JSC DEVELOPMENT FINANCE INSTITUTION ALTUM

UNAUDITED INTERIM CONDENSED REPORT OF THE GROUP FOR 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2017

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JSC Development Finance Institution Altum
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JSC DEVELOPMENT FINANCE INSTITUTION ALTUM
REPORT OF THE BOARD OF DIRECTORS

Activity during reporting period

The joint stock company Development Finance Institution Altum (hereinafter referred to as the Group) is a state-owned development finance institution that provides state aid to specific target groups by means of financial instruments (loans, guarantees, investments in venture capital funds, a.o.). By way of implementing the state aid programmes the Group fills in the market gaps and ensures accessibility to the funding in the areas the state has identified as priority.
The mission of the Group is – We help Latvia to thrive!
The vision of the Group is – Co-operation partner and financial expert in development of the national economy.

The role of the development finance institution in the financial market is to:
- complement the financial market;
- fill in the market gaps and rectify the market failures;
- operate, as delegated by the state, in the defined areas and segments;
- implement the programmes jointly with private market participants.

The Development Finance Institution Law governs the operations of the Group.
The Ministry of Finance holds 40% of the Group's shares, the Ministry of Economics and Ministry of Agriculture – 30% each.
During 9 months of year 2017 the Group made a profit of 3,8 mln euros.
The main financial indicators of the Group are given in the Note *Key Financial Data, Operational Volumes and Results* to the Report of the Board of Directors.

Operational Volumes

As at 30 September 2017 the Group's (gross) books and records held a portfolio of the financial instruments granted within the state aid programmes for the total value of 443,2 mln euros made up of 13,787 projects, including:
- guarantee portfolio of 176,5 mln euros, the total number of transactions – 7,264;
- loan portfolio of 211,5 mln euros, the total number of transactions – 6,331;
- investments in venture capital funds for the total value of 55,2 mln euros, the total number of projects financed by funds – 192.

Since the start of the year the portfolio of the Group's financial instruments has increased by 5.2% (22,5 mln euros) in terms of volume and by 20.4% (by 2,338 projects) in terms of the number of projects. Among the financial instruments the guarantee portfolio has had the most rapid growth by 20% in terms of volume (29,3 mln euros) and by 47% in terms of the number of transactions (by 2,327 transactions). Implementation of the Housing Guarantee Programme has contributed significantly to the rise of the number of transactions. The rapid increase of the guarantee portfolio in the Group's total portfolio of financial instruments tallies with medium-term development strategy of the Group.

Volumes of New Transactions

In the reporting period lasting from 1 January 2017 till 30 September 2017 the funding granted within the state aid programmes amounted to 91,8 mln euros, supporting 3,500 projects, including:
- guarantees for 50,5 mln euros, the total number of transactions – 2,596 projects;
- loans for 39,4 mln euros, 891 projects;
- investments made by venture capital funds for 1,8 mln euros, 13 projects.

During 9 months of 2017, compared to the same period last year, the state aid programmes have had an equivalent number of new transactions: with the amount of the granted funding being less by 0.5% (0.5 mln euros), the number of supported projects has increased by 5% (or by 167 projects).
The guarantees for promotion of business were boosted specifically. In 9 months the business projects were granted new guarantees for 35,5 mln euros.

REPORT OF THE BOARD OF DIRECTORS (continued)

It is often that the companies lack adequate collateral to obtain a bank loan or amount of the loan needed for business development. Being aware of the situation, the Group boosted issuing of credit guarantees for promotion of business expecting an influx of financial resources into the national economy.

Since boosting of the credit guarantees in year 2017, the maximum single guarantee amount was increased to 3 mln euros. A new solution for granting of guarantees – delegated guarantees – was introduced in the reporting period. The delegated guarantees will promote availability of funding for the small and medium-sized enterprises even more. In order to implement the delegated guarantees, a special co-operation agreement has been concluded with SEB Bank. It is planned to initiate similar co-operation also with other banks. The service enables the banks to speed up considerably reviewing of the loan applications of the small and medium-sized enterprises.

To increase competitiveness of Latvian companies, the export credit guarantees are being issued also to the small-scale exporters (with export turnover below 2 mln euros) for transactions with EU member states and for transactions with longer maturities of deferred payments (from 180 to 720 days). Due to the new guarantees the volume of protected export to the EU member states will increase considerably. More than 150 enterprises will be supported within the framework of the programme that will guarantee export transactions to the EU member states for at least 82 mln euros. The enterprises of manufacturing industry, agricultural producers as well as small and medium-sized enterprises entering the export markets are expected to benefit most.

Venture Capital Investments

In year 2017, within the framework of the Fund of funds established by Altum to implement the financial instruments by means of the funding of the European Regional Development Fund (ERDF), selection of the managers of the accelerator funds was finalised in an international tender. Acceleration is an activity not yet practised in Latvia intended to support the companies being in a very early development stage with 15 mln euros of public funding earmarked for the activity. Around 120 perspective ideas will receive accelerator and investment services.

In year 2017 selection of the financial intermediaries for the seed, start-up and expansion capital investment funds has been started. It is expected that the seed and start-up capital investment funds will be launched in Q2 of year 2018. The total earmarked public funding for Group's investments in the seed and start-up funds amounts to 30 mln euros. The expansion capital investment funds are to be launched in Q3 of year 2018 with the total earmarked public funding being 30 mln euros.

European Strategic Investment Fund

As part of promoting use of the funds of the European Strategic Investment Fund (EFSI) in Latvia and implementation of the large investment projects (above 50 mln euros), the Group, in co-operation with the European Investment Bank and Representation of the European Commission in Latvia, organises informative campaigns and consults the large projects on EFSI funds. Co-operation has been established with Latvian commercial banks to attract the investments needed for more efficient implementation of the large investment projects.

In order to expand support to the business ideas of the small and medium enterprises, there is an agreement concluded with the European Investment Fund (EIF) on the counter-guarantees of InnovFIN Facility for the guarantee portfolio worth 30 mln euros. The risk cover provided by counter-guarantees allows Group to issue guarantees to the eligible projects at lower rates, thus reducing the costs for attracting funding for these projects. As at 30 September, 2017, there were 6 guarantees for 0,992 mln euros issued under InnovFIN Facility. There is an agreement concluded with EIF about COSME programme's portfolio guarantee for a loan portfolio worth 15 mln euros that will guarantee loans issued to start-ups. An application has been submitted to EFSI programme for promotion of micro loans and social entrepreneurship loans.

REPORT OF THE BOARD OF DIRECTORS (continued)

Starting a Business
Promotion of start-ups is a significant business segment of the Group. As at 30 September 2017, under the Start-ups Programme, the start-ups projects were granted loans totalling 41,1 mln euros financing 2,266 projects of the new entrepreneurs.
In year 2017, based on the current tendencies in the business angels' sector, the Group expanded the options of the joint pilot project with Latvian Business Angels Network (LatBAN) regarding co-financing of business ideas. The expanded co-operation means that from now on also those viable business ideas where the syndicate – union of business angels consisting of several natural persons – investors having jointly decided to invest in a project – has decided to invest – will qualify for the Group's loan.

