AS ATTĪSTĪBAS FINANŠU INSTITŪCIJA ALTUM

Unaudited interim condensed financial report
for the twelve-month period ended 31 December 2018

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AS Attīstības finanšu institūcija Altum
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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

In 2018, Development Finance Institution Altum group (hereinafter – the Group) earned a profit of EUR 3.919 million. The Group's parent company, the joint-stock company Development Finance Institution Altum (hereinafter – the Company), earned a profit of EUR 4.289 million.

Key financial and performance indicators of the Group

	2018 (unaudited)	2017 (restated*)	2016 (restated*)
Key financial data			
Net income from interest, fees and commission (tEUR)	11,554	11,602	11,024
Profit for the period (tEUR)	3,919	8,709*	2,170*
Cost to income ratio (CIR)	82.5%	50.3%*	88.4%
Employees	222	230	242
Total assets (tEUR)	501,966	453,668*	443,400*
Tangible common equity (TCE)/total tangible managed assets (TMA)	**31.4%**	**35.1%***	**36.5%***
Equity and reserves (tEUR)	221,419	222,848*	210,406*
Total risk coverage: (tEUR)	**82,266**	**67,583***	**67,669***
Risk coverage reserve	89,703	62,641*	64,797*
Risk coverage reserve used for provisions	-19,244	-4,753	-4,323
Portfolio loss reserve (specific reserve capital)	11,807	9,695	7,195
Liquidity ratio for 180 days**	247%	482%*	449%
Financial instruments (gross value)			
Outstanding (tEUR) (by financial instrument)			
Loans	217,131	207,585	217,429
Guarantees	236,895	182,376	147,175
Venture capital funds	48,957	53,152	58,570
Total	502,983	443,113	423,174
Number of contracts	18,280	14,402	11,449
Volumes issued (tEUR) (by financial instrument)			
Loans	66,443***	51,869	59,465
Guarantees	88,765	68,615	56,109
Venture capital funds	4,149	2,638	21,356
Total	159,357	123,122	136,929
Number of contracts	5,571	4,697	4,461
Leverage for raised private funding	162%	185%	162%

* Due to change of accounting policy regarding investments in venture capital funds and adoption of IFRS 9 requirements that effects the accounting of public funding risk coverage the comparatives for 2017 and 2016 have been restated.
. ** Liquidity ratio calculation takes into account previous experience and management estimate of expected amount and timing of guarantees claims.
*** Loans issued.

The figures are explained in the section "Key Financial and Performance Indicators" under Other Notes to the Group's Financial Statements.

Financial instrument portfolio

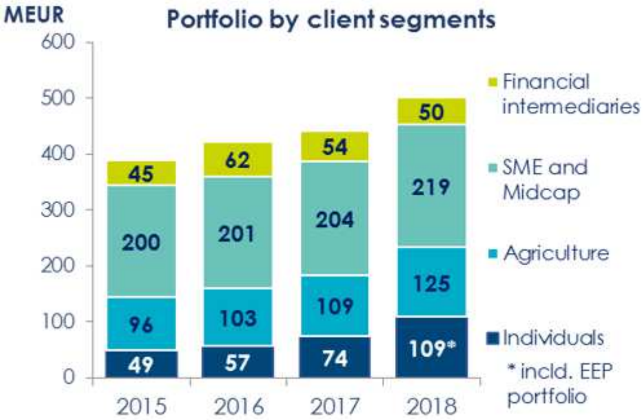
As at 31 December 2018, the Group held a portfolio of financial instruments for the total value of EUR 503 million (gross) issued for 18,280 projects under the support programmes.

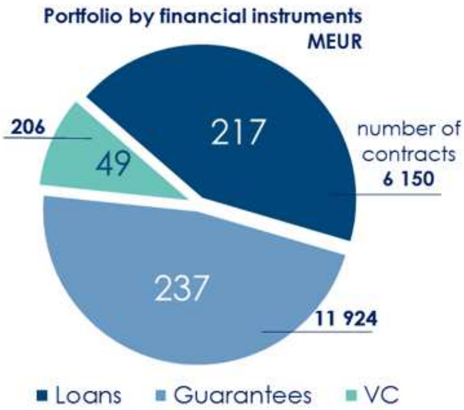
In 2018, the portfolio of the Group's financial instruments increased by 13.5% (EUR 59.9 million) in terms of volume and by 26.9% in terms of the number of projects (by 3,878 projects) vs year-end of 2017. Of the financial instruments, the guarantee portfolio had the most rapid growth by 30% in terms of volume (EUR 54.5 million) and by 48 % in terms of the number of transactions.

Already in 2Q 2018, the volume of the guarantee portfolio exceeded the loan portfolio reaching the target set in the Company's Strategy for 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 the small, medium-sized and intermediate enterprises (SME and Mid-cap companies) account for most of the portfolio. In 2018 the highest growth was in the segment of Individuals +46.7% (+EUR 34.6 million). During the reporting period, the portfolio increased also in the Agriculture segment (+EUR 16.1 million) and SME and Mid-cap segment (+EUR 14.3 million), while decreased in the segment of Financial intermediaries (-EUR 4 million).

Management report (cont'd)





Group 31/12/2018

In terms of the number of transactions, the largest increase vs year-end of 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 expanding the programme to young professionals effective as of March 2018 have given a new impetus to implementation of the programme.

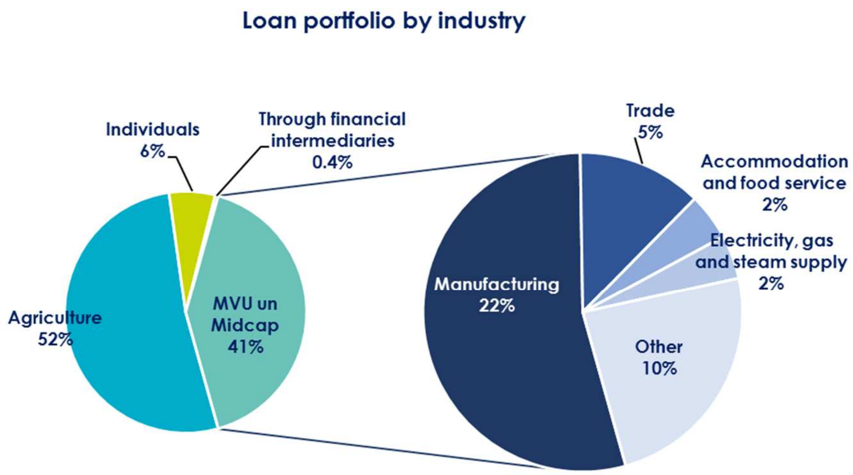
The portfolio structure of the loan and guarantee financial instruments demonstrates the priorities of the Latvian government regarding the implementation of State aid.

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 has implemented a range of lending programmes for farmers which is reflected in the structure of the loan portfolio where the segment of agriculture accounts for 52%. A considerable portion of the loan portfolio goes to manufacturing (22%) and trading companies (5%).

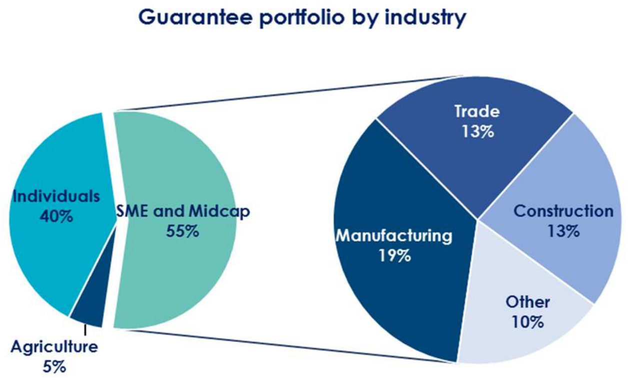
With the approved State aid programmes closing market gaps, the SME and Mid-caps account for most of the Group's guarantees - 55%, while the segment of Individuals accounts for 40% of the guarantees comprised of the housing acquisition guarantees issued to families with children and young professionals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

In terms of industries, the guarantees to manufacturing account for 19% of the guarantee portfolio, whereas both – trade and construction industries account for 13% each which is a substantial amount.



Group 31/12/2018

Management Report (cont'd)



Group 31/12/2018

As at 31 December 2018, as part of the State aid for housing acquisition by families with children, the Housing Guarantee Programme had granted 10,194 guarantees worth EUR 72 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 1 March 2018, when the programme was expanded to include young professionals, up to 31 December 2018, a total of 849 guarantees worth 6 million euro were issued to young professionals.

As at 31 December 2018, the balance sheet of the Land Fund administered by the Group listed 429properties with a total land area of 7,818 ha worth EUR 21.71 million, including investment properties rented to the farmers with a total land area of 5,633 ha worth EUR 14.79 million and sales and leaseback transactions accounted for in the loan portfolio with a total land area of 2,185 ha worth EUR 6.92 million.

Volume of new transactions

During the reporting period while implementing the State aid programmes, the amount of funding issued was EUR 159.4 million (56% - guarantees, 42% - loans and 2% - investments in venture capital funds). In total, 5,464 projects were supported. Compared to the respective period of the previous year, the volume of new transactions has increased by 44% (EUR 49 million), 29% more guarantees were issued (EUR 20 million), whereas the amount of loans increased by 68% (EUR 27 million).

During the 12 months of 2018, loans for the total amount of EUR 66.4 million were issued. Out of total loans issued during 4Q 2018 totalling EUR 19.2 million the biggest volume accounts for agricultural, forestry and fishery companies – EUR 11.6 million (60% out of total volume issued) as well as manufacturing companies – EUR 3.9 million (20% out of total volume issued). In 4Q 2018 the average new loan amount has increased up to EUR 74 thousand (in 1Q and 2Q 2018 it was EUR 44 thousand, in 3Q 2018 – EUR 63 thousand).

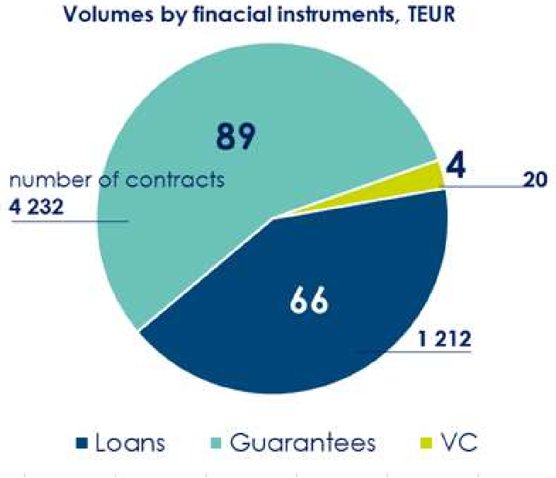
During 12 months of this year, in order to facilitate entrepreneurship, new guarantees for the total amount of EUR 49.7 million were issued to business projects. In Q4 the commercial banks have taken particular advantage of the loan guarantees when funding manufacturing, trade and construction companies, 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.

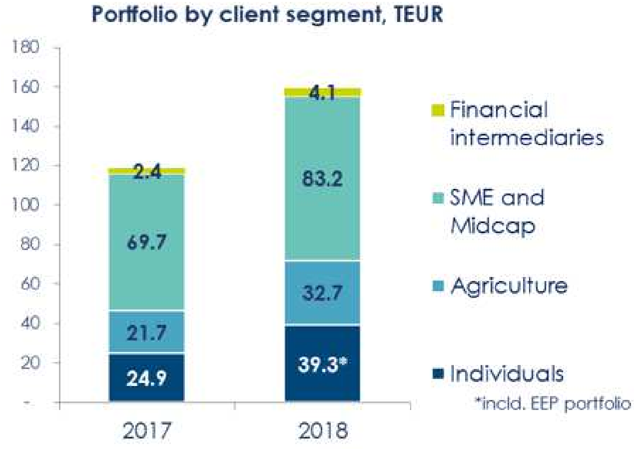
So far a total of 436 project applications for EUR 75 million have been submitted to the Energy Efficiency Programme for Multi-apartment Buildings for reviewing of which 46 projects for EUR 8.2 million were received in 4Q 2018; 336 projects for a total amount of EUR 59 million were approved of which 31 projects for EUR 5.5 million were approved in Q4. The number of projects submitted so far accounts for 39% (8% submitted during 4Q 2018) of the total number of projects planned for the entire EEP implementation period (utilisation of the funds until 2022). Within the programme, a total of 166 grants for EUR 30.9 million were given (of which in 4Q 2018 – 15 grants for EUR 3.6 million), 55 guarantees for EUR 10.4 million (in 4Q 2018 - 13 guarantees for EUR 2.2 million) and 10 Altum loans for EUR 1.6 million (in 4Q 2018 - 1 loan for EUR 0.16 million).

In year 2018 the amount of short-term export guarantees increased significantly reaching EUR 7.1 million (in the respective period of the previous year: EUR 2.9 million). The product sales increase, occurring in the first three quarters, continued into 4Q 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 effected 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 - small, medium-sized and intermediate enterprises Mid-caps - 70%, Individuals - 25% and Agriculture - 22%. Compared to 12 months period of 2017, the segment of Individuals demonstrated a 58% (EUR 14.4 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 (EEP). Agriculture and SME and Mid-caps segments demonstrated increase in new transactions of 51% (EUR 11 million) and 19% (EUR 13.5 million) respectively.

Management Report (cont'd)





Group 31/12/2018

In the segment of financial intermediaries dominated by venture capital investments, the volume of new transactions is based on the investments made by the managers of the new (4th generation) accelerator funds and venture capital funds that started to invest in the companies actively in Q4 2018. Three accelerator funds have made 18 pre-seed investments for EUR 440 thousand where Altum provided 100% of the funding, whereas the manager of the seed capital fund has made one investment where Altum's contribution amounted to EUR 750 thousand.

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 promotion of entrepreneurship and access to the funding by offering both – new guarantee products and improving the existing products.

In year of 2018 the range of the eligible recipients of the guarantee products was expanded. Now also the companies renting vehicles, personal goods, domestic hardware and appliances, producing electricity and heat and real estate developers working for the hotel and service operator will be eligible for guarantees. In view of the demand of the financial market, the Group has proposed amending the rules for granting guarantees i.e. to increase the maximum amount of the guarantee from EUR 3 million to EUR 5 million and make acquisition of capital shares eligible for guarantees. The decisions on these issues are expected to be taken in 1Q 2019.

In 2018 the credit institutions selected by Altum started to offer with great success the new guarantee product developed by Altum – portfolio guarantees. As opposed to individual guarantees, a credit institution may itself apply a portfolio guarantee instrument to its own financial services, incl. to loans of up to EUR 250 000, offering better terms to the entrepreneurs – lower interest rates and also faster receiving of the loan (probably within a couple of days).

In order to simplify implementation of the Agriculture Guarantee Programme, the Group, in co-operation with the Ministry of Agriculture, reviewed and streamlined the rules for granting guarantees to farmers, thus improving access to the funding for farmers significantly: the guarantee coverage was set at up to 80% (formerly from 50% to 80%) and uniform maximum guarantee cap – EUR 1 million (formerly from EUR 43 thousand to EUR 712 thousand) envisaging also guarantees for financial leasing.

In September 2018 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 big towns and having relatively small annual turnover (up to EUR 70 thousand). This loan product not exceeding EUR 100 thousand is intended for investments and working capital. These loans are attractive for 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.

In year 2018 significant amendments were introduced into the Programme for Acquisition of Agricultural Land - agricultural start-ups were made eligible for the loans of the programme and requirements were alleviated for the farmers whose income plummeted due to unfavourable weather (incessant rain, frost, draught).

By way of ensuring access to the funding for a broader range of clients, significant improvements were made to the SME loans for start-ups that became effective in February 2018 – the maturity of the loan was extended from 8 years to 10 years, but in the event of funding for real estate – up to 15 years, also the companies that had been in the business for less than 5 years (instead of the previous criterion of 3 years) and self-employed persons were included as eligible loan applicants.

The amendments that were made to the Cabinet of Ministers Regulation No 160 in year 2018 improved accessibility of EEP significantly and incited greater interest on the part of the implementing bodies of the projects: the amount of the eligible expenditure had been increased for each project, the repayment period of the project had been extended to 40 years.

Management Report (cont'd)

In September 2018 Altum also launched European Investment Fund (EIF) COSME and EaSI counter guarantees for loans up to EUR 25 thousand issued within the scope of following loan products – start-up loans, micro loans, funding for working capital for farmers, loans for enterprises in rural territories. The loans eligible according to the 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 compared with 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 electronically only. It speeds up the decision-making for issue of the State aid funding. Along with implementation of an entirely electronic application system the number of documents that the clients have to submit has also decreased. 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 steps of the loan application remotely and visit ALTUM only to sign the loan agreement.

In year 2018 the selection of managers for Stage 4 venture capital funds was finalised.

As of Q3 2018 the venture capital accelerator investments for very early stage companies have been made available in Latvia which is a novelty in the Latvian start-ups eco-system. In Q3 the process of stage one application and assessment of the business projects organized by the managers of all three accelerator funds was completed. Out of 641 applications 20 teams were selected. Approximately 120 feasible and sustainable business ideas will receive the planned accelerator investments within the next 3 years. The total public funding for the Group's investments in these funds would amount to EUR 15 million.

In the 2nd half-year of 2018 the investment period commenced for three Stage 4 funds: one growth venture capital fund, one seed and one start-up venture capital fund. An investment agreement was signed with one growth venture capital fund expecting the investment period for this fund to start in June 2019. The total public funding for the Group's investments in Stage 4 venture capital funds is expected to be EUR 75 million; the investments in the growth funds are expected to reach at least EUR 30 million, in the start-up and seed venture capital funds – EUR 30 million, in accelerator funds – EUR 15 million.

Continuing to work at the optimisation of the management cost of the programmes, in 2018 the Group transitioned to a new transaction accounting information system that would 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, apart from the upgrade and maintenance costs of the related infrastructure. The new system will improve the speed of information circulation and client service.

