Total risk coverage* | Total Risk Coverage is the net funding available for covering the expected credit losses of the State aid programmes implemented by ALTUM. Total Risk Coverage is calculated as the total of the Risk Coverage Reserve and Portfolio Loss Reserve (Specific Capital Reserves) 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 allocated to the Portfolio Loss Reserve which is the Group's specific capital reserve or alternatively accounted for separately as provisions for risk coverage under liabilities item "Risk Coverage Reserve". The Portfolio Loss Reserve (specific capital reserve) is disclosed in the Note on Reserves to the financial statements of the ALTUM Group. The Risk Coverage Reserve is disclosed 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 disclosed in the Note on Loans and Note on Provisions to the financial statements of ALTUM Group.<br>Total Risk Coverage is a key indicator for measuring the risk coverage in the State aid programmes implemented by ALTUM and assessing the long-term financial stability of the Group. |
| 180-day liquidity ratio | The180-day liquidity ratio is calculated by dividing the amount of the balances due from other credit institutions and the Treasury with a maturity of up to 1 month and available-for-sale Investment securities by the amount of the total liabilities maturing within 6 months and total financial liabilities maturing within 6 months (off-balance items). The data required for the calculation of the liquidity ratio for 180 days is disclosed in the following financial statements of the ALTUM Group: Financial Position Statement and notes – Off-balance items and contingent liabilities and Contractual maturity analysis of assets and liabilities. The 180-day liquidity ratio demonstrates the ability of the ALTUM Group to honour its obligations within the required time and with currently available liquid assets. |
| *Leverage of raised private funding* | Private financing leverage ratio measures the additional private funds raised and invested in a project funded by ALTUM. The leverage ratio is determined by assessing the funds which have been invested by a private co-financier and implementer of the project in addition to ALTUM's funding. On average, it 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). |
| *Venture capital* | In accordance with the accounting policies, part of the losses from the investments in venture capital funds is included in the Risk Coverage Reserve. |