Aid for Improvement of Energy Efficiency of Multi-apartment Buildings
The Group started to implement the Energy Efficiency Programme of Multi-apartment Buildings in year 2016. The total earmarked public funding (ERDF and state budget) of the programme is 166 mln euros to be supplemented by the funds of the Group and loan.

The extensive information campaigns focusing on the prospective clients that were started in year 2016 in co-operation with the Ministry of Economics and other partners continued also in the reporting period and took the shape of free of charge events throughout Latvia and in Altum Competence Centre.

In year 2017, to consult about the programme:

- workshops with 780 participants were organized in 21 towns of Latvia;
- the Group organised two practical training workshops for the entities authorised to represent the residents of multi-apartment buildings (submitters of the projects);
- new marketing materials were prepared.

Within 9 months of this year an impressive number of project applications was received – 185 of which 111 applications were approved. Faulty procurement regulations prepared by submitters of the projects halted progress of many of the submitted projects.
As at 30 September 2017, within the framework of the programme, 12 guarantees for 1,2 mln euros were granted to energy efficiency projects of multi-apartment buildings; project support grants were given to 25 projects for the sum total of 2,5 mln euros and 3 Altum loans for 0,3 mln euros were issued.

Support to Families with Children for Buying Housing
As at 30 September 2017 the Housing Guarantee Programme had granted 6542 guarantees for 44,5 mln euros to the families with children. The programme's guarantees help with the first instalment on the mortgage and are used by families throughout Latvia. 67% of the guarantees were issued to the loans taken out in Riga and adjacent districts, 15% - in Vidzeme, 9% - in Kurzeme, 7% - in Zemgale, 2% - in Latgale. The average guarantee amount was 6,8 thsd euros.

Land Fund of Latvia
As at 30 September 2017, the balance sheet of the Land Fund administered by the Group enlisted 216 properties with the total land area of 3,591 ha, worth 9,3 mln euros.
As at 30 September 2017, 86% of the fund's properties had been attracted the lessees – farmers, including ten newly established farmers, in need of agricultural land for development of their economic activities.
In the reporting period the preparations were made for introduction of new type of state aid under the Land Fund – reverse rent whereby a farmer could sell its property to the Land Fund and continue using it for production purposes by subsequently renting the property from the fund.

REPORT OF THE BOARD OF DIRECTORS (continued)

Risk Management

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

The Development Finance Institution Law stipulates that a finance institution has to prepare an assessment of the programme's impact, risks and expected losses, financial results and implementation costs prior to its approval by Cabinet of Ministers. The Cabinet of Ministers approves the programmes and lays down their implementation procedures, funding, eligible operations and expenditure, including funding for covering the expenses of the finance institution.

Rating

Moody's Investors Service has assigned to Altum (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 the capital companies of Latvia. The rating was assigned on 15 June 2017.

Obtaining of the rating was a step towards issuing of notes on the Baltic Bonds Market scheduled for this October. The assigned rating reflects the Group's compliance with the high requirements of the financial markets towards corporate management standards, financial stability, sustainability and other factors.

Future Outlook

The Group, based on the market gap analysis and in co-operation with the responsible ministries, drafts and implements new state aid programmes.

In year 2017 the volume of new transactions performed with Group's financial instruments is estimated at 180 mln euros with support to be provided to more than 5,500 business projects. The financed projects will create more than 3,100 new work places. The total input of the Group's financial instruments, including the co-financing of the aid beneficiaries, in the national economy, is expected to be around 290 mln euros.

This October the Group issued transferable debt securities (notes) as series of notes, registered them with the Latvian Central Depository and quoted on Nasdaq Riga for the total face value of 20 mln euros. SEB Bank has been chosen as the manager and advisor of the issue. The notes were issued to diversify the Group's funding structure and provide for several state-supported investment projects in the national economy of Latvia. The funds attracted through the issue of notes will amplify the financial support to the business projects in such fields as energy efficiency, promotion of renewable energy resources and decreasing of impact of the negative effects of climate change.

Reinis Bērziņš
Chairman of the Board

15 November 2017

NOTE TO THE REPORT OF THE BOARD OF DIRECTORS

Key Financial Data, Operational Volumes and Results

	Year ended on 31 December		Nine months ended on 30 September	
	2015	2016	2016	2017
	(Audited)		*(Unaudited)*	
Key financial data (ALTUM Group)				
Net income from interest, fees and commission (tEUR)[1)]	16,419	11,024	9,446	9,504
Profit (period) (tEUR)	4,924	2,170	3,791	3,855
Cost to income ratio (CIR)[2)]	55,8%	88,4%	58,6%	62,5%
Employees	282	242	247	230

	Year ended on 31 December		Nine months ended on 30 September
	2015	2016	2017
	(Audited)		*(Unaudited)*
Key financial data (ALTUM Group)			
Total assets (tEUR)	406,918	443,126	432,678
Tangible common equity (TCE)/total tangible managed assets (TMA)[3)]	37,3%	35,2%	35,2%
Equity and reserves (tEUR)	199,610	210,094	216,027
Total risk coverage: [4)] (tEUR)	41,021	67,705	62,701
Risk coverage reserve	40,662	64,833	59,724
Risk coverage reserve used for provisions	-1,276	-4,323	-4,218
Portfolio loss reserve (specific reserve capital)	1,635	7,195	7,195
Liquidity ratio for 180 days[5)]	351,9%	449,3%	446,3%

	Year ended on 31 December		Nine months ended on 30 September	
	2015	2016	2016	2017
	(Audited)		*(Unaudited)*	
Financial instruments (gross value)				
Outstanding (tEUR) (by financial instrument)				
Loans	218,562	217,429	224,582	211,472
Guarantees	131,120	147,175	141,189	176,495
Venture capital	39,929	58,541	53,764	55,180
Total	**389,611**	**423,145**	**419,535**	**443,147**
Number of contracts	8,901	11,449	10,788	13,787
Volumes granted (tEUR) (by financial instrument)				
Loans	52,329	59,465	43,828	39,442
Guarantees	50,065	56,109	37,417	50,517
Venture capital	18,798	21,356	10,642	1,808
Total	**121,192**	**136,929**	**91,887**	**91,767**
Number of contracts	2,819	4,461	3,333	3,500
Leverage for raised private funding[6)]	**104%**	**162%**	**168%**	**185%**

NOTE TO THE REPORT OF THE BOARD OF DIRECTORS (continued)

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

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

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

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

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

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

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

SUPERVISORY COUNCIL AND BOARD OF DIRECTORS

Council

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

Name, surname	*Position*	*Date appointed*
Līga Kļaviņa	Chairperson of the Council	19/12/2013 – 18/12/2016 29/12/2016 – present
Jānis Šnore	Council Member	19/12/2013 - 18/12/2016 29/12/2016 - present
Kristaps Soms	Council Member	29/12/2016 - present
Gatis Sniedziņš	Council Member	19/12/2013 – 04/10/2016

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

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

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

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

Riga 15 November 2017

The Board of Directors (Management) is responsible for preparing of the financial statements. The Management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements on pages 10 to 38 for the period from 1 January 2017 to 30 September 2017. The Management confirms that the Group's financial statements were prepared on a going concern basis in accordance with International Accounting Standard 34 Interim Financial Reporting.