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 EUR 10 million. The investors in Latvia, Lithuania and Estonia have shown a substantial interest. Similar to the issue of bond securities by the Company in October 2017, also this time the subscribed volume exceeded the issued volume 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 82 million (as at 31 December 2018) which is available to cover the 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.

As of September 2018 compliance of customer is being assessed in a centralised manner based on the Law on Prevention of Money Laundering and Terrorism Financing and Law on International Sanctions and National Sanctions of the Republic of Latvia. Also the very process of customer compliance assessment has been automated.

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.

Management Report (cont'd)

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 being drafted for the years 2019-2021. The strategy is in the approval process.

Reinis Bērziņš
Chairman of the Board

27 February 2019

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 27 February 2019

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 11 to 59 for the period 1 January 2018 to 31 December 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 01/01/2018-31/12/2018 (unaudited)	Group 01/01/2017-31/12/2017 (restated)	Company 01/01/2018-31/12/2018 (unaudited)	Company 01/01/2017-31/12/2017 (restated)
Interest income	4	11,934	12,194	11,934	11,950
Interest expense		(763)	(820)	(763)	(819)
Net interest income		11,171	**11,374**	11,171	**11,131**
Fee and commission income		539	484	539	484
Fee and commission expense		(156)	(256)	(156)	(256)
Net income from fees and commissions		383	228	383	228
Gains less losses from trading securities and foreign exchange translation		122	(191)	122	(191)
Share of gain or (loss) of investment in joint venture and associate	9, 2.(5).	5,227	1,672	5,227	(3)
Share of gain or (loss) of investment in joint venture and associate at fair value through profit or loss	9, 2.(5).	(882)	910	(882)	910
Gains less losses from liabilities at fair value through profit or loss		(4,741)	-	(4,741)	-
Other income		2,863	7,791	3,233	7,791
Operating income before operating expenses		14,143	21,784	14,513	19,866
Staff costs		(7,375)	(6,522)	(7,375)	(6,522)
Administrative expense		(3,677)	(4,010)	(3,677)	(4,010)
Amortisation of intangible assets and depreciation of property, plant and equipment		(620)	(417)	(620)	(417)
(Impairment) loss, net	6	670	(2,001)	670	(2,001)
Gains on the revaluation of assets held for sale	5	778	-	778	-
Profit before corporate income tax		3,919	8,834	4,289	6,916
Corporate income tax		-	(125)	-	(125)
Profit for the period		**3,919**	**8,709**	**4,289**	**6,791**
Other comprehensive income: Net loss from financial assets measured at fair value through other comprehensive income	19	(2,495)	(1,161)	(2,495)	(1,161)
Total comprehensive income for the period		**1,424**	**7,548**	**1,794**	**5,630**

The accompanying notes on pages 16 through 59 form an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Board

Marina Baranovska
Chief Accountant

27 February 2019

Statement of Financial Position

All amounts in thousands of euro

	Notes	Group 31/12/2018 (unaudited)	Group 31/12/2017 (restated)	Group 31/12/2016 (restated)	Company 31/12/2018 (unaudited)	Company 31/12/2017 (restated)	Company 31/12/2016 (restated)
Assets							
Due from other credit institutions and Treasury	7	137,026	109,594	89,553	136,646	109,594	89,408
Financial assets at fair value through profit or loss	12	1,160	142	-	-	142	-
Financial assets at fair value through other comprehensive income - investment securities		50,389	61,760	64,294	50,389	61,760	64,294
Financial assets at amortised cost:							
Investment securities		467	443	1,531	467	443	1,531
Loans and receivables	8	197,755	192,147	201,250	197,473	192,147	201,250
Deferred expense		349	176	413	349	176	413
Accrued income		1,978	2,080	1,646	1,978	2,080	1,647
Assets held for sale	13	11,343	12,935	1,367	11,343	10,565	1,367
Investments in venture capital funds – associates	9	56,164	53,152	58,570	56,164	53,152	58,570
investments in subsidiaries	14	-	-	-	1,492	-	10,376
Investment property	10	14,794	10,808	17,087	14,794	10,808	4,869
Property, plant and equipment		4,228	3,828	3,507	4,228	3,828	3,507
Intangible assets		1,347	771	168	1,347	771	168
Other assets	11	24,966	5,832	4,014	24,966	5,832	3,875
Total assets		**501,966**	**453,668**	**443,400**	**501,636**	**451,298**	**441,275**
Liabilities							
Due to credit institutions	15	38,245	46,933	56,195	38,245	46,933	56,195
Financial assets at fair value through profit or loss – derivatives		2	-	854	2	-	855
Due to general governments		48,110	43,609	46,914	48,110	43,609	46,914
Financial liabilities at amortised cost - Issued debt securities	16	29,943	19,852	-	29,943	19,852	-
Deferred income		2,181	1,395	777	2,181	1,395	777
Accrued expense		830	982	1,198	830	982	1,198
Liabilities directly associated with assets held for sale		-	2,000	-	-	-	-
Provisions	17	25,364	14,531	16,864	25,364	14,531	16,864
Support programme funding	18	132,676	93,661	98,058	132,676	96,520	96,850
State aid	18	-	3,968	5,575	-	3,968	5,575
Other liabilities		3,196	3,764	6,559	3,133	3,488	4,282
Corporate Income tax liabilities		-	125	-	-	125	-
Total liabilities		280,547	230,820	232,994	280,484	231,403	229,510
Equity							
Share capital		204,862	204,862	204,862	204,862	204,862	204,862
Reserves	19	7,965	722	(8,197)	7,610	(386)	(6,911)
Reserve of disposal group classified as held for sale	22	-	1,839	-	-	1,839	-
Revaluation reserve of financial assets measured at fair value through other comprehensive income	19.,22	3,597	6,092	9,092	3,597	6,092	9,092
Non-controlling interest		266	-	-	-	-	-
Retained earnings		4,729	9,333	4,649	5,083	7,488	4,722
Total equity		221,419	222,848	210,406	221,152	219,895	211,765
Total equity and liabilities		**501,966**	**453,668**	**443,400**	**501,636**	**451,298**	**441,275**

The accompanying notes on pages 16 through 59 form an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Board
27 February 2019

Marina Baranovska
Chief Accountant

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	Non-controlling interest	Retained earnings	Total equity
As at 31 December 2016 (audited)	**204,862**	**(8,235)**	**9,092**	**-**	**-**	**4,375**	**210,094**
Change in accounting policy (see Note 2 (5) item 5.5)	-	38	-	-	-	274	274
As at 31 December 2016 (restated)	**204,862**	**(8,197)**	**9,092**	**-**	**-**	**4,649**	**210,406**
Profit for the period	-	-	-	-	-	8,709	8,709
Other comprehensive income	-	-	(1,161)	-	-	-	(1,161)
Other comprehensive income associated with assets held for sale (Note 22)	-	-	(1,839)	1,839	-	-	-
Total comprehensive income	-	-	(3,000)	1,839	-	8,709	7,548
Changes of reserves (see Note 19, Note 2 (5) item 5.5)	-	2,394	-	-	-	-	2,394
Increase of reserve capital (see Note 19)	-	2,500	-	-		-	2,500
Distribution of 2016 year profit of the Company (Note 19)	-	4,025	-	-	-	(4,025)	-
As at 31 December 2017 (restated)	**204,862**	**722**	**6,092**	**1,839**	**-**	**9,333**	**222,848**
Impact of IFRS 9 adoption (Note 2 (2) item 3)	-	-	-	(1,839)	-	(810)	(2,649)
Reclassification of distribution of 2015 year profit of the Company	-	-	-	-	-	(1,829)	(1,829)
As at 1 January 2018 (unaudited)	**204,862**	**722**	**6,092**	**-**	**-**	**6,694**	**218,370**
Profit for the period	-	-	-	-	-	3,919	3,919
Other comprehensive income associated with assets held for sale (Note 22)	-	-	(2,495)	-	-	-	(2,495)
Total comprehensive income	-	-	(2,495)	-	-	3,919	1,424
Changes of reserves (see Note 19)	-	(753)	-	-	-	-	(753)
Increase of reserve capital (see Note 19)	-	2,112	-	-	-	-	2,112
Distribution of 2017 year profit of the Company (Note 19)	-	5,884	-	-	-	(5,884)	-
Non-controlling interest	-	-	-	-	266	-	266
As at 31 December 2018 (unaudited)	**204,862**	**7,965**	**3,597**	**-**	**266**	**4,729**	**221,419**

The accompanying notes on pages 16 through 59 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**
Change in accounting policy (see Note 2 (5) item 5.5)	-	-	-	-	697	697
As at 31 December 2016 (restated)	**204,862**	**(6,911)**	**9,092**	**-**	**4,722**	**211,765**
Profit for the period (see Note 2 (5) item 5.5)	-	-	-	-	6,791	6,791
Other comprehensive income (Note 22)	-	-	(1,161)	-	-	(1,161)
Other comprehensive income associated with assets held for sale (Note 22)	-	-	(1,839)	1,839	-	-
Total comprehensive income	-	-	(3,000)	1,839	6,791	5,630
Increase of reserve capital (Note 19)	-	2,500	-	-	-	2,500
Distribution of 2016 year profit (Note 19)	-	4,025	-	-	(4,025)	-
As at 31 December 2017 (restated)	**204,862**	**(386)**	**6,092**	**1,839**	**7,488**	**219,895**
Impact of IFRS 9 adoption (Note 2 (2) item 3)	-	-	-	(1,839)	(810)	(2,649)
As at 1 January 2018 (unaudited)	**204,862**	**(386)**	**6,092**	**-**	**7,723**	**218,291**
Profit for the period	-	-	-	-	4,289	4,289
Other comprehensive income (Note 22)	-	-	(2,495)	-	-	(2,495)
Total comprehensive income	-	-	(2,495)	-	4,289	1,794
Increase of reserve capital (Note 19)	-	2,112	-	-	-	2,112
Distribution of 2017 year profit (Note 19)	-	5,884	-	-	(5,884)	-
As at 31 December 2018 (unaudited)	**204,862**	**7,610**	**3,597**	**-**	**5,083**	**221,152**

The accompanying notes on pages 16 through 59 form an integral part of these financial statements.

Statement of Cash Flows

All amounts in thousands of euro

	Notes	Group 01/01/2018-31/12/2018 (unaudited)	Group 01/01/2017-31/12/2017 (restated)	Company 01/01/2018-31/12/2018 (unaudited)	Company 01/01/2017-31/12/2017 (restated)
Profit before taxes		**3,919**	**8,709**	**4,289**	**6,791**
Amortisation of intangible assets and depreciation of property, plant and equipment		620	417	620	417
Interest income	4	(11,934)	(12,194)	(11,934)	(11,950)
Interest received		8,687	10,446	8,687	10,200
Interest expenses		763	820	763	819
Interests paid		(542)	(207)	(542)	(191)
Increase/(decrease) in provisions for impairment of loans, guarantees, other assets and investment securities measured at amortised cost	6	(670)	2001	(670)	2,001
Increase / (decrease) in share of profit in joint venture and associate capital funds	9	50	(907)	50	(907)
Increase in deferred income and accrued expense		634	402	634	591
(Decrease) in deferred expense and accrued income		(71)	(196)	(71)	(196)
Increase of cash and cash equivalents used before changes in assets and liabilities		**1,456**	**9,291**	**1,826**	**7,575**
(Increase) in other assets		(19,017)	(8,727)	(21,387)	(8,149)
Increase / (decrease) in other liabilities		33,639	(1,085)	35,309	388
Decrease in balances due from credit institutions		888	(3,998)	888	(3,998)
(Increase) / decrease in loans		(4,237)	7,149	(3,954)	7,148
Increase / (decrease) in balances due to credit institutions		(4,246)	(12,776)	(4,247)	(12,775)
Corporate income tax		-	-	-	-
Net cash flows to/ from operating activities		**8,483**	**(10,146)**	**8,435**	**(9,811)**
Cash flows to/ from investing activities					
Sale of investment securities		12,860	5,066	12,860	4,876
Purchase of property, plant and equipment and intangible assets		(1,596)	5,239	(1,596)	5,239
Purchase of investment properties	10	(3,754)	(1,342)	(3,754)	(1,342)
Sale of assets held for sale		-	(5,818)	-	(5,818)
Investments in venture capital funds	9	1,473	746	1,473	746
Investments of subsidiaries in share capital		(1,160)	-	-	-
Investments in subsidiaries	14	-	-	(1,492)	-
Net cash flows to/ from investing activities		**7,823**	**3,891**	**7,491**	**3,701**
Cash flows to/ from financing activities					
Debt securities issued		9,901	19,799	9,901	19,799
Increase in capital		2,112	2,500	2,112	2,500
Net cash flows to/ from financing activities		**12,013**	**22,299**	**12,013**	**22,299**
Increase in cash and cash equivalents		**28,319**	**16,044**	**27,939**	**16,189**
Cash and cash equivalents at the beginning of the period		100,597	84,553	100.597	84,408
Cash and cash equivalents at the end of the period	21	**128,916**	**100,597**	**128,536**	**100,597**

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 27 February 2019.

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 twelve-month period ended 31 December 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).

These condensed financial statements have been prepared based on the application requirements of IFRS 9 'Financial Instruments' that affect (i) classification of the financial assets and liabilities of the Company and Group and respectively also the carrying value, (ii) amount of provisions for value impairment of the financial instruments, (iii) carrying value of the public funding's liabilities and ensuing recorded amount of the provisions for value impairment of the financial instruments, including the provisions covered by the risk cover of the public funding and (iv) accounting for the assets held for sale. Also, considering the IFRS 9 requirements regarding the investment values of the venture capital funds as well as aspiration of the Group's management to make the financial statements of the Group and Company more transparent that would provide the users of these statements with a better understanding of the financial position and operational results of the Company and Group, it was decided to unify the accounting policies used for recording of the investments in venture capital funds in the Company's standalone and consolidated financial statements. It means that the accounting policy applied to the investments in venture capital funds in the Company's standalone financial statements was changed from cost less impairment method to equity method. See Note 2.

(2) Application of IFRS 9 "Financial Instruments"

At classification of the financial assets and liabilities according to IFRS 9 – a) measured at amortised cost, b) measured at fair value through other comprehensive income or c) measured at fair value through profit or loss – the classification was changed for items *Assets Held for Sale* and *Support Programme Funding* and *State Aid* that affected the financial result of the Group / Company.

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 as at 31/12/2018
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	1,839
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 fair value through profit or loss	(8,449)
Other financial liabilities	Measured at amortised cost	Measured at amortised cost	-

2 Summary of significant accounting policies (cont'd)

(2) Application of IFRS 9 "Financial Instruments" (cont'd)

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.

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"

3.1. Impact of the transition to IFRS 9 on impairment losses

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 and IAS 37 to IFRS 9 was a decrease in equity of EUR 1,665 thousand, arising from additional impairment allowances.

The Group's / Company's total impairment due to credit losses as at 1 January 2018 was EUR 56,158 thousand (as of 31 December 2017: EUR 43,760 thousand), which comprised EUR 29,011 thousand (as of 31 December 2017: EUR 4,753 thousand) impairment from Risk Coverage reserve (part of Support programme funding and State aid recognised as liabilities due to the government and the EU funds) and EUR 27,148 thousand (as of 31 December 2017: EUR 39,007 thousand) impairment applied to the Group / Company.

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

		31.12.2017.					
	Gross carrying amount	Allowances for credit losses					
		IAS 39			IAS 37		
		Total	**Risk Coverage**	**Altum**	**Total**	**Risk Coverage**	**Altum**
Due to credit institutions and the Treasury	109,594	-	-	-	-	-	-
Investment securities held to maturity	4,247	3,804	-	3,804	-	-	-
Loans and receivables	207,585	17,995	2,557	15,438	-	-	-
Other financial assets	6,588	5,201	-	5,201	-	-	-
Financial assets measured at amortised cost, total	**328,014**	**27,000**	**2,557**	**24,443**	**-**	**-**	**-**
Investment securities available for sale	61,760	33	-	33	-	-	-
Financial assets measured at fair value through other comprehensive income, total	**61,760**	**33**	**-**	**33**	**-**	**-**	**-**
Financial guarantees	**182,376**	**8,182**	**2,196**	**5,986**	**8,544**	**-**	**8,544**

2 Summary of significant accounting policies (cont'd)

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

3.1. Impact of the transition to IFRS 9 on impairment losses (cont'd)

Financial instruments to which the IFRS 9 impairment requirements are applied: (cont'd)

		01.01.2018.					
	Gross carrying amount	Allowances for credit losses					
		IFRS 9			IAS 37		
		Total	Risk Coverage	Altum	Total	Risk Coverage	Altum
Due to credit institutions and the Treasury	109,594	5	-	5	-	-	-
Investment securities held to maturity	4,247	3,804	-	3,804	-	-	-
Loans and receivables	207,586	24,064	19,652	4,412	-	-	-
Other financial assets	6,588	5,404	-	5,404	-	-	-
Financial assets measured at amortised cost, total	**328,015**	**33,277**	**19,652**	**13,625**	**-**	**-**	**-**
Investment securities available for sale	61,760	33	-	33	-	-	-
Financial assets measured at fair value through other comprehensive income, total	**61,760**	**33**	**-**	**33**	**-**	**-**	**-**
Financial guarantees	**182,376**	**22,849**	**9,359**	**13,490**	**-**	**-**	**-**

On 31 December 2017, total impairment due to credit losses applied to the Group / Company consisted of credit losses EUR 30,462 thousand measured according to IAS 39 and credit losses EUR 8,544 measured according to IAS 37, while on 1 January 2018, total impairment due to credit losses applied to the Group / Company consisted of credit losses measured only according to IFRS 9.

3.2. Programme Funding

Until 1 January 2018, the Company recognised the Programme Funding as liabilities towards the state and EU funds at amortised cost recognising the difference between the actual rate of the loan and market rate as state aid.