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

Reinis Bērziņš
Chairman of the Board

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

	Notes	9 months of 2017	9 months of 2016
Interest income	3	9,654	10,394
Interest expense	4	(324)	(1,178)
Net interest income		**9,330**	**9,216**
Fee and commission income		366	344
Fee and commission expense		(192)	(114)
Net income from fees and commissions		**174**	**230**
Net trading income		(145)	(74)
Share of (loss) of investment in joint venture and associate	11	(3,315)	944
Other income	5	6,183	3,947
Operating income before operating expenses		**12,227**	**14,263**
Staff costs		(4,503)	(4,562)
Administrative expense	6	(2,833)	(3,385)
Amortisation of intangible assets and depreciation of property, plant and equipment		(304)	(411)
Net impairment provisions	7	(732)	(2,114)
Profit before corporate income tax		**3,855**	**3,791**
Corporate income tax		-	-
Profit for the period		**3,855**	**3,791**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net profit / (loss) on available for sale investments	20	(860)	1,083
Other comprehensive income / (loss) for the period, before taxes		**(860)**	**1,083**
Total comprehensive income for the period		**2,995**	**4,874**

The notes on pages 14 to 38 are an integral part of these interim condensed financial statements.

Reinis Bērziņš
Chairman of the Board

Marina Baranovska
Chief accountant

15 November 2017

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

	Notes	30/09/2017	31/12/2016 (audited)
Assets			
Due from other credit institutions and Treasury	8	86,627	89,553
Investment securities - available for sale		62,125	64,294
Investment securities – held to maturity		457	1,531
Loans and receivables	9	194,869	201,250
Derivatives	10	451	-
Investments in venture capital funds – associates	11	54,989	58,296
Deferred expense		457	413
Accrued income		1,733	1,646
Investment property	12	21,869	17,087
Property, plant and equipment		3,729	3,507
Intangible assets		671	168
Other assets		4,701	4,014
Assets held for sale	13	-	1,367
Total assets		**432,678**	**443,126**
Liabilities			
Due to credit institutions	14	46,886	56,195
Derivatives	10	-	854
Due to general governments	15	43,610	46,914
Deferred income		1,509	777
Accrued expense		646	1,198
Support programme funding	16	94,966	96,822
State aid	16	5,088	6,849
Provisions	18	16,039	16,864
Other liabilities		7,907	6,559
Total liabilities		**216,651**	**233,032**
Capital and reserves			
Share capital		204,862	204,862
Reserves	19	(1,272)	(8,235)
Available for sale reserve	20	8,232	9,092
Accumulated profit		4,205	4,375
Total capital and reserves		**216,027**	**210,094**
Total liabilities, capital and reserves		**432,678**	**443,126**

The notes on pages 14 to 38 are an integral part of these interim condensed financial statements.

Reinis Bērziņš
Chairman of the Board

Marina Baranovska
Chief accountant

15 November 2017

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

	Share capital	Reserves	Available for sale reserve	Retained earnings	Total capital
As at 31 December 2015	**204,862**	**(16,082)**	**8,625**	**2,205**	**199,610**
Other comprehensive income (Note 20)	-	-	1,083	-	**1,083**
Profit for the period	-	-	-	3,791	**3,791**
Total comprehensive income for the period	**-**	**-**	**1,083**	**3,791**	**4,874**
Changes to increase of reserve capital (Note 19)	-	5,467	-	-	**5,467**
Increase of reserve capital (Note 19)	-	4,947	-	-	**4,947**
Distribution of 2015 year profit	-	1,829	-	(1,829)	**-**
As at 30 September 2016	**204,862**	**(3,839)**	**9,708**	**4,167**	**214,898**
Other comprehensive income (Note 20)	-	-	(616)	-	**(616)**
Profit for the period	-	-	-	208	**208**
Total comprehensive income / (loss) for the period	**-**	**-**	**(616)**	**208**	**(408)**
Changes to decrease of reserve capital (Note 19)	-	(5,009)	-	-	**(5,009)**
Increase of reserve capital (Note 19)	-	613	-	-	**613**
As at 31 December 2016	**204,862**	**(8,235)**	**9,092**	**4,375**	**210,094**
Other comprehensive income (Note 19)	-	-	(860)	-	**(860)**
Profit for the period	-	-	-	3,855	**3,855**
Total comprehensive income / (loss) for the period	**-**	**-**	**(860)**	**3,855**	**2,995**
Changes to increase of reserve capital (Note 19)	-	2,938	-	-	**2,938**
Distribution of 2016 year profit	-	4,025	-	(4,025)	**-**
As at 30 September 2017	**204,862**	**(1,272)**	**8,232**	**4,205**	**216,027**

The notes on pages 14 to 38 are an integral part of these interim condensed financial statements.

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

	Notes	9 months of 2017	9 months of 2016
Profit before taxes		**3,855**	**3,791**
Amortisation of intangible assets and depreciation of property, plant and equipment		304	411
Interest income	**3**	(9,654)	(10,394)
Interest received		8,041	8,658
Interest expenses	**4**	324	1,178
Interests paid		(345)	(1,451)
Increase in provisions for impairment of loans, guarantees, other assets and held-to-maturity investment securities	**7**	732	2,114
Revaluation of investments in venture capital funds	**11**	3,315	(944)
Increase / (decrease) in deferred income and accrued expense		180	(546)
(Increase) / decrease in deferred expense and accrued income		(130)	(359)
(Increase) of other assets		(6,082)	6,983
(Decrease) / increase in other liabilities		(13,336)	18,518
(Increase) / decrease of cash and cash equivalents used before changes in assets and liabilities		**(12,796)**	**27,959**
Due from credit institutions decrease / (increase)		5,000	(6,834)
Decrease / (increase) of loans		5,756	(6,109)
Due to credit institutions increase		(27)	(7,351)
Corporate income tax		-	-
Net cash flow from operating activities		**(2,067)**	**22,367**
Cash flows from investment activities			
Investments in securities, net		4,514	24,603
Acquisition of property, plant and equipment and intangible assets		(1,024)	(503)
Sale of assets held for sale, net		5,239	-
Investments in venture capital funds, net	11	46	(12,891)
Purchase of investment properties, net	**12**	(4,634)	(3,151)
Net cash flow of investment activities		**4,141**	**8,058**
Cash flows from financing activities			
Increase in reserve capital		-	4,947
Net cash flow from financing activities		**-**	**4,947**
Increase in cash and cash equivalents		**2,074**	**35,372**
Cash and cash equivalents at the beginning of period		84,553	43,716
Cash and cash equivalents at the end of period	25	**86,627**	**79,088**

The notes on pages 14 to 38 are an integral part of these interim condensed financial statements.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

APPROVAL OF FINANCIAL STATEMENTS

The management of the Group has approved these financial statements on 15 November 2017.

1 GENERAL INFORMATION

(1) Background information

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

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

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

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

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

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

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

2 ACCOUNTING POLICIES

(1) Basis of preparation

These interim condensed consolidated financial statements for 9 months period ended on 30 September 2017 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*, as adopted in the European Union. The interim consolidated financial statements are to be used together with uncondensed financial statements for year 2016 prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union.

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

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

2 ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

3 INTEREST INCOME

	01/01/2017 - 30/09/2017	**01/01/2016 - 30/09/2016**
- interest on balances due from credit institutions	14	**36**
- interest on loans and guarantees	7,195	8,130
including on impaired loans (see Note 9)	*603*	*752*
- interest on securities at amortised cost	42	58
- interest on securities at fair value	1,572	2,170
- other interest income*	831	-
	9,654	**10,394**

* Item *Other interest income* includes state aid interest of 51 thsd euros as well as interest income from *Real Estate Funds'* investments in amount of 780 thsd euros.

4 INTEREST EXPENSE

	01/01/2017- 30/09/2017	**01/01/2016- 30/09/2016**
Interest expense:		
- expense on balances due to credit institutions	163	249
- other interest expense *	161	929
	324	**1,178**

* Sub-item *Other interest expense* for 9 months of year 2016 includes 244 thsd euros of state aid interest as well as interest expenses from *Real Estate Funds'* investments in amount of 510 thsd euros.

5 OTHER INCOME

	01/01/2017- 30/09/2017	**01/01/2016- 30/09/2016**
Other operating income*	4,337	2,588
Compensations**	1,722	1,002
Income from property privatisation services	-	187
Income from lease payments for operational leases	124	146
Income from investment property revaluation	-	24
	6,183	**3,947**

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

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

6 ADMINISTRATIVE AND OTHER OPERATING EXPENSE

	01/01/2017-30/09/2017	01/01/2016-30/09/2016
Information system and communication expense	707	810
Premises and equipment maintenance expense	548	636
Expense of assets that have been taken over in the debt collection process	513	451
Professional services	347	208
Advertising and public relations	285	291
Real estate tax	227	106
Training and other staff expense	110	167
Other expenses*	96	716
	2,833	**3,385**

* Item *Other expense* for 9 months of year 2016 includes unrecovered input VAT amounting to 254 thsd euros.

7 IMPAIRMENT PROVISIONS, NET

	01/01/2017 - 30/09/2017	01/01/2016 - 30/09/2016
Provisions for impairment on:		
- loans	3,806	3,987
- other assets	1,207	572
- investments in venture capital funds	-	-
- debt securities	-	-
- guarantees	1,857	1,963
	6,870	**6,522**
Release of provisions for impairment on:		
- loans	(1,874)	(360)
- other assets	(287)	(2,457)
- investments in venture capital funds *	-	-
- debt securities	(53)	(416)
- guarantees	(2,360)	(2,090)
	(4,574)	**(5,323)**
Income from release of provisions for onerous contracts (guarantees)	**(704)**	**1,606**
Recovery of loans written off in previous periods	**(860)**	**(691)**
Total provisions for impairment	**732**	**2,114**

* Item *Income from release of provisions* includes income of 54 thsd euros from impairment of venture capital funds that was 100% compensated from the Risk Coverage Reserve pursuant to the agreement *On Implementation of the Holding Fund* concluded with the Ministry of Economics (agreement No Līg.2011/15) (Note 11).

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

8 DUE FROM OTHER CREDIT INSTITUTIONS AND TREASURY

	30/09/2017	31/12/2016
Due from credit institutions registered	-	2
in OECD countries	86,627	89,551
in Latvia and Treasury	**86,627**	**89,553**

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

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

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

The distribution of Group's balances due from credit institutions and Treasury of the Republic of Latvia as at 30 September 2017:

Moody`s ratings	**Aaa**	**Aa1-Aa3**	**A1-A3**	**Baa1-Baa3**	**Ba1-Ba3**	**B1-B3**	**Caa-C**	**WR**	**Total**
Due from credit institutions registered in OECD countries	-	-	-	-	-	-	-	-	**-**
Due from credit institutions registered in Latvia and Treasury	-	20,220	64,026	-	2,381	-	-	-	**86,627**
Total	**-**	**20,220**	**64,026**	**-**	**2,381**	**-**	**-**	**-**	**86,627**

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

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

As at 30 September 2017 the Group had accounts with 5 banks and Treasury of the Republic of Latvia.

The average interest rate on balances due from credit institutions was 0% as at 30 September 2017 (at 31 December 2016: 0.07%).

For amount of cash and cash equivalents, please refer to Note 25.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

9 LOANS AND RECEIVABLES

Loans by type of borrower:

	30/09/2017	31/12/2016
Private companies	184,146	188,245
Individuals	23,853	24,490
Financial institutions	2,577	3,655
Local governments	304	344
Public and religious institutions	145	172
Accrued interest	447	523
Total gross loans	**211,472**	**217,429**
Allowance for impairment loss	(16,603)	(16,179)
Total net loans	**194,869**	**201,250**

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

Granted loans by branches of economy:

	30/09/2017	31/12/2016
Agriculture and forestry	95,645	83,048
Manufacturing	44,314	47,104
Private individuals	13,560	24,490
Retail and wholesale	16,001	16,901
Other industries	12,523	14,871
Hotels and restaurants	7,255	7,653
Electricity, gas and water utilities	5,861	6,734
Transport, warehousing and communications	2,164	4,620
Real estate	4,541	4,310
Construction	3,826	3,818
Financial intermediation	2,576	2,443
Fishing	2,455	570
Municipal authorities	304	344
Accrued interest on loans	447	523
Total gross loans	**211,472**	**217,429**

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

	30/09/2017	31/12/2016
Number of customers	22	26
Total credit exposure of customers	35,383	43,740
Percentage of total gross portfolio of loans	16.6%	20.0%

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

9 LOANS AND RECEIVABLES (continued)

Loans issued by the Group by type of impairment valuation:

	30/09/2017			31/12/2016		
	Individuals	**Companies**	**Total loans**	**Individuals**	**Companies**	**Total loans**
Individually assessed loans	6,219	140,760	146,979	6,728	145,964	152,692
Collectively assessed loans	17,683	46,810	64,493	17,821	46,916	64,737
Total gross loans	**23,902**	**187,570**	**211,472**	**24,549**	**192,880**	**217,429**
Allowance for impairment loss -individually assessed	(1,263)	(15,217)	(16,480)	(1,105)	(14,902)	(16,007)
Allowance for impairment loss - collectively assessed	(39)	(84)	(123)	(57)	(115)	(172)
Total net loans	**22,600**	**172,269**	**194,869**	**23,387**	**177,863**	**201,250**

Loans granted by the Group by their quality assessment:

	30/09/2017			31/12/2016		
	Individuals	**Companies**	**Total loans**	**Individuals**	**Companies**	**Total loans**
Neither past due nor impaired	18,869	139,203	158,072	19,839	137,487	157,326
Past due but not impaired	2,636	15,707	18,343	2,376	18,217	20,593
Impaired	2,397	32,660	35,057	2,334	37,176	39,510
Total loans	**23,902**	**187,570**	**211,472**	**24,549**	**192,880**	**217,429**
Allowance for impairment loss	(1,301)	(15,302)	(16,603)	(1,161)	(15,018)	(16,179)
Total net loans	**22,601**	**172,268**	**194,869**	**23,388**	**177,862**	**201,250**

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

	30/09/2017			31/12/2016		
	Individuals	**Companies**	**Total loans**	**Individuals**	**Companies**	**Total loans**
Past due up to 30 days	1,636	11,217	12,853	1,228	10,935	12,163
Past due 30 – 60 days	93	563	656	337	607	944
Past due 60 – 90 days	183	156	339	121	100	221
Past due over 90 days	724	3,771	4,495	690	6,575	7,265
Total gross loans	**2,636**	**15,707**	**18,343**	**2,376**	**18,217**	**20,593**

Movement in the Group's impairment allowance for loans:

	01/01/2017-30/09/2017	**01/01/2016-30/09/2016**
Provisions at the beginning of period	**16,179**	**17,044**
Impairment allowance increase	3,806	3,987
Impairment allowance decrease	(1,874)	(360)
Accrued interest (Note 3)	(603)	(752)
Write-off of loans	(905)	(579)
Provisions at the end of period	**16,603**	**19,340**

As at 30 September 2017 the average annual interest rate of the Group's loan portfolio was 4.09% (at 31 December 2016: 4.16%).

Had not the *Risk coverage reserve used for provisions* amounting to 2,600 thsd euros been debited, the provisions for loan value impairment would have amounted to19,030 thsd euros.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

10 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	30/09/2017			31/12/2016		
	Notional contract value	Fair value		Notional contract value	Fair value	
		Assets	Liabilities		Assets	Liabilities
Currency forward	11,944	451	-	12,330	-	854
Total		**451**	**-**		**-**	**854**

The contract is in force up to 6 December of 2017.

11 INVESTMENTS IN VENTURE CAPITAL FUNDS

	30/09/2017	31/12/2016
Carrying amount at the beginning of period	**58,541**	**39,929**
Invested	1,785	21,054
Refunded	(1,831)	(684)
Share of (loss) of investment in joint venture and associate	(3,315)	(1,758)
Carrying amount at the end of period	**55,180**	**58,541**
Impairment	(191)	(245)
Net value at the end of period	**54,989**	**58,296**

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

	01/01/2017-30/09/2017	01/01/2016-30/09/2016
Provisions at the beginning of period	**245**	**245**
Impairment allowance decrease*	(54)	-
Provisions at the end of period	**191**	**245**

* *Income from release of venture capital funds' provisions* in amount of 54 thsd euros were 100% compensated from the Risk Coverage Reserve pursuant to the agreement *On Implementation of the Holding Fund* concluded with the Ministry of Economics (agreement No Līg.2011/15) (Note 7).

12 INVESTMENT PROPERTY

	30/09/2017	31/12/2016
Carrying amount at the beginning of period	**17,087**	**12,247**
Acquired during the period*	4,655	3,704
Sold and written off during the period	(21)	(89)
Net gain from fair value adjustment	148	1,225
Carrying amount at the end of period	**21,869**	**17,087**

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

13 ASSETS HELD FOR SALE

In June 2017, the Group successfully sold its only available-for-sale asset, i.e. office building, located 41/43 Elizabetes Street, Riga, with a profit of 3,872 thsd. euro (Note 5).

14 DUE TO CREDIT INSTITUTIONS

	30/09/2017	31/12/2016
Due to credit institutions registered in:		
OECD countries	46,886	56,195
Total	**46,886**	**56,195**

Item *Credit institutions registered in OECD area* includes loans received by Group from the European Investment Bank (EIB) of 46,865 thsd euros, where 21 thsd euros are accrued interest expenses. In the reporting period the Group paid back 9,330 thsd euros of which the accrued interest amounted to 235 thsd euros.

The Ministry of Finance of the Republic of Latvia has issued a 46,865 thsd euros guarantee (Note 22) for the loan that is a parent guarantee to the Group.

As at 30 September 2017 the average interest rate for amounts due to credit institutions was 0.82% (at 31 December 2016: 0.33%).

15 DUE TO GENERAL GOVERNMENTS

	30/09/2017	31/12/2016
Due to government entities	1,723	1,723
Loans received from Rural Support Service	9,686	12,990
Loans received from the Treasury	32,201	32,201
Total due to general governments	**43,610**	**46,914**

16 SUPPORT PROGRAMME FUNDING AND STATE AID

	30/09/2017	31/12/2016
Support programme funding	**94,966**	**96,822**
State aid	**5,088**	**6,849**

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

16. SUPPORT PROGRAMME FUNDING AND STATE AID (continued)

The table below presents Risk Coverage Reserve included in Support programme funding and State aid which can be used for coverage Group's credit risk losses as at 30 September 2017:

Programme	Programme funding, thsd EUR	Programme's loan portfolio thsd EUR	Credit risk cover by public funding, %	Credit risk cover on 31/12/2017, thsd EUR
ERDFII	25,619	10,881	66%	7,182
ESF II	9473	3,937	80%	3,149
Microcredits of Swiss programme	5,651	2,436	80%	1,949
ERAF I	1,470	1,730	50%	865
ESF I	1,008	213	90%	192
Microcredits	605	4	80%	3
ERAF II (second round)	5,519	4,695	68%	3,192
Incubators (from ESF II)	546	42	100%	546
ERAF II 2 Public fund	2,485	1,342	100%	1,342
Fund of funds and venture capital funds	20,765	-	49%	10,632
Fund of funds prog.- Start-up loans	979	2,986	82%	803
Fund of funds prog.- Microcredits	174	510	55%	96
Fund of funds prog.- Parallel loans	1,200	239	90%	1,080
Fund of funds prog.- Guarantees	6,581	-	91%	5,988
EEPMB* loan fond	2,512	-	18%	452
EEPMB guarantees	3,051	-	67%	2,044
EEPMB grants	-	265	0%	-
Housing Guarantee Programme	2,849	11,135	100%	2,849
Social Business Program	-	-	0%	-
Start Cumulative Loan Program	2,000	2,000	100%	2,000
KBLG**	5,000	-	95%	4,750
Other Start-up loans	2,196	2,088	0%	1,677
Mezzanine loan programme	4,843	-	85%	4,117
Investment Fund Activity	5,017	-	96%	4,816
Risk Coverage Reserve	**109,543**			**59,724**

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

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

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

17 OFF BALANCE SHEET ITEMS AND CONTINGENT LIABILITIES

	30/09/2017	31/12/2016
Contingent liabilities		
outstanding guarantees*	176,495	147,175
Financial commitments		
unutilised loan facilities	8,892	6,324
commitments to venture capital funds	27,966	28,940
other liabilities	-	142
Total	**213,353**	**182,581**

* According to the Law on State Budget 2017 the portfolio of *Outstanding guarantees* of 176,495 thsd euros is over-secured by the state funding of 200,000 thsd euros (as at 31 December 2016: 100,247 thsd euros).