Although these liabilities are interest-free or have an interest rate that differs from the average market rate, they have an additional participation in the profit or loss related to the assets in which the Company has invested using these resources. The management of the Company is of the opinion that these liabilities have a different kind of interest return related to the return on the underlying assets. For the purposes of IFRS the interest return of this kind is considered as embedded derivative. As it follows from IFRS 9 Clause 4.3.5., the embedded derivatives may be recognised without separating them from the contract, together with the whole contract, at its fair value with re-measurement through profit or loss.

Considering the above, the management of the Company decided to measure the liabilities at fair value through profit or loss that would help the user of the financial statements to appraise the actual situation with maximum adequacy.

Amount of liabilities of the Group and Company. The fair value of the liability established in this manner will consist of the already carried Programmes' funding coupled with the state aid portion adjusted for the part of the future cash flow pertaining to reduction of additional payments due to value appreciation or impairment of the associated assets.

When calculating the fair value of the liabilities or Programmes' funding, an adjustment of EUR (8,449) thousand was made. As a result, EUR (7,465) thousand were attributed to the amount of the liabilities and EUR (984) thousand – to the retained earnings of the previous years.

The measurement of the liabilities at fair value affected the amount of the value impairment provisions of the Group / Company. If until 1 January 2018 the Group / Company recognised in its financial statements the value impairment provisions less the risk coverage amount, then, as of introduction of IFRS 9, the value impairment provisions are presented in gross amounts, i.e. taking into account the amount of the risk coverage. The change in the amount of the provisions affected the financial position statements of the Group / Company as at 31.12.2018, while it had no impact on the profit or loss statement of the Group / Company.

3.3. Investments of the Venture Capital Funds

In view of the IFRS 9 requirements regarding the investment values of the venture capital funds as well as aspiration of Altum's management to make Altum's financial statements more comparable that would provide the users of these statements with a better understanding of the financial position and operational results of the Company and Group, it was decided to unify the accounting policies used for recording of the investments of the venture capital funds in Altum's standalone and consolidated financial statements. It means that the accounting policy applied to the investments of the venture capital funds in Altum's standalone financial statements was changed from acquisition cost method to equity capital method.

For more on the change of the accounting policy of the venture capital investments and quantitative impact on the financial statements of the Company and Group see Item 5.4. of this Note.

2 Summary of significant accounting policies (cont'd)

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

3.4. 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 31 December 2018, is included in the Group's profit or loss calculation for 408 thsd euro and in the Company's profit or loss calculation – for 778 thsd euro. For more information see Note 5, 13 and Note 22.

At the beginning of 2018 the sale process of the assets owned by the alternative investment funds 'Hipo Latvia Real Estate Fund I' and 'Hipo Latvia Real Estate Fund II' began following the sale plan prepared by the manager of the Funds. One of the fund-owned assets was sold in August 2018, while sale of the other asset was finalised in January 2019. The said investments are classified as Disposal groups held for sale as at 31 December 2018.

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

In the 2018, the Group/Company made the first disbursements to the 4th generation venture capital funds. Part of investments made were classified as *Investments in associates*, some as *Investments in subsidiaries*.

For information on classification of the venture capital funds see Note 23.

For information on the subscribed capital of the venture capital funds see Note 20.

(5) Change in accounting policies

5.1. Investments in venture capital funds – associates, except an investment in the Baltic Innovation Fund

Before 1 January 2018, Altum's investments in venture capital funds were treated as associates which in the separate financial statements were stated at cost less any impairment in value, while in the consolidated financial statements the risk capital funds were stated under the equity method.

The equity method was based on the following principle: on its balance sheet Altum recognizes the value of venture capital funds as its proportionate share of the net asset value (NAV) of the venture capital funds. The NAV was adjusted to reflect Altum's accounting policies, i.e. IFRS. The NAV of the venture capital funds mainly consisted of the venture capital funds' investments in equity instruments and issued loans as well as of the liabilities undertaken.

Before 1 January 2018, IAS 39 Investment Instruments was in force stating, inter alia, that in case of investment funds, the investments in equity instruments should be treated as financial instruments, i.e. recognizing these investments under available-for-sale assets which were allowed to be measured at cost less any accumulated impairment when their fair values could not be reliably measured. Accordingly, Altum could use the costs included in the financial statements of venture capital funds for equity method purposes.

Since 1 January 2018, IFRS 9 Financial Instruments have been in force. According to IFRS 9, the above investments become financial assets held either at fair value through other comprehensive income or at fair value through profit or loss. In neither case, there is an option of stating the said assets at cost, unless the cost is estimated to be close to its fair value. Consequently, in calculating NAV for venture capital funds, fair values of these investments must be taken into account. The Altum's financial statements present NAV taking account of the funds' fair value adjustments, i.e. fair values of investments in equity instruments.

Considering the IFRS 9 requirements regarding the measurement of investments of venture capital funds as well as the Altum Management's readiness to make the Altum's financial statements more transparent which would concurrently give the users of the financial statements a better understanding of the Company and Group's financial position and operational performance, the Management decided to unify the policies for the accounting for investments in venture capital funds between the Altum's separate and consolidated financial statements. It means that the accounting for the investments in venture capital funds in the Altum's separate financial statements was changed from the cost less impairment method to the equity method.

2 Summary of significant accounting policies (cont'd)

(5) Change in accounting policies (cont'd)

5.2. Investments in the Baltic Innovation Fund

Before 1 January 2018, investments in the Baltic Innovation Fund (BIF) in Altum's separate financial statements were measured at cost. In the consolidated financial statements these investments were stated and measured under the equity method similarly to other investments in associates.

In 2018, coming into effect of the amendments to IAS 28 regarding the measurement of associates, in carrying out the reassessment of the BIF, it was concluded that:

- within the meaning of IAS 28, the Financial Intermediary Division of Altum and BIF correspond to the definition of a venture capital fund or comparable to it entities;
- within the meaning of IAS 28, the BIF's investments should be classified as associates;
- The BIF measures its investments at fair value through profit or loss according to IAS 39.

The above conclusions enable Altum to the exception in relation to the BIF measurement provided in IAS 28 and in its financial statements to measure BIF and its investments applying IFRS 9 and *deciding to state the respective assets at fair value through profit or loss.*

5.3. Support programme funding

The change in the accounting policies described in Sections 1 and 2 affects the item Support programme funding as well. The Group and the Company use part of the support programme funding as a Risk Coverage Reserve to compensate the change in the values of venture capital funds. The risk coverage mechanism is attributable to the 2nd and 3rd generation venture capital funds, such as *BaltCap LatviaVenture Capital Fund, Imprimatur Capital Technology Venture Fund, Imprimatur Capital Seed Fund, ZGI-3 fund, FlyCap Investment Fund I* un *Expansion Capital Fund*, and since December 2017 – also to the Baltic Innovation Fund.

The effect of the change in accounting policy described in the paragraphs above was reflected retrospectively by changing the balance / turnover in the previous period.
As of 1January 2018 the fair value of the funding of the Support Programmes established in this manner will comprise the carried liability coupled with the state aid portion adjusted for the part of the future cash flow of additional payments / reduction of payments due to value appreciation or impairment of the associated assets, i.e. the liability would be recognised to the extent that corresponds to the liability's repayment amount established for Altum.

Detailed information is provided in Note 18.

5.4. Quantitative impact of change in accounting policy

Detailed information on the amendments made is provided below:

Group, 2016		Reported as at 31/12/2016 (EUR '000)	Restatement (EUR '000)	Restated as at 31/12/2016 (EUR '000)
Restated items of the statement of financial position:	**Note**	**Group**		**Group**
Investments in venture capital funds – associates, of which:		58,296	274	58,570
Investments in VCF, excl. BIF	9.	*52,691*	*-*	*52,691*
BIF	9.	*5,605*	*274*	*5,879*
Support programme funding	18	(98,096)	(38)	(98,058)
Reserves		(8,235)	38	(8,197)
Retained earnings		**4,375**	**274**	**4,649**

Group, 2016		Initial amount in 2016 (EUR '000)	Restatement (EUR '000)	Restated amount in 2016 (EUR '000)
Restated items of statement of comprehensive income:	**Note**	**Group**		**Group**
Share of gain or (loss) of investment in joint venture and associate	Note 9: – Reversal of BIF revaluation - EUR 92 thousand; – adjustment of ZGI-3 refund amount – EUR (38) thousand.	(1,758)	54	(1,704)
Refunded from VCF	Note 9 – adjustment of ZGI-3 refund amount	(684)	38	(646)
Share of loss of investment in joint venture and associate at fair value through profit or loss	Note 9 – BIF revaluation at fair value	-	(134)	(134)
Changes in retained earnings of the reporting year		**-**	**(42)**	**-**
Retained earnings until 2016		**-**	**316**	**-**
Retained earnings for the year	Consolidated statement of changes in equity, Item Changes in accounting policy	**4,375**	**274**	**4,649**

2 Summary of significant accounting policies (cont'd)

(5) Change in accounting policies (cont'd)

5.4. Quantitative impact of change in accounting policy (cont'd)

Company, 2016		Reported as at 31/12/2016 (EUR '000)	Restatement (EUR '000)	Restated as at 31/12/2016 (EUR '000)
Restated items of the statement of financial position:	**Note**	**Company**		**Company**
Investments in venture capital funds – associates, of which:		56,722	1,848	58,570
Investments in VCF, excl. BIF	9.	*50,962*	*1,729*	*52,691*
BIF	9	*5,760*	*119*	*5,879*
Support programme funding	18	(95,699)	(1,151)	(96,850)
Retained earnings		**4,025**	**697**	**4,722**

Company, 2016		Initial amount in 2016 (EUR '000)	Restatement (EUR '000)	Restated amount in 2016 (EUR '000)
Restated items of statement of comprehensive income:	**Note**	**Company**		**Company**
Impairment loss	Note 6 – reversal of BIF impairment loss	(3)	3	-
Impairment loss	Note 6 – compensation of BIF impairment loss reversal from Support programme funding	3	(3)	-
Impairment loss	Note 6 – reversal of 2nd un 3th generation VCF impairment loss	(2,630)	2,630	-
Impairment loss	Note 6 - compensation of 2nd un 3th generation VCF impairment loss from Support programme funding	2,630	(2,630)	-
Impairment loss	Note 6 – reversal of 1st generation VCF impairment loss	(249)	249	-
Impairment loss	Note 6, 9 – increase of 2nd un 3th generation VCF impairment loss	-	(245)	(245)
Impairment loss	Note 6 – compensation of increase of 2nd un 3th generation VCF impairment loss from Support programme funding	-	245	245
Share (loss) of investment in joint venture and associate at fair value through profit or loss	Note 9 – BIF revaluation at fair value	-	(134)	(134)
Share (loss) of investment in joint venture and associate	Note 9 – revaluation of 1st, 2nd and 3rd generation VCF by equity method	-	(1,704)	(1,704)
Share of gain of investment in joint venture and associate	Revaluation result of 2nd and 3rd generation VCF was covered by Support programme funding	-	1,423	1,423
Interest income	Reversal of interest income received by the 2nd and 3rd generation VCF from Program funding	(465)	465	-
Interest income	According to the equity method, interest income received by the 1st, 2nd and 3rd generations VCF reduces the value of the VCF investment	480	(480)	-
Changes in retained earnings of the reporting year		**-**	**(181)**	**-**
Retained earnings until 2016		**-**	**868**	**-**
Retained earnings for the year	Company's statement of changes in equity, Item Changes in accounting policy	**4,025**	**697**	**4,722**

2 Summary of significant accounting policies (cont'd)

(5) Change in accounting policies (cont'd)

5.4. Quantitative impact of change in accounting policy (cont'd)

Group, 2017		Reported as at 31/12/2017 (EUR '000)	Restatement (EUR '000)	Restated as at 31/12/2017 (EUR '000)
Restated items of the statement of financial position:	**Note**	**Group**		**Group**
Investments in venture capital funds – associates, of which:		51,170	1,982	53,152
Investments in VCF, excl. BIF	9	*44,758*	-	*44,758*
BIF	9	*6,412*	*1,982*	*8,394*
Support programme funding	18	(92,041)	(1,619)	(93,661)
Reserves (the restatement relates to item Changes in the reserves)	**19**	2,398	1,676	722
Retained earnings		**-**	**2,039**	**-**
Retained earnings for 2016		**-**	**(274)**	**-**
Retained earnings for 2017		**6,945**	**1,765**	**8,709**

Group, 2017		Initial amount in 2017 (EUR '000)	Restatement (EUR '000)	Restated amount in 2017 (EUR '000)
Restated items of statement of comprehensive income:	**Note**	**Group**		**Group**
Share of gain of investment in joint venture and associate	Note 9: – Reversal of BIF revaluation – EUR 798 thousand; – Adjustment of BIF revaluation result – EUR193 thousand; – Adjustment of 2nd and 3rd generation VCF revaluation result of 2017– EUR 1,521 thousand; – Revaluation result of BIF, 2nd and 3rd generation VCF was covered by Support programme funding – EUR (1,658) thousand.	818	854	1,672
Share of loss of investment in joint venture and associate at fair value through profit or loss	Note 9 – BIF revaluation at fair value	-	910	910
Changes in retained earnings			**1,764**	

Company, 2017		Reported as at 31/12/2017 (EUR '000)	Restatement (EUR '000)	Restated as at 31/12/2017 (EUR '000)
Restated items of the statement of financial position:	**Note**	**Company**		**Company**
Investments in venture capital funds – associates, of which:		49,108	4,044	53,152
Investments in VCF, excl. BIF	9.	*41,738*	*3,020*	*44,758*
BIF	9.	*7,370*	*1,024*	*8,394*
Support programme funding	18	(94,080)	(2,440)	(96,520)
Retained earnings		**-**	**1,604**	**-**
Retained earnings for 2016		**-**	**(697)**	**-**
Retained earnings for 2017		**5,884**	**907**	**6,791**

2 Summary of significant accounting policies (cont'd)

(5) Change in accounting policies (cont'd)

5.4. Quantitative impact of change in accounting policy (cont'd)

Company, 2017		Initial amount in 2017 (EUR '000)	Restatement (EUR '000)	Restated amount in 2017 (EUR '000)
Restated items of statement of comprehensive income:	**Note**	**Company**		**Company**
Impairment loss	Note 6 – reversal of BIF impairment loss	(1,024)	1,024	-
Impairment loss	Note 6 – compensation of BIF impairment loss reversal from Support programme funding	1,024	(1,024)	-
Impairment loss	Note 6 – reversal of 2nd un 3th generation VCF impairment loss	(7,194)	7,194	-
Impairment loss	Note 6 - compensation of 2nd un 3th generation VCF impairment loss from Support programme funding	7,194	(7,194)	-
Impairment loss	Note 6, 9 – decrease of 2nd un 3th generation VCF impairment loss	-	105	105
Impairment loss	Note 6 – compensation of decrease of 2nd un 3th generation VCF impairment loss from Support programme funding	-	(105)	(105)
Share gain of investment in joint venture and associate at fair value through profit or loss	Note 9 – BIF revaluation at fair value	-	910	910
Share (loss) of investment in joint venture and associate	Note 9 – revaluation of 2nd and 3rd generation VCF by equity method	-	(5,682)	(5,682)
Share gain of investment in joint venture and associate	Revaluation result of 2nd and 3rd generation VCF was covered by Support programme funding	-	5,682	5,682
Share (loss) of investment in joint venture and associate	Note 9 – revaluation of 1st generation VCF by equity method	-	(3)	(3)
Interest income	Reversal of interest income received by the 2nd and 3rd generation VCF from Program funding	(1,245)	1,245	-
Interest income	According to the equity method, interest income received by the 1st, 2nd and 3rd generations VCF reduces the value of the VCF investment	1,245	(1,245)	
Changes in retained earnings of the reporting year			**907**	

(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 January 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
	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (restated)	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (restated)
Interest on loans and guarantees*	9,934	9,791	9,934	9,791
Interest on securities at amortised cost	25	46	25	46
Interest on securities at fair value	1,966	2,094	1,966	2,094
Other interest income	-	244	-	-
Interest on balances due from credit institutions	9	19	9	19
Interest income from venture capital funds **	-	-	-	-
Total interest income	**11,934**	**12,194**	**11,934**	**11,950**

* 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 703 thousand (2017: EUR 645 thousand).

** The Company's item *Interest income from venture capital funds* was restated for the previous period (see Note 5 (5), item 5.5.).

5 Gains on the revaluation of assets held for sale

	Group	Group	Company	Company
	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (restated)	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (restated)
Gains on the revaluation of assets held for sale*	408	-	778	-
Total	**408**	**-**	**778**	**-**

*More information is available in Note 2 (3) item 3.4.

6 Impairment losses, net

	Group	Group	Company	Company
	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (restated)	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (restated)
impairment losses on:	10,353	11,467	10,353	11,467
Loans, net	4,710	5,683	4,710	5,683
impairment losses (Note 8)	*5,917*	*5,683*	*5,917*	*5,683*
impairment losses covered by risk coverage reserve	*(1,207)*	*-*	*(1,207)*	*-*
other assets	2,616	2,526	2,616	2,526
debt securities	-	-	-	-
investments in venture capital funds*	-	-	-	-
guarantees	2,939	3,258	2,939	3,258
impairment losses (Note17)	*8,174*	*3,258*	*8,174*	*3,258*
impairment losses covered by risk coverage reserve	*(5,235)*	*-*	*(5,235)*	*-*
unutilised loan facilities	88	-	88	-
impairment losses (Note 17)	*1,220*	*-*	*1,220*	*-*
compensation of impairment losses from risk coverage reserve	*(1,132)*	*-*	*(1,132)*	*-*
Reversal of impairment on:	(9,575)	(7,811)	(9,575)	(7,811)
Loans, net	(2,685)	(2,112)	(2,685)	(2,112)
reversal of impairment (Note 8)	*(3,408)*	*(2,112)*	*(3,408)*	*(2,112)*
reversal of impairment covered by risk coverage reserve	*723*	*-*	*723*	*-*
other assets	(1,231)	(467)	(1,231)	(467)
debt securities	(215)	(130)	(215)	(130)
investments in venture capital funds*	-	-	-	-
guarantees	(5,444)	(5,102)	(5,444)	(5,102)
reversal of impairment (Note17)	*(6,876)*	*(5,102)*	*(6,876)*	*(5,102)*
reversal of impairment covered by risk coverage reserve	*1,432*	*-*	*1,432*	*-*
(Income) from release of provisions for onerous contracts (guarantees)	-	(474)	-	(474)
Recovery of loans written off in previous periods	(1,448)	(1,181)	(1,448)	(1,181)
Total impairment losses, net	**(670)**	**2,001**	**(670)**	**2,001**

* Company's items *Impairment losses on investments in venture capital funds and Reversal of impairment on investments in venture capital funds* were restated for the previous period. See Note 2 (5) item 5.5. for details.
** As of adoption of IFRS 9 on 1 January 2018 the principles of establishment of provisions for financial guarantees are regulated by IFRS 9, exposing the financial guarantees for the establishment of the allowances for expected credit losses, as opposed to IAS 39. For more information see Note 2 (3) item 3.1.

7 Due from other credit institutions and the Treasury

	Group	Group	Company	Company
	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (restated)	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (restated)
Due from credit institutions registered in Latvia and the Treasury	137,031	109,594	136,651	109,594
Impairment allowances	(5)	-	(5)	-
Total net	**137,026**	**109,594**	**136,646**	**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 balances due from credit institutions and the Treasury by categories as at 31 December 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	-	12,595	96,875	22,159	5,402	-	-	-	137,031
Total gross	**-**	**12,595**	**96,875**	**22,159**	**5,402**	**-**	**-**	**-**	**137,031**

The table below shows the breakdown of the Company's balances due from credit institutions and the Treasury by categories as at 31 December 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	-	12,411	96,875	21,963	5,402	-	-	-	136,651
Total gross	**-**	**12,411**	**96,875**	**21,963**	**5,402**	**-**	**-**	**-**	**136,651**

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 16).

As at 31 December 2018, the Group/Company held accounts with 4 banks and the Treasury of the Republic of Latvia.

As at 31 December 2018, the average interest rate on balances due from credit institutions was 0.012% (31 December 2017: -0.078%).

8 Loans

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

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (restated)	31/12/2018 (unaudited)	31/12/2017 (restated)
Private companies	189,549	180,833	189,267	180,833
Individuals	25,853	23,324	25,853	23,324
Financial institutions	867	2,431	867	2,431
Local governments	239	292	239	292
Public and religious institutions	623	269	623	269
Total gross loans	**217,131**	**207,585**	**216,849**	**207,585**
Impairment allowances*	(19,376)	(15,438)	(19,376)	(15,438)
Total net loans	**197,755**	**192,147**	**197,473**	**192,147**

* The increase in impairment allowances for loans was affected by the transition to IFRS 9, which includes two factors:

- transition to the expected credit loss model (see Note 2 (2) for details);
- revaluation of support programme funding (liabilities) at fair value.

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

Granted loans by industries:

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (restated)	31/12/2018 (unaudited)	31/12/2017 (restated)
Agriculture and forestry	94,954	84,124	94,954	84,124
Manufacturing	46,192	44,949	46,192	44,949
Private individuals	23,481	23,373	23,481	23,373
Other industries	21,508	14,599	21,226	14,599
Retail and wholesale	11,371	14,167	11,371	14,167
Hotels and restaurants	4,256	6,578	4,256	6,578
Electricity, gas and water utilities	3,958	5,562	3,958	5,562
Transport, warehousing and communications	1,166	1,889	1,166	1,889
Real estate	4,219	4,341	4,219	4,341
Construction	2,586	3,139	2,586	3,139
Financial intermediation	867	1,221	867	1,221
Fishing	2,334	3,352	2,334	3,352
Municipal authorities	239	293	239	293
Total gross loans	**217,131**	**207,585**	**216,849**	**207,585**

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

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (restated)	31/12/2018 (unaudited)	31/12/2017 (restated)
Number of customers	16	23	16	23
Total credit exposure of customers (EUR '000))	19,420	36,895	19,420	36,895
Percentage of total gross portfolio of loans	8.9%	17.7%	8.9%	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
	31/12/2018 (unaudited)	01/01/2018 (audited)	31/12/2018 (unaudited)	01/01/2018 (audited)
Credit risk has not increased significantly (Stage 1)	163,133	149,296	162,851	149,296
Credit risk has increased significantly (Stage 2)	16,597	10,349	16,597	18,349
Loans which have objective evidence of impairment (Stage 3)	37,401	47,940	37,401	39,940
Total loans gross	**217,131**	**207,585**	**216,849**	**207,585**
Impairment allowances	(19,376)	(24,064)	(19,376)	(24,064)
Total net loans	**197,755**	**183,521**	**197,473**	**183,521**

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

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Performing	178,557	171,964	178,275	171,964
Past due up to 30 days	17,565	12,062	17,565	12,062
Past due from 31 to 60 days	3,012	887	3,012	887
Past due from 61 to 90 days	618	284	618	284
Past due over 90 days	17,379	22,388	17,379	22,388
Total gross loans, without interest accrued on the loans	**217,131**	**207,585**	**216,849**	**207,585**

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

	Group	Group	Company	Company
	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (audited)	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (audited)
Allowances at the beginning of the period	15,438	16,179	15,438	16,179
Covered by risk coverage reserve*	2,557	-	2,557	-
Impact of IFRS 9 adoption	4,324	-	4,324	-
Allowances for accrued income	1,745	-	1,745	-
Allowances at 1 January 2018	24,064	16,179	24,064	16,179
Increase in impairment allowances (Note 6)	5,917	5,683	5,917	5,683
Decrease in impairment allowances (Note 6)	(3,408)	(2,112)	(3,408)	(2,112)
Accrued interest	-	(793)	-	(793)
Write-off of loans	(7,200)	(3,519)	(7,200)	(3,519)
Currency change	3	-	3	-
Allowances at the end of the period ended 31 December	**19,376**	**15,438**	**19,376**	**15,438**
Group's / Company's share of provisions	14,426	15,438	14,426	15,438
Provisions covered by risk coverage*	4,950	2,557**	4,950	2,557**

* As of January 1, 2018, the Group/Company has recognized the provision for impairment in gross amount, i. taking into account the amount covered by Risk Coverage reserve. See Note 2 (3) item 3.2. for details.

**According to the Group's/Company's estimates as at December 31, 2017 the loan loss provisions should amount to EUR 17,836 thousand. The Risk coverage amount available for such loan loss provisions equals to EUE 2,557 thousand.

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 18).

8 Loans (cont'd)

Information on the value of collateral (assessed at fair value as at 31 December 2018) and position against net loan portfolio is provided below:

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Real estate (loans)	155,299	151,321	155,299	151,321
Real estate (leaseback)	6,923	520	6,923	520
Movable property	22,273	26,250	22,273	26,250
Guarantees	305	238	305	238
Risk coverage of loan funds	4,950	2,557	4,950	2,557
Total collateral	**189,750**	**180,886**	**189,750**	**180,886**
Loan portfolio, gross	217,131	207,585	216,849	207,585
Provisions (only Impairment applied to the Group / Company)	(14,425)	(15,438)	(14,425)	(15,438)
Loan portfolio, net	202,706	192,147	202,424	192,147
Exposed	**6.39%**	**5.86%**	**6.26%**	**5.86%**

As at 31 December 2018, the average annual interest rate for the loan portfolio of the Group/Company was 4.15% (31 December 2017: 4.15%).

9 Investments in venture capital funds

The Group/Company has 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.

At Group level, together with transition to IFRS 9, the valuation of BIF and its *investments has been changed to investments valued fair value through profit or loss.*

At the Company level, together with transition to IFRS 9, several changes have been made in the accounting policy:

- all investments in associates, except BIF, have changed the accounting policy from the cost less impairment method to the equity method;
- valuation of BIF and its investments has been changed to *investments valued fair value through profit or loss.*

The change in the accounting policy has been made retrospectively. See Note 2 (5).

The Group's/Company's investments in associates as at 31/12/2018, based on information provided by venture capital fund managers in the 4th quarter of 2018:

Company	**Country of incorporation**	**31/12/2018 (unaudited) Equity per company**	**Group's/Company's share of total share capital, %**	**31/12/2018 (unaudited) Carrying amount**
KS Otrais Eko Fonds	LV	2,387	33.33	746
KS Baltcap Latvia Venture Capital Fund	LV	12,541	66.67	8,361
KS Imprimatur Capital Seed Fund	LV	1,983	100	1,983
KS Imprimatur Capital Technology Venture Fund	LV	6,113	67	4,076
KS Expansion Capital Fund	LV	12,828	95.24	12,217
KS ZGI-3	LV	6,618	95.24	6,303
KS Flycap Investment Fund	LV	12,622	95.24	12,022
Baltic Innovation Fund	LU	51,686	20	10,337
Overkill Ventures Fund II AIF	LV	14	80	11
Buildit Latvia Seed Fund AIF	LV	14	80	11
Commercialization Reactor Seed Fund	LV	14	80	11
KS ZGI-4	LV	144	60	86
Total investments		**106,964**		**56,164**

9 Investments in venture capital funds (cont'd)

The movement in the Group's/Company's investments in associates in 2018:

	Investments in associates	BIF investments	Group/Company 01/01/2018-31/12/2018 Total amount (restated)
Carrying amount at the beginning of period	44,898	8,394	53,292
Invested	255	2,825	3,080
Refunded	(4,553)	-	(4,553)
Share of loss of investment in joint venture and associate (See Note 2(5))*	5,227	-	5,227
Share of loss of investment in joint venture and associate at fair value through profit or loss (See Note 2 (5))**	-	(882)	(882)
Carrying amount at the end of the period ended	45,827	10,337	56,164
Impairment	-	-	-
Net carrying amount at the end of the period	**45,827**	**10,337**	**56,164**

* The 2nd and 3rd generation risk venture funds' revaluation result of 2018 was compensated by Risk coverage reserve in amount of EUR 5,277 thousand.

** Baltic Innovation Fund's revaluation result in amount of EUR 882 thousand was covered by Risk coverage reserve.

The Group's/Company's investments in associates as at 31/12/2017:

Company	Country of Incorpo-ration	31/12/2017 (restated) Equity per company	Group's correction*	Group's/Company's share of total share capital, %	31/12/2017 (restated) Carrying amount
KS ZGI Fonds	LV	-	-	-	-
KS Otrais Eko Fonds	LV	2,387	-	33.33	796
KS Baltcap Latvia Venture Capital Fund	LV	10,272		66.67	6,848
KS Imprimatur Capital Seed Fund	LV	4,474	(24)	100	4,450
KS Imprimatur Capital Technology Venture Fund	LV	3,899	(18)	67	2,600
KS Expansion Capital Fund	LV	13,738	-	95.24	13,084
KS ZGI-3	LV	7,474	-	95.24	7,118
KS Flycap Investment Fund	LV	10,502	-	95.24	10,002
Baltic Innovation Fund	LU	41,970	-	20	8,394
Total investments		**94,716**	**(42)**	**x**	**53,292**

* Adjustment to align with Group's accounting policies.

The movement in the Group's/Company's investments in associates in 2017:

	Investments in associates	BIF investments	Group/Company 01/01/2017-31/12/2017 Total amount (restated)
Carrying amount at the beginning of period	52,936	5,879	58,815
Invested	677	1,605	2,282
Refunded	(3,030)	-	(3,030)
Share of loss of investment in joint venture and associate (See Note 2(5) item 5.5)*	(5,685)	-	(5,685)
Share of loss of investment in joint venture and associate at fair value through profit or loss (See Note 2 (5) item 5.5.)	-	910	910
Carrying amount at the end of the period ended	44,898	8,394	53,292
Impairment	(140)	-	(140)
Net carrying amount at the end of the period	**44,758**	**8,394**	**53,152**

* The 2nd and 3rd generation risk venture funds' revaluation result of 2017 was covered by Risk coverage reserve in amount of EUR 5,682 thousand. See Note 2 (5) item 5.5 for details.

9 Investments in venture capital funds (cont'd)

The Group's/Company's investments in associates as at 31/12/2016:

Company	Country of Incorpo-ration	31/12/2016 (restated) Equity per company	Group's correction*	Group's/Company's share of total share capital, %	31/12/2016 (restated) Carrying amount
KS ZGI Fonds	LV	5	-	65.07	3
KS Otrais Eko Fonds	LV	2,387	-	33.33	796
KS Baltcap Latvia Venture Capital Fund	LV	14,341	-	66.67	9,561
KS Imprimatur Capital Seed Fund	LV	7,429	(1,869)	100	5,560
KS Imprimatur Capital Technology Venture Fund	LV	6,173	(2,070)	67	2,749
KS Expansion Capital Fund	LV	13,883	-	95.24	13,222
KS ZGI-3	LV	11,195	(1,957)	95.24	8,798
KS Flycap Investment Fund	LV	12,860	-	95.24	12,247
Baltic Innovation Fund	LU	29,385	-	20	5,879
Total investments		**97,659**	**(5,896)**	**X**	**58,815**

* Adjustment to align with Group's accounting policies.

The movement in the Group's/Company's investments in associates in 2016:

	Investments in associates	BIF investments	Group/Company 01/01/2016-31/12/2016 Total amount (restated)
Carrying amount at the beginning of period	37,491	2,754	40,245
Invested	17,795	3,259	21,054
Refunded	(646)	-	(646)
Share of loss of investment in joint venture and associate (See Note 2(5) item 5.5)*	(1,704)	-	(1,704)
Share of loss of investment in joint venture and associate at fair value through profit or loss (See Note 2 (5)item 5.5.)	-	(134)	(134)
Carrying amount at the end of the period ended	52,936	5,879	58,815
Impairment	(245)	-	(245)
Net carrying amount at the end of the period	**52,691**	**5,879**	**58,570**

* The 2nd and 3rd generation risk venture funds' revaluation result of 2016 was covered by Risk coverage reserve in amount of EUR 1,423 thousand. See Note 2 (5) item 5.5 for details.

In the reporting period, the Group's / Company's expenses included:

- EUR 1,339 thousand from the risk coverage reserve used to cover management fees for the 2nd and 3rd generation venture capital funds (2017: EUR 1,521 thousand);
- Management fees for the *Baltic Innovation Fund* amounting to EUR 175 thousand (2017: EUR 193 thousand), of which EUR 121 thousand was compensated from the risk coverage reserve

The program, through which are made investments into 4nd generation venture capital funds, is based on the *Agent* accounting principle. As a result, EUR 469 thousand from the risk coverage reserve used to cover management fees for the 4nd generation venture capital funds while it had no impact on the profit or loss statement of the Group / Company.

In 2018, disbursements were made to the 4nd generation venture capital funds, some of which are classified as *Investments in subsidiaries.* See Note 2 (4) and Note 23 for more detailed information on classification.

For information on the subscribed capital of the funds see Note 20.

10 Investment properties

	Group 31/12/2018 (unaudited)	Group 31/12/2017 (audited)	Company 31/12/2018 (unaudited)	Company 31/12/2017 (audited)
Carrying amount at the beginning of period	10,808	17,087	10,808	4,869
Reclassified as assets held for sale	-	(12,218)	-	-
Acquired during the reporting period*	3,988	5,839	3,988	5,839
Disposals during the reporting period	(234)		(234)	-
Net gain from fair value adjustment	232	121	232	121
Carrying amount at the end of the period	**14,794**	**10,808**	**14,794**	**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
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Financial assets	30,349	16,735	30,349	16,735
Other assets (inventories)	652	1,946	652	1,946
Total other assets (gross)	**31,001**	**18,681**	**31,001**	**18,681**
Impairment provision for financial assets	(6,035)	(12,849)	(6,035)	(12,849)
Total other assets (net)	**24,966**	**5,832**	**24,966**	**5,832**

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

- Disbursed compensations under guarantee arrangements of EUR 5,694 thousand (2017: EUR 5,073 thousand) for which allowances of EUR 5,694 thousand were established (2017: EUR 5,073 thousand);
- Grants issued under the Energy Efficiency Programme for Multi-apartment Buildings of EUR 22,575 thousand (2017: EUR 2,772 thousand);
- Financial assets of EUR 1,142 thousand (2017: EUR 197 thousand) for which allowances of EUR 265 thousand were established (2017: EUR 122 thousand).
- Other financial assets of EUR 938 thousand (2017: EUR 1,045 thousand) for which allowances of EUR 76 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 Financial assets at fair value through profit or loss

In 2018 disbursements were made to the 4nd generation venture capital funds, part of which are classified *as investments in subsidiaries*. For more information on the classification see Note 23.

At the Group level the participation in the share capital of subsidiaries is consolidated.

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Investments by subsidiaries in the shares of companies	1,160	-	-	-
Derivatives	-	142	-	142
Total	**1,160**	**142**	**-**	**142**

13 Assets held for sale

At the reporting date the carrying value is equivalent to the fair value of the instruments

	Group	Group	Company	Company
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
"Hipo Latvia Real Estate Fund I"	10,550	9,678	10,550	9,013
"Hipo Latvia Real Estate Fund II"	793	1,257	793	1,552
Assets held for sale	**11,343**	**10,935**	**11,343**	**10,565**

For more information see Note 2 (3) item 3.4.

14 Investments in subsidiaries

In 2018 disbursements were made to the 4nd generation venture capital funds, part of which are classified *as investments in subsidiaries,* but part *as investments in associates*. For more information on the classification see Note 23.

At the Group level the investments in subsidiaries are consolidated.

Company's investments in the share capital of subsidiaries:

	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)
Overkill Ventures Fund I AIF	231	-
Buildit Latvia Pre-Seed Fund AIF	300	-
Commercialization Reactor Pre-seed Fund	141	-
KS INEC 1	787	-
KS INEC 2	33	-
Participation in the share capital of subsidiaries	**1,492**	**-**

For more information on the structure of Group see Note 23.