The table below allocates the Group's off balance sheet items and contingent liabilities to maturity groupings as at 30 September 2017 based on the time remaining from the balance sheet date to the contractual maturity dates.

	Up to 1 month	1 to 3 months	3 to 6 months	Up to 1 year	1 to 5 years	Over 5 years and undated	Total
Contingent liabilities							
outstanding guarantees	12	828	6,519	18,232	69,453	81,451	**176,495**
Financial commitments							
unutilised loan facilities	8,892	-	-	-	-	-	**8,892**
commitments to venture capital funds							
other liabilities	1,055	2,110	1,757	3,847	17,058	2,139	**27,966**
Total financial commitments	**9,947**	**2,110**	**1,757**	**3,847**	**17,058**	**2,139**	**36,858**
Total	**9,959**	**2,938**	**8,276**	**22,079**	**86,511**	**83,590**	**213,353**

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

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

18 PROVISIONS

	30/09/2017	31/12/2016
Provisions for:		
Loan guarantees to rural entrepreneurs	748	827
Guarantees under the Mezzanine loan programme	646	402
Guarantee Programme (activity)	2,376	2,553
Housing Guarantee Programme	57	41
Other guarantee programmes	3,897	4,022
Provision (onerous contracts)	8,315	9,019
	16,039	**16,864**

Had not the *Risk coverage reserve used for provisions* amounting to 1,618 thsd euros been debited, the provisions for guarantees, except for Provisions for onerous contracts, would have amounted to 9,342 thsd euros.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

19 RESERVES

Movement of the Group's reserves:

	Specific reserves				
	Difference recognised in Group's reorganisation reserve, thsd EUR	Portfolio loss reserve (specific reserve capital)*, thsd EUR	General reserve capital, thsd EUR	Reserve of available for sale investments, thsd EUR	Reserves, total, thsd EUR
Reserves as at 31/12/2015	**(17,717)**	**1,635**	**-**	**8,625**	**(7,457)**
Changes of reserve capital	5,467	-	-	-	**5,467**
Distribution of 2015 year profit	-	-	1,829	-	**1,829**
Increase of reserve capital	-	4,947	-	-	**4,947**
Increase of available for sale reserve (Note 20)	-	-	-	1,083	**1,083**
Reserves as at 30/09/2016	**(12,250)**	**6,582**	**1,829**	**9,708**	**5,869**
Changes of reserve capital	(5,009)	-	-	-	**(5,009)**
Increase of reserve capital	-	613	-	-	**613**
Decrease of available for sale reserve	-	-	-	(616)	**(616)**
Reserves as at 31/12/2016	**(17,259)**	**7,195**	**1,829**	**9,092**	**857**
Changes of reserve capital	2,938	-	-	-	**2,938**
Distribution of 2016 year profit	-	-	4,025	-	**4,025**
Decrease of available for sale reserve (Note 20)	-	-	-	(860)	**(860)**
Reserves as at 30/09/2017	**(14,321)**	**7,195**	**5,854**	**8,232**	**6,960**

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

20 MOVEMENT IN REVALUTION RESERVE OF INVESTMENT SECURITIES AVAILABLE FOR SALE

	01/01/2017-30/09/2017	**01/01/2016-30/09/2016**
At the beginning of period	**9,092**	**8,625**
Profit / (loss) on fair value changes from	(860)	1,083
Other comprehensive income	**(860)**	**1,083**
Total	**8,232**	**9,708**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

21. RELATED PARTY TRANSACTIONS

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

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

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

In the reporting period the remuneration of the members of the Group's Council and Board amounted to 268 thsd euros.

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

The following table provides the total amount of transactions that have been entered into with related parties as at 30 September 2017 and 31 December 2016:

		Received support programme funding, thsd EUR	Granted support programme funding or funding paid back, thsd EUR	Received reserve capital, thsd EUR
Transactions with shareholders:				
Ministry of Finance	30/09/2017	-	(336)	-
	31/12/2016	-	-	5,559
Ministry of Economics	30/09/2017	5,349	(217)	-
	31/12/2016	29,610	-	-
Entity with significant influence:				
Investment funds	30/09/2017	-	-	-
	31/12/2016	-	-	-
Associates:				
Venture capital funds	30/09/2017	1,831	(1,785)	-
	31/12/2016	684	(21,054)	-
Other companies owned by Group shareholders:				
Rural Support Service	30/09/2017	-	-	-
	31/12/2016	-	(9,387)	-
Central Finance and Contracting Agency	30/09/2017	-	-	-
	31/12/2016	5,563	-	-

During the reporting period, the Group had no gains and expenses from transactions with related parties.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

21. RELATED PARTY TRANSACTIONS (continued)

Balances, including off-balance sheet financial liabilities, with related parties as at 30 September 2017 and 31 December 2016:

		Entity with significant influence, thsd. EUR	**Transactions with shareholders, thsd. EUR**	**Associates, thsd. EUR**	**Other companies owned by Group shareholders, thsd. EUR**
Due from other credit institutions and Treasury	30/09/2017	167	-	-	-
	31/12/2016	34	-	-	-
Investment property	30/09/2017	12,366	-	-	-
	31/12/2016	11,273	-	-	-
Investments in venture capital funds – associates	30/09/2017	-	-	56,974	-
(Allowance for impairment loss)	30/09/2017	-	-	(191)	-
(Note 11)	31/12/2016	-	-	58,541	-
	31/12/2016	-	-	(245)	-
Other assets	30/09/2017	139	-	-	-
	31/12/2016	140	-	-	-
Due to general governments	30/09/2017	-	-	-	9,686
(Note 15)	31/12/2016	-	-	-	12,990
Support programme funding and state aid	30/09/2017	-	94,491	-	5,563
	31/12/2016	-	98,108	-	5,563
Commitments to venture capital funds	30/09/2017	-	-	27,966	-
(Note 17)	31/12/2016	-	-	28,940	-

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

22. MAXIMUM EXPOSURE TO CREDIT RISK

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

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

	30/09/2017	31/12/2016
Statement of financial position assets exposed to credit risk		
Investment securities – held to maturity	457	1,531
Investment securities - available for sale	62,125	64,294
Due from other credit institutions and Treasury	86,627	89,553
Loans and receivables	194,869	201,250
Investments in venture capital funds	54,989	58,296
Other assets	2,112	901
Total	**401,179**	**415,825**
Off-balance sheet items exposed to credit risk		
Contingent liabilities (Note 17)	176,495	147,175
Financial commitments (Note 17)	36,858	35,406
Total	**213,353**	**182,581**

As at December 31, 2015 a part of the Group's assets were pledged. On June 16, 2015 the commercial pledge stemming from the loan agreement No A/1/F12/296 and its amendments concluded between the Group and Ministry of Finance of the Republic of Latvia was renewed. The commercial pledge is related to the loans granted by Group in compliance with the Cabinet of Ministers Regulations No 381 dated May 29, 2012 *Procedure for Granting State Aid when Acquiring Farmland for Agricultural Production* as well as future components of the aggregation of property. The claim amount is 32,201 thsd euros (2016: 32,201 thsd euros).