15 Due to credit institutions

	Group	Group	Company	Company
	31/12/2018/ (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Due to credit institutions registered in OECD countries	38,245	46,933	38,245	46,933
Total	**38,245**	**46,933**	**38,245**	**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 38,245 thousand, of which EUR 58 thousand constitutes accrued interest expenses.

During the reporting period, the Group/Company repaid EUR 8,855 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 38,187 thousand (Note 24) which is considered a parent guarantee on behalf of the Group/Company.

As at 31 December 2018, the average interest rate for the balances due to credit institutions was 0.41% (2017: 0.41%).

16 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 31/12/2018 (unaudited)	Group 31/12/2017 (audited)	Company 31/12/2018 (unaudited)	Company 31/12/2017 (audited)
LV0000802353	EUR	20,000	1,000	17.10.2017	17.10.2024	1.37	19,883	19,852	19,883	19,852
LV0000880037	EUR	10,000	1,000	07.03.2018	07.03.2025	1.3	10,060	-	10,060	-
Total issued debt securities							**29,943**	**19,852**	**29,943**	**19,852**

17 Provisions

As of adoption of IFRS 9 on 1 January 2018 the principles of establishment of provisions for financial guarantees are regulated by IFRS 9, exposing the financial guarantees for the establishment of the allowances for expected credit losses, as opposed to IAS 39. For more information see Note 2 (3) item 3.1.

	Group	Group	Company	Company
	30/09/2018 (unaudited)	31/12/2017 (audited)	30/09/2018 (unaudited)	31/12/2017 (audited)
Provisions for:				
Onerous contracts	-	8,544	-	8,544
Other guarantee programmes	10,294	3,818	10,294	3,818
Guarantee activity	1,219	941	1,219	941
Loan guarantees to rural entrepreneurs	2,220	824	2,220	824
Guarantees *under the Mezzanine loan programme*	1,421	391	1,421	391
Housing Guarantee Programme	8,990	13	8,990	13
Total provisions	**24,144**	**14,531**	**24,144**	**14,531**
Group's / Company's share of provisions	10,982	14,531	10,982	14,531
Provisions covered by risk coverage*	13,162	-	13,162	-

*As of 1 January 2018, Group's /Company's allowances for expected credit losses disclosed at gross value, including the risk coverage amount. For more information see Note 2 (3) item 3.2.

As a result of the transition to the expected credit loss model, which is basis of IFRS 9, Group/Company has estimated allowances for expected credit losses for unutilised loan facilities:

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Total provisions for unutilized loan facilities	**1,220**	**-**	**1,220**	**-**
Group's / Company's share of provisions	88	-	88	-
Provisions covered by risk coverage	1,132	-	1,132	-

For more information see Note 2 (3) item 3.2.

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

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Provisions at the beginning of the period	5,986	7,845	5,986	7,845
Impact of IFRS 9 adaption*	6,123	-	6,123	-
Reclassification IAS 37 (Provisions for onerous contracts)**	8,544	-	8,544	-
Provisions covered by risk coverage*	2,196	-	2,196	-
Provisions as at 1 January 2018	22,849	7,845	22,849	7,845
Increase in provisions (Note 6)	8,174	3,258	8,174	3,258
Decrease in provisions (Note 6)	(6,876)	(5,101)	(6,876)	(5,101)
Currency change	(3)	(16)	(3)	(16)
Provisions at the end of the period	**24,144**	**5,986**	**24,144**	**5,986**
Group's / Company's share of provisions	10,982	5,986	10,982	5,986
Provisions covered by risk coverage	13,162	2,196***	13,162	2,196***

*For more information see Note 2 (3).

** As of adoption of IFRS 9 on 1 January 2018 the principles of establishment of provisions for financial guarantees are regulated by IFRS 9, exposing the financial guarantees for the establishment of the allowances for expected credit losses, as opposed to IAS 39. For more information see Note 2 (3) item 3.1.

*** According to the Group's/Company's estimates as at December 31, 2017 the guarantee provisions (except for provisions for onerous contracts) should amount to 8,182 thsd euros, of which 2,196 thsd euros are covered from the risk coverage amount.

17 Provisions (cont'd)

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

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Provisions at the beginning of the period	8,544	9,019	8,544	9,019
Impact of IFRS 9 adaption*	(8.544)	-	(8.544)	-
Provisions as at 1 January 2018	-	9,019	-	9,019
Increase in provisions	-	3,940	-	3,940
Decrease in provisions	-	(4,415)	-	(4,415)
Provisions at the end of the period ended	**-**	**8,544**	**-**	**8,544**
Group's / Company's share of provisions	-	8,544	-	8,544
Provisions covered by risk coverage	-	-	-	-

As of adoption of IFRS 9 on 1 January 2018 the principles of establishment of provisions for financial guarantees are regulated by IFRS 9, exposing the financial guarantees for the establishment of the allowances for expected credit losses, as opposed to IAS 39. For more information see Note 2 (3) item 3.1.

Financial guarantees, gross and net amounts:

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Maximum exposure to credit risk with regard to the off-balance sheet amount	236,895	182,376	236,895	182,376
Provisions for financial guarantees	(24,144)	(5,986)	(24,144)	(5,986)
Off-balance sheet net amount of guarantees	**212,751**	**176,390**	**212,751**	**176,390**

Unutilised loan facilities, gross and net amounts:

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Unutilised loan facilities	19,611	8,788	19,611	8,788
Provisions for unutilized loan facilities	(1,220)	-	(1,220)	-
Net amount of unutilized loan facilities	**18,391**	**8,788**	**18,391**	**8,788**

For more information on the amount of guarantees and unutilized loan facilities see Note 20.

18 Support programme funding

	Group	Group	Group	Company	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2016 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2016 (audited)
Support programme funding	**132,676**	**93,661**	**98,058**	**132,676**	**96,520**	**96,850**
State aid	**-**	**3,968**	**5,575**	**-**	**3,968**	**5,575**

Group/Company has changed the accounting methodology for Support programme funding.

For more information see Note 2 (5).

18 Support programme funding (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 Group's credit risk losses as at 31 December 2018, 31 December 2017 and 31 December 2016:

Programme	Programme funding as at 31/12/2018, EUR '000	Credit risk cover as at 31/12/2018, EUR '000	Provisions covered by risk coverage as at 31/12/2018, EUR '000	Net programme funding as at 31/12/2018, EUR '000	Programme funding as at 31/12/2017, EUR '000 (revised)	Credit risk cover as at 31/12/2017, EUR '000 (revised)	Programme funding as at 31/12/2016, EUR '000 (revised)	Credit risk cover as at 31/12/2016, EUR '000 (revised)
ERDFII	6,888	5,208	(984)	5,904	25,269	6,451	25,746	9669
ESF II	1,422	1,225	(363)	1059	6,392	2,436	9,466	3937
Microcredits of Swiss programme	5,435	1,366	(43)	5,392	5,643	1,657	5,711	2201
ERAF I	606	197	(77)	303	1,285	620	1,470	972
ESF I	380	157	(28)	578	1,008	184	987	210
Microcredits	15	-	-	15	605	3	616	5
ERAF II (second round)	5,733	1,662	(186)	5,547	5,528	2,703	5,051	3685
Incubators (from ESF II)	78	20	(2)	76	546	546	545	545
ERAF II 2 Public fund	2,396	317	(16)	2,380	2,485	960	2,485	1691
Fund of Funds and venture capital funds	24,914	19,931	-	24,914	16,424	12,699	24,207	12609
Fund of Funds programme - Start-up loans	2,283	2,282	(354)	1,929	1,316	1,079	625	513
Fund of Funds programme – Microcredits	297	297	(42)	255	257	141	80	44
Fund of Funds programme - Parallel loans	2,143	2,143	(2,044)	99	1,200	1,080	1,200	1080
Fund of Funds programme - Guarantees	14,981	14,981	(4,254)	10,727	9,500	8645	3,522	3205
EEPMB* loan fond	2,388	2,388	-	2,388	2,512	452	2,512	452
EEPMB guarantees	3,008	2,400	(530)	2,478	2,994	2,006	3,051	2044
EEPMB grants	31,305	-	-	31,305	4,856	-	-	-
Housing Guarantee Programme	6,849	6,849	(5,769)	1,080	2,849	2,849	-	-
Social Entrepreneurship Programme	302	-	-	302	-	-	-	-
Start-up State Aid Cumulation Lending Programme	1,000	1,000	(342)	658	2,000	2,000	-	-
GPLEC **	11,158	6,158	(1,090)	10,068	5,000	4,750	5,000	4,750
Other loans to start-ups	2,407	898	(94)	2,313	2,239	1,677	2,481	1,677
Mezzanine Loan Programme	3,806	3,045	(2,907)	899	4,462	3,793	5,322	4,524
Investment Fund Activity***	7,706	5,702	-	7,706	2,693	2,586	11,441	10,984
Baltic Innovation Fund***	978	489	-	978	1,420	1,420	-	-
Guarantees and interest grants programme	4,278	4,278	-	4,278	1,904	1,904	-	-
Parallel loans to large entrepreneurs	580	580	-	580	-	-	-	-
Portfolio Guarantee Fund	1,923	1,923	(42)	1,881	-	-	-	-
Parallel loans	2,000	2,000	(21)	1,979	-	-	-	-
Export guarantees	2,030	2,030	(55)	1,975	-	-	-	-
Loans for enterprises in rural territories	2,499	175	(1)	2,498	-	-	-	-
Energy Efficiency Fund	132	-	-	132	-	-	-	-
Total	**151,921**	**89,703**	**(19 245)**	**132,676**	**110,387**	**62,641**	**111,518**	**64,797**

*EEPMB – Energy Efficiency Programme for Multi-apartment Buildings
**GPLEC - Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators
***Programme funding for *Investment Fund Activity* and *Baltic Innovation Fund* has been revised for previous periods. Corrections are due to the changes of accounting methodology for venture capital funds. For more information see Note 2(5) item 5.3.

18 Support programme funding (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 31 December 2018, 31 December 2017 and 31 December 2016:

Programme	Programme funding as at 31/12/2018, EUR ‘000	Credit risk cover as at 31/12/2018, EUR ‘000	Provisions covered by risk coverage as at 31/12/2018, EUR ‘000	Net programme funding as at 31/12/2018, EUR ‘000	Programme funding as at 31/12/2017, EUR ‘000 (revised)	Credit risk cover as at 31/12/2017, EUR ‘000 (revised)	Programme funding as at 31/12/2016, EUR ‘000 (revised)	Credit risk cover as at 31/12/2016, EUR ‘000 (revised)
ERDFII	6,888	5,208	(984)	5,904	25,269	6,451	25,746	9,669
ESF II	1,422	1,225	(363)	1059	6,392	2,436	9,466	3,937
Microcredits of Swiss programme	5,435	1,366	(43)	5,392	5,643	1,657	5,711	2,201
ERAF I	606	197	(77)	303	1,285	620	1,470	972
ESF I	380	157	(28)	578	1,008	184	987	210
Microcredits	15	-	-	15	605	3	616	5
ERAF II (second round)	5,733	1,662	(186)	5,547	5,528	2,703	5,051	3,685
Incubators (from ESF II)	78	20	(2)	76	546	546	545	545
ERAF II 2 Public fund	2,396	317	(16)	2,380	2,485	960	2,485	1,691
Fund of Funds and venture capital funds	24,914	19,931	-	24,914	16,424	12,699	24,207	12,609
Fund of Funds programme - Start-up loans	2,283	2,282	(354)	1,929	1,316	1,079	625	513
Fund of Funds programme – Microcredits	297	297	(42)	255	257	141	80	44
Fund of Funds programme - Parallel loans	2,143	2,143	(2,044)	99	1,200	1,080	1,200	1,080
Fund of Funds programme - Guarantees	14,981	14,981	(4,254)	10,727	9,500	8,645	3,522	3,205
EEPMB* loan fond	2,388	2,388	-	2,388	2,512	452	2,512	452
EEPMB guarantees	3,008	2,400	(530)	2,478	2,994	2,006	3,051	2,044
EEPMB grants	31,305	-	-	31,305	4,856	-	-	-
Housing Guarantee Programme	6,849	6,849	(5,769)	1,080	2,849	2,849	-	-
Social Entrepreneurship Programme	302	-	-	302	-	-	-	-
Start-up State Aid Cumulation Lending Programme	1,000	1,000	(342)	658	2,000	2,000	-	-
GPLEC **	11,158	6,158	(1,090)	10,068	5,000	4,750	5,000	4,750
Other loans to start-ups	2,407	898	(94)	2,313	2,239	1,677	2,481	1,677
Mezzanine Loan Programme	3,806	3,045	(2,907)	899	4,462	3,793	5,322	4,524
Investment Fund Activity***	7,706	5,702	-	7,706	2,704	2,596	10,232	9,823
Baltic Innovation Fund***	978	489	-	978	1,420	1,420	-	-
Guarantees and interest grants programme	4,278	4,278	-	4,278	1,904	1,904	-	-
Parallel loans to large entrepreneurs	580	580	-	580	-	-	-	-
Portfolio Guarantee Fund	1,923	1,923	(42)	1,881	-	-	-	-
Parallel loans	2,000	2,000	(21)	1,979	-	-	-	-
Export guarantees	2,030	2,030	(55)	1,975	-	-	-	-
Loans for enterprises in rural territories	2,499	175	(1)	2,498	-	-	-	-
Energy Efficiency Fund	132	-	-	132	-	-	-	-
Total	**151,921**	**89,703**	**(19,245)**	**132,676**	**110,398**	**62,651**	**110,309**	**63,636**

*EEPMB – Energy Efficiency Programme for Multi-apartment Buildings
**GPLEC - Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators
***Programme funding for *Investment Fund Activity* and *Baltic Innovation Fund* has been revised for previous periods. Corrections are due to the changes of accounting methodology for venture capital funds. For more information see Note 2(5) item 5.3.

18 Support programme funding (cont'd)

Provisions covered by risk coverage

	31/12/2018	31/12/2017	31/12/2016
Provisions for loans covered by risk coverage (Note 8)	4,951	2,557	3,105
Provisions for financial guarantees covered by risk coverage (Note 17)	13,162	2,196	1,218
Provisions for unutilised loan facilities covered by risk coverage (Note 17)	1,132	-	-
Total	**19,245**	**4,753**	**4,323**

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.

19 Reserves

Information about the Group's reserves movements below:

	Specific reserves				
	Difference recognised in Group's reorganisation reserve, EUR '000	Reserve capital for Housing Guarantee Programme, EUR '000	General reserve capital, EUR '000	Revaluation reserve of financial assets measured at fair value through other comprehensive income, EUR '000	Reserves, EUR '000
Reserves as at 31/12/2016 (audited)	(17,259)	7,195	1,829	9,092	857
Change in accounting policy (see Note 2 (5) item 5.5)	38	-	-	-	38
Reserves as at 31/12/2016 (restated)	(17,221)	7,195	1,829	9,092	895
Changes of reserves (see Note 2 (5) item 5.5)	2,394	-	-	-	2,394
Distribution of 2016 year profit of Company	-	-	4,025	-	4,025
Increase of reserve capital	-	2,500	-	-	2,500
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income (Note 22)	-	-	-	(1,161)	(1,161)
Reserves as at 31/12/2017 (restated)	**(14,827)**	**9,695**	**5,854**	**7,931**	**8,653**
Impact of IFRS 9 adoption (Note 2 (3))	-	-	-	(1,839)	(1,839)
Reserves as at 01/01/2018 (restated)	**(14,827)**	**9,695**	**5,854**	**6,092**	**6,814**
Changes of reserves	(753)	-	-	-	(753)
Distribution of 2017 year profit of Company	-	-	5,884	-	5,884
Increase of reserve capital	-	2,112	-	-	2,112
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income (Note 22)	-	-	-	(2,495)	(2,495)
Reserves as at 31/12/2018 (unaudited)	**(15,580)**	**11,807**	**11,738**	**3,597**	**11,562**

Applying the new accounting policy on investments in venture capital funds, Changes of reserves was restated for the previous periods. See more information in Note 2 (5).

19 Reserves (cont'd)

Information about the Company's reserves movements below:

	Difference recognised in Company's reorganisation reserve, EUR '000	Revaluation reserve of financial assets measured at fair value through other comprehensive income, EUR '000	Reserve capital for Housing Guarantee Programme, EUR '000	General reserve capital, EUR '000	Reserves, EUR '000
Reserves as at 31/12/2016 (audited)	(15,935)	9,092	7,195	1,829	2,181
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income (Note 22)	-	(1,161)	-	-	(1,161)
Distribution of 2016 year profit of Company	-	-	-	4,025	4,025
Increase of reserve capital	-	-	2,500	-	2,500
Reserves as at 31/12/2017 (audited)	**(15,935)**	**7,931**	**9,695**	**5,854**	**7,545**
Impact of IFRS 9 adoption (Note 2 (3))	-	(1,839)	-	-	(1,839)
Reserves as at 01/01/2018 (unaudited)	**(15,935)**	**6,092**	**9,695**	**5,854**	**5,706**
(Decrease) in revaluation reserves of financial assets measured at fair value through other comprehensive income (Note 22)	-	(2,495)	-	-	(2,495)
Distribution of 2017 year profit of Company	-	-	-	5,884	5,884
Increase of reserve capital	-	-	2,112	-	2,112
Reserves as at 31/12/2018 (unaudited)	**(15,935)**	**3,597**	**11,807**	**11,738**	**11,207**

20 Off-balance sheet items and contingent liabilities

EUR '000	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Contingent liabilities:				
outstanding guarantees	236,895	182,376	236,895	182,376
Financial commitments:				
unutilised loan facilities	19,611	8,788	19,611	8,788
commitments to venture capital funds	60,258	27,020	60,258	27,020
Total contingent liabilities	**316,764**	**218,184**	**316,764**	**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 23.

Approved funding for the venture capital funds:

	Contract period	Commitment, EUR '000	Approved funding not invested in fund as at 31/12/2018, EUR '000 (unaudited)	Approved funding not invested in fund as at 31/12/2017, EUR '000 (audited)
BaltCap LatviaVentureCapital Fund, KS	22.01.2020.	20,000	3,994	4,114
AIF Impr.Cap.Technol.Vent.Fund, KS	11.06.2020.	4,966	419	638
AIF Imprimatur Capital Seed Fund, KS	11.06.2020.	10,000	755	893
ZGI-3, KS	31.12.2020.	11,800	1,236	1,502
FlyCap Investment Fund I AIF, KS	31.12.2020.	15,000	1,484	1,875
Expansion Capital Fund AIF, KS	31.12.2020.	15,000	299	331
Baltic Innovation Fund	01.01.2029.	26,000	14,667	17,667
Overkill Ventures Fund I AIF	09.05.2026.	3,200	2,783	-
Overkill Ventures Fund II AIF	09.08.2026.	1,800	1,771	-
Buildit Latvia Seed Fund AIF	20.06.2026.	1,800	1,765	-
Buildit Latvia Pre-Seed Fund	31.06.2026.	3,200	2,697	-
Commercialization Reactor Pre-seed Fund	24.07.2026.	3,200	2,933	-
Commercialization Reactor Seed Fund	22.08.2026.	1,800	1,773	-
ZGI-4 AIF, KS	24.08.2028.	15,000	14,778	-
KS INEC 1	29.11.2028.	5,250	4,449	-
KS INEC 2	29.11.2020.	4,500	4,456	-
Kopā		**142,516**	**60,259**	**27,020**

20 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 2018:

EUR '000	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	236,895 *	-	-	-	-	-	236,895
Financial commitments							
unutilised loan facilities	19,611	-	-	-	-	-	19,611
commitments to venture capital funds	600	2,100	4,600	10,000	38,000	4,958	60,258
Total financial commitments	20,211	2,100	4,600	10,000	38,000	4,958	79,869
Total	**257,106 ***	**2,100**	**4,600**	**10,000**	**38,000**	**4,958**	**316,764**

* According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Group / Company has been classified within maturity "Up to 1 month" thus Total financial liabilities, off-balance sheet items and contingent liabilities substantially exceeds Liquid assets with maturity of "Up to 1 month". Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses. As a consequence, the liquidity of the Group / Company is not deteriorated.

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

EUR '000	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	182,376 *	-	-	-	-	-	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	**191,600 ***	**714**	**1,676**	**3,732**	**16,246**	**4,216**	**218,184**

* According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Group / Company has been classified within maturity "Up to 1 month" thus Total financial liabilities, off-balance sheet items and contingent liabilities substantially exceeds Liquid assets with maturity of "Up to 1 month". Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses. As a consequence, the liquidity of the Group / Company is not deteriorated.

21 Cash and cash equivalents

	Group	**Group**	**Company**	**Company**
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Demand deposits with other credit institutions	128,916	100,597	128,536	100,597
Total	**128,916**	**100,597**	**128,536**	**100,597**

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

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (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*	(2,472)	(1,161)	(2,472)	(1,161)
Profit from sales	(55)	-	(55)	-
Impairment loss**	32	-	32	-
Other comprehensive income (Note 19)	(2,495)	(1,161)	(2,495)	(1,161)
Total at the end of the period	**3,597**	**7,931**	**3,597**	**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	**3,597**	**6,092**	**3,597**	**6,092**

* For more information see Note 2 (5).

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

23 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, Audit Committee and the Management Board of the Company amounted to EUR 625 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.

23 Related party transactions (cont'd)

The following table provides information regarding the Group:

Legal tittle	Legal address	Investment % in share capital	Classification
Ieguldījumi asociētos uzņēmumos			
KS Otrais Eko Fonds	Darza street 2, Riga, LV-1007	33	Associate
KS Baltcap Latvia Venture Capital Fund	Jaunmoku street 34, Riga, Latvia, LV-1046	67	Associate
KS Imprimatur Capital Technology Venture Fund	Elizabetes street 85a-18, Riga, Latvia, LV-1050	67	Associate
KS Imprimatur Capital Seed Fund	Elizabetes street 85a-18, Riga, Latvia, LV-1050	100	Associate
KS ZGI-3	Daugavgrivas street 21, Riga, Latvia, LV-1048	95	Associate
KS FlyCap investment Fund	Matrozu street 15A, Riga, Latvia, LV-1048	95	Associate
KS Expansion Capital fund	Kr. Barona stret 32-7, Riga, Latvia, LV-1011	95	Associate
Baltic Innovation Fund	Eiropean Investment Fund, 37B, avenue J.F. Kennedy, L-2968 Luxembourg	20	Associate
Overkill Ventures Fund I AIF	Dzirnavu street 105, Riga, Latvia, LV-1011	100	Subsidiary
Overkill Ventures Fund II AIF	Dzirnavu street 105, Riga, Latvia, LV-1011	80	Associate
Buildit Latvia Seed Fund AIF	Sporta street 2, Riga, Latvia, LV-1013	80	Associate
Buildit Latvia Pre-Seed Fund AIF	Sporta street 2, Riga, Latvia, LV-1013	100	Subsidiary
Commercialization Reactor Pre-seed Fund	Brivibas gatve 300 -9, Riga, Latvia	100	Subsidiary
Commercialization Reactor Seed Fund	Brivbas gatve 300 -9, Rīga, Latvia	80	Associate
ZGI-4 AIF	Daugavgrivas street 21, Riga, Latvia, LV-1048	60	Associate
KS INEC 1	Kr. Barona stret 32-7, Riga, Latvia, LV-1011	75	Subsidiary
KS INEC 2	Kr. Barona stret 32-7, Riga, Latvia, LV-1011	90	Subsidiary
Alternative investment funds controlled 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, Rīga, Latvia, LV-1010	100	

The above disclosed classification of venture capital fund as subsidiary or associate is only for purposes of financial accounting.

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

		Received State aid funding, EUR '000	Issued State aid funding or funding paid back, EUR '000
Transactions with shareholders: Ministry of Finance	31/12/2018	-	-
	31/12/2017	-	(336)
Ministry of Economics	31/12/2018	2,112	-
	31/12/2017	5,349	(217)
Associates: Venture capital funds	31/12/2018	4,553	(6,821)
	31/12/2017	3,030	(3,998)
Other companies owned by Group's shareholders: Rural Support Service	31/12/2018	-	-
	31/12/2017	-	(3,304)
Central Finance and Contracting Agency	31/12/2018	28,000	-
	31/12/2017	4,946	-

Assessing the value of *Assets held for sale,* the revaluation result of the year 2018 measured at fair value as at 31 December 2018, is included in the Group's profit or loss calculation for 408 thsd euro and in the Company's profit or loss calculation – for 778 thsd euro (Note 5).

23 Related party transactions (cont'd)

The Group's balances from transactions with related parties, including off-balance sheet financial liabilities, as at 31 December 2018 and 31 December 2017 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 subsidiaries, EUR '000
Due from other credit institutions and Treasury (Note 7)	31.12.2018.	-	-	-	-	380
	31.12.2017.	-	-	-	-	-
Financial assets at fair value through profit or loss	31.12.2018.	-	-	-	-	1,160
	31.12.2017.	-	-	-	-	-
Investments in venture capital funds – associates (Note 9)	31.12.2018.	-	-	56,164	-	-
	31.12.2017.	-	-	53,292	-	-
	31.12.2017.	-	-	(140)	-	-
Loans (Note 8)	31.12.2017.	-	-	-	-	282
	31.12.2017.	-	-	-	-	-
Assets held for sale (Note 13)	31.12.2018.	11,343	-	-	-	-
	31.12.2017.	12,935	-	-	-	-
Due to general governments	31.12.2018.	-	-	-	7,171	-
	31.12.2017.	-	-	-	9,686	-
Support programme funding un state aid (Note 18)*	31.12.2018.	-	107,762		23,422	1,492
	31.12.2017.	-	87,267	-	10,362	-
Liabilities directly associated with assets held for sale	31.12.2018.	-	-	-	-	-
	31.12.2017.	2,000	-	-	-	-
Other liabilities	31.12.2018.	-	-	-	-	64
	31.12.2017.	-	-	-	-	-
Non-controlling interest	31.12.2018.	-	-	-	-	266
	31.12.2017.	-	-	-	-	-
Off-balance sheet financial liabilities for venture capital funds (Note 20)	31.12.2018.	-	-	43,952	-	16,306
	31.12.2017.	-	-	27,020	-	-

*Item Support programme funding un state aid was restated for the previous period. See Note 2 (5) for details.

The Company's balances from transactions with related parties, including off-balance sheet financial liabilities, as at 31 December 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 (Note 9)	31.12.2018.	-	-	56,164	-
	31.12.2017.	-	-	53,292	-
	31.12.2017.	-	-	(140)	-
Investments in subsidiaries (Note 14)	31.12.2018.	-	-	-	-
	31.12.2017.	-	-	-	-
Due to general governments	31.12.2018.	-	-	-	7,171
	31.12.2017.	-	-	-	9,685
Support programme funding and State aid (Note 18)*	31.12.2018.	-	107,762		23,422
	31.12.2017.	-	90,126	-	10,362
Off-balance sheet financial liabilities for venture capital funds (Note 20)	31.12.2018.	-	-	43,952	-
	31.12.2017.	-	-	27,020	-

*Item Support programme funding un state aid was restated for the previous period. See Note 2 (5) for details.

24 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	Copany
	31/12/2018 (unaudited)	31/12/2017 (restated)	31/12/2018 (unaudited)	31/12/2017 (restated)
Assets exposed to credit risk				
Due from other credit institutions and the Treasury	137,026	109,594	136,646	109,594
Financial assets at fair value through other comprehensive income - investment securities	50,389	61,760	50,389	61,760
Financial assets at amortised cost:				
Investment securities	467	443	467	443
Loans and receivables	197,755	192,147	197,473	192,147
Investments in venture capital funds	56,164	53,152	56,164	53,152
Other assets	24,314	3,886	24,314	3,886
Total	**466,115**	**420,982**	**465,453**	**420,982**

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Off-balance sheet items exposed to credit risk				
Contingent liabilities (Note 20)	236,895	182,376	236,895	182,376
Financial commitments (Note 20)	79,869	35,808	79,869	35,808
Total	**316,764**	**218,184**	**316,764**	**218,184**

As at 31 December 2018, a part of the Group/Company assets amounting to EUR 76,402 thousand were pledged. Detailed information on the loan agreements concluded by the Group/Company as at 31 December 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 38,215 thousand (2017: EUR 32,201 thousand).

As at 31 December 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 38,187 thousand was issued to secure the Group's/Company's loan from EIB (Note 15).

Detailed information on commercial pledges stemming from the signed loan agreements, the funding under which was not used, as at 31 December 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 has 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 has not started to use the Treasury's loan as yet.

24 Maximum exposure to credit risk (cont'd)

Transactions with derivatives, effective as at 31 December 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.

25 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:

	31/12/2018 (unaudited)		31/12/2017 (restated)	
	Carrying amount, EUR '000	**Fair value, EUR '000**	**Carrying amount, EUR '000**	**Fair value, EUR '000**
Assets				
Due from other credit institutions and Treasury	137,026	137,007	109,594	109,594
Financial assets at fair value through profit or loss	1,160	1,160	142	142
Financial assets at fair value through other comprehensive income - investment securities	50,389	50,389	61,760	61,760
Financial assets at amortised cost:				
Investment securities	467	1,148	443	1,208
Individuals	23,485	23,387	21,635	21,597
Companies	174,270	173,014	170,512	169,699
Loans and receivables	197,755	196,401	192,147	191,296
Assets held for sale	11,343	11,343	12,935	12,935
Investments in venture capital funds – associates (investments in BIF)	10,337	10,337	8,394	8,394
Investment properties	14,794	14,794	10,808	10,808
Other assets	24,314	24,314	3,886	3,886
Total assets	**447,585**	**446,893**	**400,109**	**400,023**
Liabilities				
Due to credit institutions	38,245	38,245	46,933	46,933
Financial liabilities at fair value through profit or loss – derivatives	2	2	-	-
Due to general governments	48,110	47,370	43,609	42,103
Financial liabilities at amortised cost - Issued debt securities	29,943	29,943	19,852	19,852
Liabilities directly associated with assets held for sale	-	-	2,000	2,000
Provisions	25,364	25,364	14,531	14,531
Support programme funding	132,676	132,676	93,661	93,661
Total liabilities	**274,340**	**273,600**	**220,586**	**219,080**

Information for the fair value of the Group's assets and liabilities as at 31 December 2017 has been restated considering the change of accounting policy in respect of investments in venture capital funds. For more information see Note 2 (5).

25 Fair values of assets and liabilities (cont'd)

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:

	31/12/2018 (unaudited)		31/12/2017 (restated)	
	Carrying amount, EUR '000	**Fair value, EUR '000**	**Carrying amount, EUR '000**	**Fair value, EUR '000**
Assets				
Due from other credit institutions and Treasury	136,646	136,627	109,594	109,594
Financial assets at fair value through profit or loss	-	-	142	142
Financial assets at fair value through other comprehensive income - investment securities	50,389	50,389	61,760	61,760
Financial assets at amortised cost:				
Investment securities	467	1,148	443	1,208
Individuals	23,451	23,353	21,635	21,597
Companies	174,022	172,766	170,512	169,699
Loans and receivables	197,473	196,119	192,147	191,296
Assets held for sale	11,343	11,343	10,565	10,565
Investments in venture capital funds – associates (investments in BIF)	10,337	10,337	8,394	8,394
Investments in subsidiaries	1,492	1,492	-	-
Investment properties	14,794	14,794	10,808	10,808
Other assets	24,314	24,314	3,886	3,886
Total assets	**447,255**	**446,563**	**397,739**	**397,653**
Liabilities				
Due to credit institutions	38,245	38,245	46,933	46,933
Financial liabilities at fair value through profit or loss – derivatives	2	2	-	-
Due to general governments	48,110	47,370	43,609	42,103
Financial liabilities at amortised cost - Issued debt securities	29,943	29,943	19,852	19,852
Provisions	25,364	25,364	14,531	14,531
Support programme funding	132,676	132,676	96,520	96,520
Total liabilities	**274,340**	**273,600**	**221,445**	**219,939**

Information for the fair value of the Company's assets and liabilities as at 31 December 2017 has been restated considering the change of accounting policy in respect of investments in venture capital funds. For more information see Note 2 (5).

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.

25 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 31 December 2018:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss	-	-	1,160	1,160
Financial assets at fair value through other comprehensive income - investment securities	36,344	14,045	-	50,389
Assets held for sale	-	-	11,343	11,343
Investments in venture capital funds – associates (investments in BIF)	-	-	10,337	10,337
Investment properties	-	-	14,794	14,794
Assets with fair values disclosed				
Due from other credit institutions and Treasury	132,026	-	4,981	137,007
Financial assets at amortised cost				
Investment securities	-	1,148	-	1,148
Loans and receivables	-	-	196,401	196,401
Other assets	-	-	24,314	24 314
Total assets	**168,370**	**15,193**	**263,330**	**446,893**
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss – derivatives	-	2	-	2
Liabilities directly associated with assets held for sale	-	-	-	-
Provisions	-	-	25,364	25,364
Support programme funding	-	-	132,676	132,676
Liabilities with fair value disclosed				
Due to credit institutions	-	-	38,245	38,245
Due to general governments	-	-	47,370	47,370
Financial liabilities at amortised cost - Issued debt securities	-	-	29,943	29,943
Total liabilities	**-**	**2**	**273,598**	**273,600**

25 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 31 December 2017:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through other comprehensive income - investment securities	37,723	24,037	-	61,760
Financial assets at fair value through profit or loss - derivatives	-	142	-	142
Assets held for sales	-	-	10,565	10,565
Investments in venture capital funds – associates (investments in BIF)	-	-	8,394	8,394
Investments in subsidiaries	-	-	-	-
Investment properties	-	-	10,808	10,808
Assets with fair values disclosed				
Due from other credit institutions and Treasury	100,594	-	9,000	109,594
Financial assets at amortised cost				
Investment securities	-	1,208	-	1,208
Loans and receivables	-	-	191,296	191,296
Other assets	-	-	3,886	3,886
Total assets	**138,317**	**25,387**	**233,949**	**397,653**
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss – derivatives	-	-	-	-
Provisions	-	-	14,531	14,531
Liabilities with fair value disclosed				
Due to credit institutions	-	-	46,933	46,933
Due to general governments	-	-	42,103	42,103
Financial liabilities at amortised cost - Issued debt securities	-	-	19,852	19,852
Support programme funding	-	-	96,520	96,520
Total liabilities	**-**	**-**	**219,939**	**219,939**

Information for the fair value of the Group's assets and liabilities as at 31 December 2017 has been restated considering the change of accounting policy in respect of investments in venture capital funds. For more information see Note 2 (5).

25 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 31 December 2018:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income - investment securities	36,344	14,045	-	50,389
Investments in venture capital funds – associates (investments in BIF)	-	-	10,337	10,337
Investments in subsidiaries	-	-	1,492	1,492
Investment properties	-	-	14,794	14,794
Assets held for sale	-	-	11,343	11,343
Assets with fair values disclosed				-
Due from other credit institutions and Treasury	131,646	-	4,981	136,627
Financial assets at amortised cost				
Investment securities	-	1148	-	1,148
Loans and receivables	-	-	196,119	196,119
Other assets	-	-	24,314	24,314
Total assets	**167,990**	**15,193**	**263,380**	**446,563**
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss – derivatives	-	2	-	2
Provisions	-	-	25,364	25,364
Support programme funding	-	-	132,676	132,676
Liabilities with fair value disclosed				
Due to credit institutions	-	-	38,245	38,245
Due to general governments	-	-	47,370	47,370
Financial liabilities at amortised cost - Issued debt securities	-	-	29,943	29,943
Total liabilities	**-**	**2**	**273,598**	**273,600**

25 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 31 December 2017:

	1. līmenis	2. līmenis	3. līmenis	Kopā
Assets measured at fair value				
Financial assets at fair value through other comprehensive income - investment securities	37,723	24,037	-	61,760
Financial assets at fair value through profit or loss - derivatives	-	142	-	142
Assets held for sales	-	-	10,565	10,565
Investments in venture capital funds – associates (investments in BIF)	-	-	8,394	8,394
Investments in subsidiaries	-	-	-	-
Investment properties	-	-	10,808	10,808
Assets with fair values disclosed				
Due from other credit institutions and Treasury	100,594	-	9,000	109,594
Financial assets at amortised cost				
Investment securities	-	1,208	-	1,208
Loans and receivables	-	-	191,296	191,296
Other assets	-	-	3,886	3,886
Total assets	**138,317**	**25,387**	**233,949**	**397,653**
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss – derivatives	-	-	-	-
Provisions	-	-	14,531	14,531
Liabilities with fair value disclosed				
Due to credit institutions	-	-	46,933	46,933
Due to general governments	-	-	42,103	42,103
Financial liabilities at amortised cost - Issued debt securities	-	-	19,852	19,852
Support programme funding	-	-	96,520	96,520
Total liabilities	**-**	**-**	**219,939**	**219,939**

Information for the fair value of the Company's assets and liabilities as at 31 December 2017 has been restated considering the change of accounting policy in respect of investments in venture capital funds. For more information see Note 2 (5).