Based on the loan agreement No A1/1/F16/474 dated 24 November 2016 between the Group and Treasury of the Republic of Latvia a commercial pledge agreement was concluded on the same date. The commercial pledge refers to the loan funds the Group received from the Treasury and used to grant loans according to the Cabinet Regulation No 469 dated 15 July 2016 On Parallel Loans for Improvement of Competitiveness of Businesses.

The maximum secured claim amount is 24,000 thsd euros. The composition of the commercial pledge: claim rights and their future components resulting from the aforementioned loans the Group has granted. Within 9 months of year 2017 the Group had not started to use the Treasury's loan as yet.

During year 2017 the Group is planning to grant loans in the amount of 4,700 thsd euros, while in the period from 2017 till 2021 - in the amount of 15,000 thsd euros.

On 29 December 2016 a commercial pledge agreement was concluded based on the following two loan agreements: loan agreement No A1/1/15/698 dated 18 December 2015 and loan agreement No A1/1/16/395 dated 26 September 2016.

The loan agreement No A1/1/15/698 dated 18 December 2015 was concluded between the Group and Treasury of the Republic of Latvia. The commercial pledge refers to the loan funds the Group received from the Treasury and used to grant loans according to the Cabinet Regulation No 1065 dated 15 September 2009 On Loans for Promoting the Development of Micro, Small and Medium Sized Merchants and Agricultural Service Co-operative Societies.

The loan agreement No A1/1/16/395 dated 26 September 2016 was concluded between the Group and Treasury of the Republic of Latvia. The commercial pledge refers to the loan funds the Group received from the Treasury and used to grant loans according to the Cabinet Regulation No 328 dated 31 May 2016 On Micro Loans and Start-up Loans.

The total maximum secured claim amount is 39,600 thsd euros. The composition of the commercial pledge: claim rights and their future components resulting from the aforementioned loans the Group has granted.

Within 9 months of year 2017 the Group had not started to use the Treasury's loan as yet. During year 2017 the Group is planning to grant loans in the amount of 15,000 thsd euros, while in the period from 2017 till 2021 - in the amount of 18,000 thsd euros.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

22. MAXIMUM EXPOSURE TO CREDIT RISK (continued)

Transactions with derivatives that were in effect as at 30 September 2017, had been concluded seeking to cushion the effect of exchange rate fluctuations on the value of balance-sheet assets (see Note 10).

None of the financial assets, except for *Loans to customers*, have been collateralised. Loans are mostly secured by real estate collateral, to a lesser extent – by other assets or commercial pledge. Some loans, granted during lending campaigns, are partially covered by guarantees of state aid programmes. Loan loss impairment estimates take into account the expected cash flows from collateral. Loan quality is described in Note 9.

As at 30 September 2017 the total amount of Group's entitlements considered as an aggregate property in favour of the Ministry of Finance was 46,865 thsd euros (2016: 56,111 thsd euros) (Note 14).

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

- under the Funding Covenant concluded with the Central Finance and Contracting Agency (contract dated 08/06/2016) on implementation of the fund of funds the guarantees are available under specific support objective 3.1.1.1 with the earmarked funding of 15 mln euros.
- funding of 6 mln euros is earmarked for the state aid combination guarantees for the small and medium-sized enterprises sourced from repayments made on sub-activity 2.2.1.4.1. *Support in the Form of Loan for Improvement of Competitiveness of Businesses*; as regards the guarantees for large companies – the funding of 675 thsd euros is available from activity 3.1.3. *Training and Consultations for Business and Self-employment Start-ups* as well as reflows from activity 1.3.1.2. *Support to Self-employment and Business Start-ups* under operational programme *Human Resources and Employment* (482 thsd euros);
- Loan guarantees of 4,3 mln euros are available to the farmers;
- As of 8 June 2016 the loan guarantees are issued under specific support objective 3.1.1.1. As at 30 September 2017, 206 guarantees with the total funding of 34 mln euros were issued under specific support objective 3.1.1.1., whereas 15 guarantees with the total funding of 6.2 mln euros were issued to large companies. From 1 January 2017 to 30 September 2017 there were 28 guarantees with the total funding of 3,4 mln euros issued to farmers.
- *InnovFIN* Facility guarantees are available to the innovative companies complying with the conditions of specific support objective 3.1.1.1. as well as large companies. There is an agreement (dated 13/10/2016) concluded with the European Investment Fund on *InnovFIN* Facility counter-guarantees for 30 mln euros. As of conclusion of the agreement up to 30 September 2017 there were 7 guarantees issued with *InnovFin* counter guarantee with the total funding of 1,2 mln euros.
- The guarantees of the Energy Efficiency Programme of Multi-apartment Buildings (EEPMB) are issued within the framework of the specific objective‘s measure 4.2.1.1. To Increase Energy Efficiency in Residential Buildings. The funding of 12,2 mln euros is earmarked for EEPMB guarantees. As at 30 September 2017 there were 10 EEPMB guarantees granted for 1,2 mln euros.
- The housing guarantees to the families with underage children are issued based on the Cabinet of Ministers Regulation No 443 *On State Assistance to Acquisition or Construction of Living Accommodation* adopted on 5 August 2014. The Housing Guarantee Programme has been running since January, 2015 with 7 co-operating commercial banks involved in its implementation. 2,347 housing guarantees for 16,6 mln euros were granted from 1 January 2017 to 30 September 2017.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

23. FAIR VALUES OF ASSETS AND LIABILITIES

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

	30/09/2017		31/12/2016	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Assets				
Due from other credit institutions and Treasury	86,627	86,627	89,553	89,537
Debt securities	62,125	62,125	64,294	64,294
Investment securities - available for sale	**62,125**	**62,125**	**64,294**	**64,294**
Individuals	22,028	21,998	22,722	22,684
Companies	172,841	171,913	178,528	177,644
Loans and receivables	**194,869**	**193,911**	**201,250**	**200,328**
Debt securities	457	1,236	1,531	3,315
Investment securities – held to maturity	**457**	**1,236**	**1,531**	**3,315**
Derivatives	451	451	-	-
Investments in venture capital funds	54,989	54,989	58,296	58,296
Investment property	21,869	21,869	17,087	17,087
Assets held for sale	-	-	1,367	3,488
Liabilities				
Due to credit institutions	46,886	46,886	56,195	56,195
Derivatives	-	-	854	854
Due to general governments	43,610	43,610	46,914	46,914
Support program funding, net of state aid	94,966	94,966	96,822	96,822