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 measurement 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.

25 Fair values of assets and liabilities (cont'd)

The Group's and Company's investments in venture capital funds are classified as *Associates* or *Investments in subsidiaries*. Associate is the entity over which the Group/Company has significant influence, but no control. Significant influence is the power to participate in the financial and operating policy decisions of the investee. Subsidiary is the entity controlled by the Group/Company.

Investments in venture capital funds, except from investment in Baltic Innovation Fund, are measured using the equity method both at the Group and the Company level.

Investments in Baltic Innovation Fund are measured at fair value through profit or loss statement.

See more information on change of accounting policy regarding investments in venture capital funds in Note 2 (5).

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.

26 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 31 December 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 27 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	26,700	3,143	38,674
Due to general governments	191	764	51,406	52,361
Support programme funding	-	-	132,676	132,676
Other liabilities	-	-	3,013	3,013
Total financial liabilities	**9,022**	**27,464**	**190,238**	**226,724**
Off-balance sheet items and contingent liabilities	273,806	38,000	4,958	316,764
Total financial liabilities, off-balance items and contingent liabilities	**282,828***	**65,464**	**195,196**	**543,488**
Due from other credit institutions and the State Treasury	137,026	-	-	137,026
Investment securities	1,696	38,839	10,321	50,856
Liquid assets	**138,722**	**38,839**	**10,321**	**187,882**

* According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Group has been classified within maturity "Up to 1 year" thus Total financial liabilities, off-balance sheet items and contingent liabilities substantially exceeds Liquid assets with maturity of "Up to 1 year". Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses. As a consequence, the liquidity of the Group is not deteriorated.

26 Liquidity risk (cont'd)

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 and state aid *	-	-	97,629	97,629
Other liabilities	-	-	3,764	3,764
Total financial liabilities	**9,020**	**32,988**	**152,571**	**194,579**
Off-balance sheet items and contingent liabilities	197,722	16,247	4,215	218,184
Total financial liabilities, off-balance items and contingent liabilities	**206,742****	**49,235**	**156,786**	**412,763**
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**

* Support programme funding and state aid has been restated for the comparative period. For more information see Note 2 (5).

** According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Group has been classified within maturity "Up to 1 year" thus Total financial liabilities, off-balance sheet items and contingent liabilities substantially exceeds Liquid assets with maturity of "Up to 1 year". Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses. As a consequence, the liquidity of the Group is not deteriorated.

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 2018:

	Up to 1 year	1 to 5 years	Over 5 years and w/o date	Total
Due to other credit institutions	8,831	26,700	3,143	38,674
Due to general governments	191	764	51,406	52,361
Support programme funding	-	-	132,676	132,676
Other liabilities	-	-	3,133	3,133
Total financial liabilities	**9,022**	**27,464**	**190,358**	**226,844**
Off-balance items and contingent liabilities	273,806	38,000	4,958	316,764
Total financial liabilities, off-balance items and contingent liabilities	**282,828***	**65,464**	**195,316**	**543,608**
Due from other credit institutions and the State Treasury	136,646	-	-	136,646
Investment securities	1,696	38,839	10,321	50,856
Liquid assets	**138,342**	**38,839**	**10,321**	**187,502**

* According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Company has been classified within maturity "Up to 1 year" thus Total financial liabilities, off-balance sheet items and contingent liabilities substantially exceeds Liquid assets with maturity of "Up to 1 year". Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses. As a consequence, the liquidity of the Company is not deteriorated.

26 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 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 and state aid *	-	-	100,488	100,488
Other liabilities	-	-	3,488	3,488
Total financial liabilities	**9,020**	**32,988**	**155,154**	**197,162**
Off-balance items and contingent liabilities	197,722	16,247	4,215	218,184
Total financial liabilities, off-balance items and contingent liabilities	**206,742****	**49,235**	**159,369**	**415,346**
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**

* Support programme funding and state aid has been restated for the comparative period. For more information see Note 2 (5).

** According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Company has been classified within maturity "Up to 1 year" thus Total financial liabilities, off-balance sheet items and contingent liabilities substantially exceeds Liquid assets with maturity of "Up to 1 year". Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses. As a consequence, the liquidity of the Company is not deteriorated.

27 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 31 December 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	123,824	8,202	-	5,000	-	-	137,026
Financial assets at fair value through profit or loss	-	-	-	-	-	1,160	1,160
Investment securities	96	1,270	71	260	38,866	10,293	50,856
Loans and receivables	10,224	8,387	7,779	18,886	85,664	66,815	197,755
Assets held for sale	11,343	-	-	-	-	-	11,343
Investments in venture capital funds	746	-	-	-	45,081	10,337	56,164
Deferred expense and accrued income	158	-	-	1,958	211	-	2,327
Investment property	-	-	-	-	12,747	2,047	14,794
Property, plant and equipment	-	-	-	-	-	4,228	4,228
Intangible assets	-	-	-	-	-	1,347	1,347
Other assets	1,241	-	-	652	23 073	-	24 966
Total assets	**147,632**	**17,859**	**7,850**	**26,756**	**205,642**	**96,227**	**501,966**
Liabilities							
Due to credit institutions	-	4,398	-	4,333	26,389	3,125	38,245
Financial assets at fair value through profit or loss – derivatives	2	-	-	-	-	-	2
Due to general governments	-	1	-	-	-	48,109	48,110
Issued debt securities	109	-	-	-	-	29,834	29,943
Deferred income and accrued expense	970	185	228	253	789	586	3,011
Support programme funding and State aid	34,052	-	206	-	17,600	80,818	132,676
Liabilities directly associated with assets held for sale	-	-	-	-	-	-	-
Provisions	25,094	-	-	270	-	-	25,364
Corporate income tax liabilities	-	-	-	-	-	-	-
Other liabilities	3,196	-	-	-	-	-	3,196
Total liabilities	**63,423**	**4,584**	**434**	**4,856**	**44,778**	**162,472**	**280,547**
Net liquidity	**84,209**	**13,275**	**7,416**	**21,900**	**160,823**	**(66,204)**	**221,419**

27 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	-	796	-	-	43,962	8,394	53,152
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
Corporate income tax	-	-	-	-	-	-	-
Other assets	271	-	139	-	1,966	3,456	5,832
Total assets	**111,231**	**14,308**	**10,294**	**41,972**	**105,505**	**170,358**	**453,668**
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	58746	97,629
Liabilities directly associated with assets held for sale	-	-	-	2,000	-	-	2,000
Provisions	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**	**133,472**	**230,820**
Net liquidity	**97,458**	**9,065**	**9,724**	**26,286**	**43,429**	**36,886**	**222,848**

27 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 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	123,444	8,202	-	5,000	-	-	136,646
Investment securities	96	1,270	71	260	38,866	10,293	50,856
Loans and receivables	10,224	8,387	7,779	18,886	85,664	66,533	197,473
Derivatives	-	-	-	-	-	-	-
Assets held for sale	11,343	-	-	-	-	-	11,343
Investments in venture capital funds	746	-	-	-	45,081	10,337	56,164
Investments in subsidiaries	-	-	-	-	-	1,492	1,492
Deferred expense and accrued income	158	-	-	1,958	211	-	2,327
Investment property	-	-	-	-	12,747	2,047	14,794
Property, plant and equipment	-	-	-	-	-	4,228	4,228
Intangible assets	-	-	-	-	-	1,347	1,347
Other assets	1,241	-	-	652	23,073	-	24,966
Total assets	**147 252**	**17,859**	**7,850**	**26,756**	**205,642**	**96,277**	**501,636**
Liabilities							
Due to credit institutions	-	4,398	-	4,333	26,389	3,125	38,245
Derivatives	2	-	-	-	-	-	2
Due to general governments	-	1	-	-	-	48,109	48,110
Issued debt securities	109	-	-		-	29,834	29,943
Deferred income and accrued expense	970	185	228	253	789	586	3,011
Support programme funding and State aid	34,052	-	206	-	17,600	80,818	132,676
Provisions for off-balance sheet commitments	25,094	-	-	270	-	-	25,364
Corporate income tax liabilities	-	-	-	-	-	-	-
Other liabilities	3,133	-	-	-	-	-	3,133
Total liabilities	**63,360**	**4,584**	**434**	**4,856**	**44,778**	**162,472**	**280,484**
Net liquidity	**83,892**	**13,275**	**7,416**	**21,900**	**160,864**	**(66,195)**	**221,152**

27 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	-	796	-	-	43 962	8 394	53 152
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
Corporate income tax liabilities	-	-	-	-	-	-	-
Other assets	271	-	139	-	1,966	3,456	5,832
Assets held for sale	-	-	-	10,565	-	-	10,565
Total assets	**111,231**	**14,308**	**10,294**	**39,602**	**105,505**	**170,358**	**451,298**
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	59 567	100 488
Provisions	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**	**134,294**	**231,403**
Net liquidity	**97,628**	**9,065**	**9,724**	**32,579**	**34,835**	**36,064**	**219,895**

28 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 (restated*)	2016 (restated*)	2015 (audited)	2018 (unaudited)	2017 (restated*)
Key financial data					
Net income from interest, fees and commission (tEUR)	11,602	11,024	16,419	11,554	11,602
Profit for the period (tEUR)	8,709*	2,170*	4,924	3,919	8,709*
Cost to income ratio (CIR)	50.3%*	88,4%	55,8%	82.5%	50.3%*
Employees	230	242	282	222	230
Total assets (tEUR)	**453,668***	**443,126***	**406,918**	**501,966**	**453,668***
Tangible common equity (TCE)/total tangible managed assets (TMA)	35.1%*	35,2%*	37,3%	31.4%	35.1%*
Equity and reserves (tEUR)	222,848*	210,094*	199,610	221,419	222,848*
Total risk coverage: (tEUR)	67,583	67,705	41,021	82,266	67,583
Risk coverage reserve	62,641*	64,833*	40,662	89,703	62,641*
Risk coverage reserve used for provisions	-4,753	-4,323	-1,276	-19,244	-4,753
Portfolio loss reserve (specific reserve capital)	9,695	7,195	1,635	11,807	9,695
Liquidity ratio for 180 days**	482%*	449%	352%	247%	482%*
Financial instruments (gross value)					
Outstanding (tEUR) (by financial instrument)					
Loans	207,585	217,429	218,562	217,131	207,585
Guarantees	182,376	147,175	131,120	236,895	182,376
Venture capital funds	53,152	58,541	39,929	48,957	53,152
Total	**443,113**	**423,145**	**389,611**	**502,983**	**443,113**
Number of contracts	14,402	11,449	8,901	18,280	14,402
Volumes granted (tEUR) (by financial instrument)					
Loans	51,869	59,465	52,329	66,443***	51,869
Guarantees	68,615	56,109	50,065	88,765	68,615
Venture capital funds	2,638	21,356	18,798	4,149	2,638
Total	**123,122**	**136,929**	**121,192**	**159,357**	**123,122**
Number of contracts	4,697	4,461	2,819	5,571	4,697
Leverage for raised private funding	185%	162%	104%	162%	185%

* Due to change of accounting policy regarding investments in venture capital funds and adoption of IFRS 9 requirements that effects the accounting of public funding risk coverage the comparatives for 2017 and 2016 have been restated.
** Liquidity ratio calculation takes into account previous experience and management estimate of expected amount and timing of guarantees claims.
*** 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. 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. 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. 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.

AS ATTĪSTĪBAS FINANŠU INSTITŪCIJA ALTUM

Unaudited interim condensed financial report
for the twelve-month period ended 31 December 2018

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AS Attīstības finanšu institūcija Altum
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Fax: + 371 67820143
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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

In 2018, Development Finance Institution Altum group (hereinafter – the Group) earned a profit of EUR 3.919 million. The Group's parent company, the joint-stock company Development Finance Institution Altum (hereinafter – the Company), earned a profit of EUR 4.289 million.

Key financial and performance indicators of the Group

	2018 (unaudited)	2017 (restated*)	2016 (restated*)
Key financial data			
Net income from interest, fees and commission (tEUR)	11,554	11,602	11,024
Profit for the period (tEUR)	3,919	8,709*	2,170*
Cost to income ratio (CIR)	82.5%	50.3%*	88.4%
Employees	222	230	242
Total assets (tEUR)	501,966	453,668*	443,400*
Tangible common equity (TCE)/total tangible managed assets (TMA)	**31.4%**	**35.1%***	**36.5%***
Equity and reserves (tEUR)	221,419	222,848*	210,406*
Total risk coverage: (tEUR)	**82,266**	**67,583***	**67,669***
Risk coverage reserve	89,703	62,641*	64,797*
Risk coverage reserve used for provisions	-19,244	-4,753	-4,323
Portfolio loss reserve (specific reserve capital)	11,807	9,695	7,195
Liquidity ratio for 180 days**	247%	482%*	449%
Financial instruments (gross value)			
Outstanding (tEUR) (by financial instrument)			
Loans	217,131	207,585	217,429
Guarantees	236,895	182,376	147,175
Venture capital funds	48,957	53,152	58,570
Total	502,983	443,113	423,174
Number of contracts	18,280	14,402	11,449
Volumes issued (tEUR) (by financial instrument)			
Loans	66,443***	51,869	59,465
Guarantees	88,765	68,615	56,109
Venture capital funds	4,149	2,638	21,356
Total	159,357	123,122	136,929
Number of contracts	5,571	4,697	4,461
Leverage for raised private funding	162%	185%	162%

* Due to change of accounting policy regarding investments in venture capital funds and adoption of IFRS 9 requirements that effects the accounting of public funding risk coverage the comparatives for 2017 and 2016 have been restated.
. ** Liquidity ratio calculation takes into account previous experience and management estimate of expected amount and timing of guarantees claims.
*** Loans issued.

The figures are explained in the section "Key Financial and Performance Indicators" under Other Notes to the Group's Financial Statements.

Financial instrument portfolio

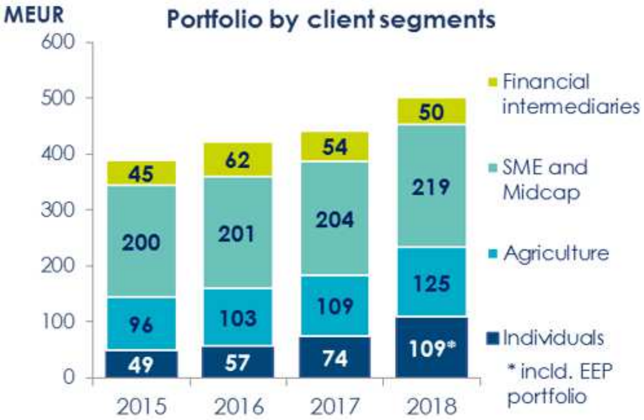
As at 31 December 2018, the Group held a portfolio of financial instruments for the total value of EUR 503 million (gross) issued for 18,280 projects under the support programmes.

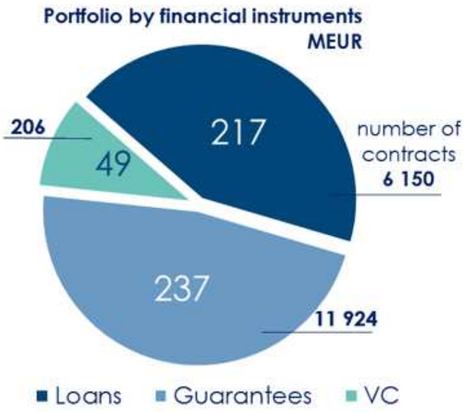
In 2018, the portfolio of the Group's financial instruments increased by 13.5% (EUR 59.9 million) in terms of volume and by 26.9% in terms of the number of projects (by 3,878 projects) vs year-end of 2017. Of the financial instruments, the guarantee portfolio had the most rapid growth by 30% in terms of volume (EUR 54.5 million) and by 48 % in terms of the number of transactions.

Already in 2Q 2018, the volume of the guarantee portfolio exceeded the loan portfolio reaching the target set in the Company's Strategy for 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 the small, medium-sized and intermediate enterprises (SME and Mid-cap companies) account for most of the portfolio. In 2018 the highest growth was in the segment of Individuals +46.7% (+EUR 34.6 million). During the reporting period, the portfolio increased also in the Agriculture segment (+EUR 16.1 million) and SME and Mid-cap segment (+EUR 14.3 million), while decreased in the segment of Financial intermediaries (-EUR 4 million).

Management report (cont'd)





Group 31/12/2018

In terms of the number of transactions, the largest increase vs year-end of 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 expanding the programme to young professionals effective as of March 2018 have given a new impetus to implementation of the programme.