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

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

23. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

The following table shows the hierarchy of the Group's financial assets and liabilities assessed and recognised at fair value as at 30 September 2017:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investment property (Note 12)	-	-	21,869	**21,869**
Debt securities - available for sale	37,841	24,284	-	**62,125**
Assets for which fair values are disclosed:				
Loans and receivables (Note 9)	-	-	193,911	**193,911**
Derivatives (Note 10)	-	451	-	**451**
Due from other credit institutions and Treasury (Note 8)	86,627	-	-	**86,627**
Total	**124,468**	**24,735**	**215,780**	**364,983**
Liabilities measured at fair value:				
Liabilities for which fair values are disclosed:				
Due to credit institutions (Note 14)	-	-	46,886	**46,886**
Due to general governments (Note 15)	-	-	43,610	**43,610**
Support program funding, net of state aid (Note 16)	-	-	94,966	**94,966**
Total	**-**	**-**	**185,462**	**185,462**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

23. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

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

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investment property (Note 12)	-	-	17,087	**17,087**
Debt securities - available for sale	39,026	25,268	-	**64,294**
Assets for which fair values are disclosed:				
Loans and receivables (Note 9)	-	-	200,328	**200,328**
Due from other credit institutions and Treasury (Note 8)	79,437	-	10,100	**89,537**
Total	**118,463**	**25,268**	**227,515**	**371,246**
Liabilities measured at fair value:				
Derivatives (Note 10)	-	854	-	**854**
Liabilities for which fair values are disclosed:				
Due to credit institutions (Note 14)	-	-	56,195	**56,195**
Due to general governments (Note 15)	-	-	46,914	**46,914**
Support program funding, net of state aid (Note 16)	-	-	96,822	**96,822**
Total	**-**	**854**	**199,931**	**200,785**

Fair value hierarchy of financial assets and liabilities

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

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

23. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Debt securities

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

Derivatives

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

Equity investments in subsidiaries

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

Investment property

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

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

(a) market data (comparable sales) approach;

(b) income approach;

(c) depreciated replacement cost method.

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

24 LIQUIDITY RISK

The table below provides the maturity structure of expected undiscounted future cash flows of the Group's financial liabilities, off-balance liabilities and liquid assets, including the balances of *Due from other credit institutions and Treasury* and *Investment securities* as at 30 September 2017. The presentation is based on the expected future cash flows linked with payment schedules and includes interest; while the maturity analysis presented in Note 26 discloses the term structure of actual balances of liabilities and assets:

	Up to 1 year	1 to 5 years	Over 5 years and w/o date	**Total**
Due to credit institutions	8,857	32,376	6,309	47,542
Due to general governments	163	653	48,592	49,408
Support programme funding, net of state aid	-	-	94,966	94,966
Other liabilities	-	-	7,907	7,907
Total financial liabilities	**9,020**	**33,029**	**157,774**	**199,823**
Off-balance items and contingent liabilities (Note 17)	43,253	86,510	83,590	213,353
Total financial liabilities, off-balance items and contingent liabilities	**52,273**	**119,539**	**241,364**	**413,176**
Due from other credit institutions and Treasury	86,627	-	-	86,627
Investment securities	-	51,944	10,638	62,582
Liquid assets	**86,627**	**51,944**	**10,638**	**149,209**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

24 LIQUIDITY RISK (continued)

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

	Up to 1 year	1 to 5 years	Over 5 years and w/o date	**Total**
Due to credit institutions	9,483	35,368	12,293	57,144
Due to general governments	163	653	50,017	50,833
Support programme funding, net of state aid	-	-	96,822	96,822
Other liabilities	-	-	6,559	6,559
Total financial liabilities	**9,646**	**36,021**	**165,691**	**211,358**
Off-balance items and contingent liabilities (Note 17)	63,019	56,967	75,782	195,768
Total financial liabilities, off-balance items and contingent liabilities	**72,665**	**92,988**	**241,473**	**407,126**
Due from other credit institutions and Treasury	89,553	-	-	89,553
Investment securities	11,403	39,800	14,622	65,825
Liquid assets	**100,956**	**39,800**	**14,622**	**155,378**

25 CASH AND CASH EQUIVALENTS

	30/09/2017	**30/09/2016**
Demand deposits with other credit institutions	86,627	77,088
Deposits with credit institutions with original maturity of less than 1 month	-	2,000
	86,627	**79,088**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

26 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below discloses assets and liabilities according to their contractual maturity. With regard to loans and advances to customers, the Group uses the same basis of expected repayment behaviour as used for estimating the effective interest rate. The issued debts reflect the contractual coupon amortisations.
The table below allocates the Group's assets and liabilities to maturity groupings as at 30 September 2017 based on the time remaining from the balance sheet date to the contractual maturity dates.

	Up to 1 month	1 to 3 months	3 to 6 months	Up to 1 year	1 to 5 years	Over 5 years and undated	**Total**
ASSETS							
Due from other credit institutions and Treasury	86,627	-	-	-	-	-	**86 627**
Investment securities	-	-	-	606	48,352	13,624	**62 582**
Loans and receivables	9,413	9,499	15,661	17,193	-	143,103	**194 869**
Derivatives	-	-	451	-	-	-	**451**
Investments in venture capital funds	-	803	-	-	47,129	7,057	**54 989**
Deferred expense and accrued income	445	1,724	5	2	10	4	**2 190**
Investment property	-	-	-	12,366	9,503	-	**21 869**
Property, plant and equipment	-	-	-	-	-	3,729	**3 729**
Intangible assets	-	-	-	-	-	671	**671**
Other assets	183	-	-	1	2,729	1,788	**4 701**
Assets held for sale	-	-	-	-	-	-	-
Total assets	**96,668**	**12,026**	**16,117**	**30,168**	**107,723**	**169,976**	**432,678**
LIABILITIES							
Due to credit institutions	-	-	4,352	4,340	31,944	6,250	**46,886**
Due to general governments	-	-	-	-	5,000	38,610	**43,610**
Deferred income and accrued expense	556	17	221	80	139	1,142	**2,155**
Support programme funding and state aid	7,080				37,963	55,011	**100,054**
Provisions for off-balance sheet commitments	692	202	865	1,452	3,419	9,409	**16,039**
Other liabilities	5,007	-	524	-	-	2,376	**7,907**
Total liabilities	**13,335**	**219**	**5,962**	**5,872**	**78,465**	**112,798**	**216,651**
Net liquidity	**83,333**	**11,807**	**10,155**	**24,296**	**29,258**	**57,178**	**216,027**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

26 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

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

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

27 SUBSEQUENT EVENTS

This October the Group issued transferable debt securities (notes) as series of notes, registered them with the Latvian Central Depository and quoted on Nasdaq Riga for the total face value of 20 mln euros. SEB Bank has been chosen as the manager and advisor of the issue. The notes were issued to diversify Group's funding structure and provide for several state-supported investment projects in the national economy of Latvia. The funds attracted through the issue of notes will amplify the financial support to the business projects in such fields as energy efficiency, promotion of renewable energy resources and decreasing of impact of the negative effects of climate change.

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