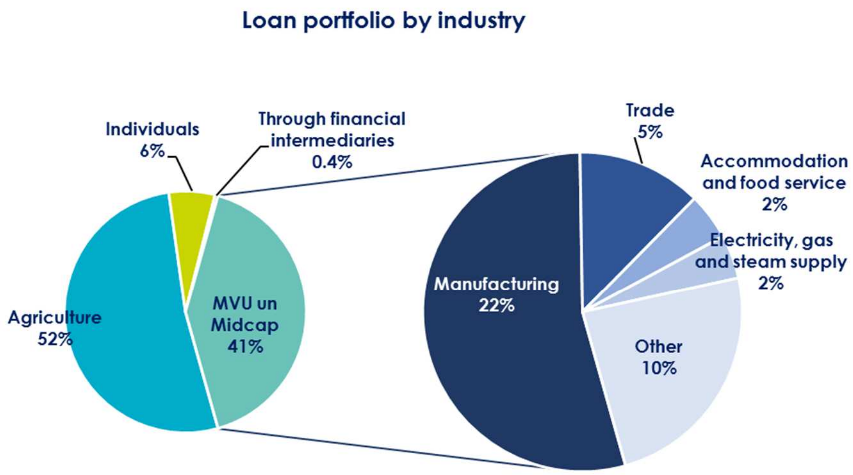
The portfolio structure of the loan and guarantee financial instruments demonstrates the priorities of the Latvian government regarding the implementation of State aid.

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 has implemented a range of lending programmes for farmers which is reflected in the structure of the loan portfolio where the segment of agriculture accounts for 52%. A considerable portion of the loan portfolio goes to manufacturing (22%) 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 (EEP).

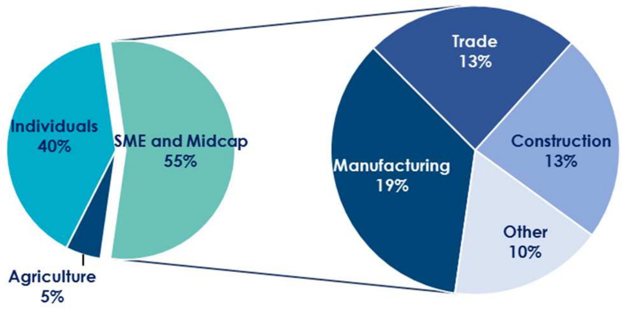
In terms of industries, the guarantees to manufacturing account for 19% of the guarantee portfolio, whereas both – trade and construction industries account for 13% each which is a substantial amount.



Group 31/12/2018

Management Report (cont'd)

Guarantee portfolio by industry



Group 31/12/2018

As at 31 December 2018, as part of the State aid for housing acquisition by families with children, the Housing Guarantee Programme had granted 10,194 guarantees worth EUR 72 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 1 March 2018, when the programme was expanded to include young professionals, up to 31 December 2018, a total of 849 guarantees worth 6 million euro were issued to young professionals.

As at 31 December 2018, the balance sheet of the Land Fund administered by the Group listed 429properties with a total land area of 7,818 ha worth EUR 21.71 million, including investment properties rented to the farmers with a total land area of 5,633 ha worth EUR 14.79 million and sales and leaseback transactions accounted for in the loan portfolio with a total land area of 2,185 ha worth EUR 6.92 million.

Volume of new transactions

During the reporting period while implementing the State aid programmes, the amount of funding issued was EUR 159.4 million (56% - guarantees, 42% - loans and 2% - investments in venture capital funds). In total, 5,464 projects were supported. Compared to the respective period of the previous year, the volume of new transactions has increased by 44% (EUR 49 million), 29% more guarantees were issued (EUR 20 million), whereas the amount of loans increased by 68% (EUR 27 million).

During the 12 months of 2018, loans for the total amount of EUR 66.4 million were issued. Out of total loans issued during 4Q 2018 totalling EUR 19.2 million the biggest volume accounts for agricultural, forestry and fishery companies – EUR 11.6 million (60% out of total volume issued) as well as manufacturing companies – EUR 3.9 million (20% out of total volume issued). In 4Q 2018 the average new loan amount has increased up to EUR 74 thousand (in 1Q and 2Q 2018 it was EUR 44 thousand, in 3Q 2018 – EUR 63 thousand).

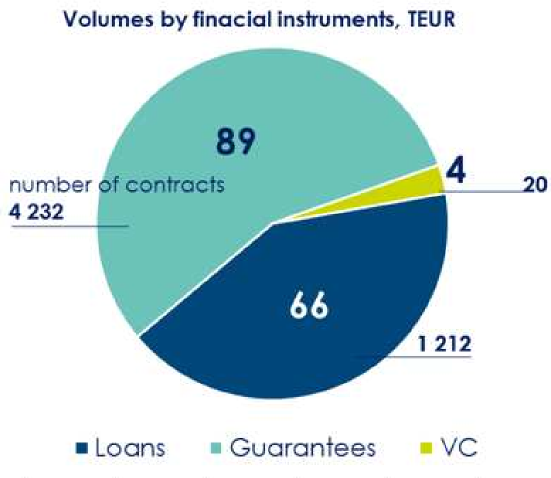
During 12 months of this year, in order to facilitate entrepreneurship, new guarantees for the total amount of EUR 49.7 million were issued to business projects. In Q4 the commercial banks have taken particular advantage of the loan guarantees when funding manufacturing, trade and construction companies, 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.

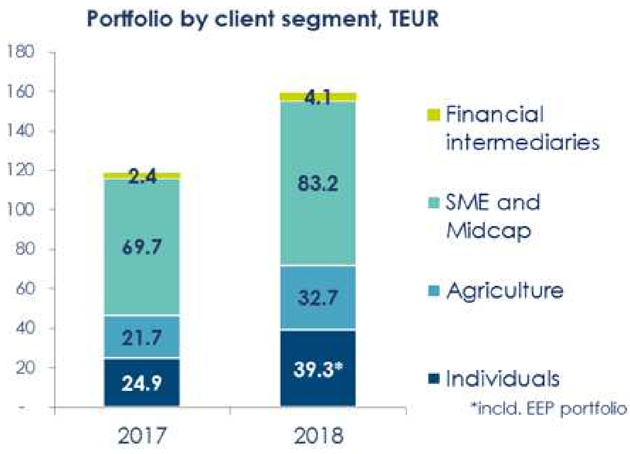
So far a total of 436 project applications for EUR 75 million have been submitted to the Energy Efficiency Programme for Multi-apartment Buildings for reviewing of which 46 projects for EUR 8.2 million were received in 4Q 2018; 336 projects for a total amount of EUR 59 million were approved of which 31 projects for EUR 5.5 million were approved in Q4. The number of projects submitted so far accounts for 39% (8% submitted during 4Q 2018) of the total number of projects planned for the entire EEP implementation period (utilisation of the funds until 2022). Within the programme, a total of 166 grants for EUR 30.9 million were given (of which in 4Q 2018 – 15 grants for EUR 3.6 million), 55 guarantees for EUR 10.4 million (in 4Q 2018 - 13 guarantees for EUR 2.2 million) and 10 Altum loans for EUR 1.6 million (in 4Q 2018 - 1 loan for EUR 0.16 million).

In year 2018 the amount of short-term export guarantees increased significantly reaching EUR 7.1 million (in the respective period of the previous year: EUR 2.9 million). The product sales increase, occurring in the first three quarters, continued into 4Q 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 effected 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 - small, medium-sized and intermediate enterprises Mid-caps - 70%, Individuals - 25% and Agriculture - 22%. Compared to 12 months period of 2017, the segment of Individuals demonstrated a 58% (EUR 14.4 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 (EEP). Agriculture and SME and Mid-caps segments demonstrated increase in new transactions of 51% (EUR 11 million) and 19% (EUR 13.5 million) respectively.

Management Report (cont'd)





Group 31/12/2018

In the segment of financial intermediaries dominated by venture capital investments, the volume of new transactions is based on the investments made by the managers of the new (4th generation) accelerator funds and venture capital funds that started to invest in the companies actively in Q4 2018. Three accelerator funds have made 18 pre-seed investments for EUR 440 thousand where Altum provided 100% of the funding, whereas the manager of the seed capital fund has made one investment where Altum's contribution amounted to EUR 750 thousand.

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 promotion of entrepreneurship and access to the funding by offering both – new guarantee products and improving the existing products.

In year of 2018 the range of the eligible recipients of the guarantee products was expanded. Now also the companies renting vehicles, personal goods, domestic hardware and appliances, producing electricity and heat and real estate developers working for the hotel and service operator will be eligible for guarantees. In view of the demand of the financial market, the Group has proposed amending the rules for granting guarantees i.e. to increase the maximum amount of the guarantee from EUR 3 million to EUR 5 million and make acquisition of capital shares eligible for guarantees. The decisions on these issues are expected to be taken in 1Q 2019.

In 2018 the credit institutions selected by Altum started to offer with great success the new guarantee product developed by Altum – portfolio guarantees. As opposed to individual guarantees, a credit institution may itself apply a portfolio guarantee instrument to its own financial services, incl. to loans of up to EUR 250 000, offering better terms to the entrepreneurs – lower interest rates and also faster receiving of the loan (probably within a couple of days).

In order to simplify implementation of the Agriculture Guarantee Programme, the Group, in co-operation with the Ministry of Agriculture, reviewed and streamlined the rules for granting guarantees to farmers, thus improving access to the funding for farmers significantly: the guarantee coverage was set at up to 80% (formerly from 50% to 80%) and uniform maximum guarantee cap – EUR 1 million (formerly from EUR 43 thousand to EUR 712 thousand) envisaging also guarantees for financial leasing.

In September 2018 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 big towns and having relatively small annual turnover (up to EUR 70 thousand). This loan product not exceeding EUR 100 thousand is intended for investments and working capital. These loans are attractive for 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.

In year 2018 significant amendments were introduced into the Programme for Acquisition of Agricultural Land - agricultural start-ups were made eligible for the loans of the programme and requirements were alleviated for the farmers whose income plummeted due to unfavourable weather (incessant rain, frost, draught).

By way of ensuring access to the funding for a broader range of clients, significant improvements were made to the SME loans for start-ups that became effective in February 2018 – the maturity of the loan was extended from 8 years to 10 years, but in the event of funding for real estate – up to 15 years, also the companies that had been in the business for less than 5 years (instead of the previous criterion of 3 years) and self-employed persons were included as eligible loan applicants.

The amendments that were made to the Cabinet of Ministers Regulation No 160 in year 2018 improved accessibility of EEP significantly and incited greater interest on the part of the implementing bodies of the projects: the amount of the eligible expenditure had been increased for each project, the repayment period of the project had been extended to 40 years.

Management Report (cont'd)

In September 2018 Altum also launched European Investment Fund (EIF) COSME and EaSI counter guarantees for loans up to EUR 25 thousand issued within the scope of following loan products – start-up loans, micro loans, funding for working capital for farmers, loans for enterprises in rural territories. The loans eligible according to the 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 compared with 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 electronically only. It speeds up the decision-making for issue of the State aid funding. Along with implementation of an entirely electronic application system the number of documents that the clients have to submit has also decreased. 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 steps of the loan application remotely and visit ALTUM only to sign the loan agreement.

In year 2018 the selection of managers for Stage 4 venture capital funds was finalised.

As of Q3 2018 the venture capital accelerator investments for very early stage companies have been made available in Latvia which is a novelty in the Latvian start-ups eco-system. In Q3 the process of stage one application and assessment of the business projects organized by the managers of all three accelerator funds was completed. Out of 641 applications 20 teams were selected. Approximately 120 feasible and sustainable business ideas will receive the planned accelerator investments within the next 3 years. The total public funding for the Group's investments in these funds would amount to EUR 15 million.

In the 2nd half-year of 2018 the investment period commenced for three Stage 4 funds: one growth venture capital fund, one seed and one start-up venture capital fund. An investment agreement was signed with one growth venture capital fund expecting the investment period for this fund to start in June 2019. The total public funding for the Group's investments in Stage 4 venture capital funds is expected to be EUR 75 million; the investments in the growth funds are expected to reach at least EUR 30 million, in the start-up and seed venture capital funds – EUR 30 million, in accelerator funds – EUR 15 million.

Continuing to work at the optimisation of the management cost of the programmes, in 2018 the Group transitioned to a new transaction accounting information system that would 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, apart from the upgrade and maintenance costs of the related infrastructure. The new system will improve the speed of information circulation and client service.

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 EUR 10 million. The investors in Latvia, Lithuania and Estonia have shown a substantial interest. Similar to the issue of bond securities by the Company in October 2017, also this time the subscribed volume exceeded the issued volume 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 82 million (as at 31 December 2018) which is available to cover the 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.

As of September 2018 compliance of customer is being assessed in a centralised manner based on the Law on Prevention of Money Laundering and Terrorism Financing and Law on International Sanctions and National Sanctions of the Republic of Latvia. Also the very process of customer compliance assessment has been automated.

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.

Management Report (cont'd)

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 being drafted for the years 2019-2021. The strategy is in the approval process.

Reinis Bērziņš
Chairman of the Board

27 February 2019

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 27 February 2019

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 11 to 59 for the period 1 January 2018 to 31 December 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 01/01/2018-31/12/2018 (unaudited)	Group 01/01/2017-31/12/2017 (restated)	Company 01/01/2018-31/12/2018 (unaudited)	Company 01/01/2017-31/12/2017 (restated)
Interest income	4	11,934	12,194	11,934	11,950
Interest expense		(763)	(820)	(763)	(819)
Net interest income		11,171	**11,374**	11,171	**11,131**
Fee and commission income		539	484	539	484
Fee and commission expense		(156)	(256)	(156)	(256)
Net income from fees and commissions		383	228	383	228
Gains less losses from trading securities and foreign exchange translation		122	(191)	122	(191)
Share of gain or (loss) of investment in joint venture and associate	9, 2.(5).	5,227	1,672	5,227	(3)
Share of gain or (loss) of investment in joint venture and associate at fair value through profit or loss	9, 2.(5).	(882)	910	(882)	910
Gains less losses from liabilities at fair value through profit or loss		(4,741)	-	(4,741)	-
Other income		2,863	7,791	3,233	7,791
Operating income before operating expenses		14,143	21,784	14,513	19,866
Staff costs		(7,375)	(6,522)	(7,375)	(6,522)
Administrative expense		(3,677)	(4,010)	(3,677)	(4,010)
Amortisation of intangible assets and depreciation of property, plant and equipment		(620)	(417)	(620)	(417)
(Impairment) loss, net	6	670	(2,001)	670	(2,001)
Gains on the revaluation of assets held for sale	5	778	-	778	-
Profit before corporate income tax		3,919	8,834	4,289	6,916
Corporate income tax		-	(125)	-	(125)
Profit for the period		**3,919**	**8,709**	**4,289**	**6,791**
Other comprehensive income: Net loss from financial assets measured at fair value through other comprehensive income	19	(2,495)	(1,161)	(2,495)	(1,161)
Total comprehensive income for the period		**1,424**	**7,548**	**1,794**	**5,630**

The accompanying notes on pages 16 through 59 form an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Board

Marina Baranovska
Chief Accountant

27 February 2019

Statement of Financial Position

All amounts in thousands of euro

	Notes	Group 31/12/2018 (unaudited)	Group 31/12/2017 (restated)	Group 31/12/2016 (restated)	Company 31/12/2018 (unaudited)	Company 31/12/2017 (restated)	Company 31/12/2016 (restated)
Assets							
Due from other credit institutions and Treasury	7	137,026	109,594	89,553	136,646	109,594	89,408
Financial assets at fair value through profit or loss	12	1,160	142	-	-	142	-
Financial assets at fair value through other comprehensive income - investment securities		50,389	61,760	64,294	50,389	61,760	64,294
Financial assets at amortised cost:							
Investment securities		467	443	1,531	467	443	1,531
Loans and receivables	8	197,755	192,147	201,250	197,473	192,147	201,250
Deferred expense		349	176	413	349	176	413
Accrued income		1,978	2,080	1,646	1,978	2,080	1,647
Assets held for sale	13	11,343	12,935	1,367	11,343	10,565	1,367
Investments in venture capital funds – associates	9	56,164	53,152	58,570	56,164	53,152	58,570
investments in subsidiaries	14	-	-	-	1,492	-	10,376
Investment property	10	14,794	10,808	17,087	14,794	10,808	4,869
Property, plant and equipment		4,228	3,828	3,507	4,228	3,828	3,507
Intangible assets		1,347	771	168	1,347	771	168
Other assets	11	24,966	5,832	4,014	24,966	5,832	3,875
Total assets		**501,966**	**453,668**	**443,400**	**501,636**	**451,298**	**441,275**
Liabilities							
Due to credit institutions	15	38,245	46,933	56,195	38,245	46,933	56,195
Financial assets at fair value through profit or loss – derivatives		2	-	854	2	-	855
Due to general governments		48,110	43,609	46,914	48,110	43,609	46,914
Financial liabilities at amortised cost - Issued debt securities	16	29,943	19,852	-	29,943	19,852	-
Deferred income		2,181	1,395	777	2,181	1,395	777
Accrued expense		830	982	1,198	830	982	1,198
Liabilities directly associated with assets held for sale		-	2,000	-	-	-	-
Provisions	17	25,364	14,531	16,864	25,364	14,531	16,864
Support programme funding	18	132,676	93,661	98,058	132,676	96,520	96,850
State aid	18	-	3,968	5,575	-	3,968	5,575
Other liabilities		3,196	3,764	6,559	3,133	3,488	4,282
Corporate Income tax liabilities		-	125	-	-	125	-
Total liabilities		280,547	230,820	232,994	280,484	231,403	229,510
Equity							
Share capital		204,862	204,862	204,862	204,862	204,862	204,862
Reserves	19	7,965	722	(8,197)	7,610	(386)	(6,911)
Reserve of disposal group classified as held for sale	22	-	1,839	-	-	1,839	-
Revaluation reserve of financial assets measured at fair value through other comprehensive income	19.,22	3,597	6,092	9,092	3,597	6,092	9,092
Non-controlling interest		266	-	-	-	-	-
Retained earnings		4,729	9,333	4,649	5,083	7,488	4,722
Total equity		221,419	222,848	210,406	221,152	219,895	211,765
Total equity and liabilities		**501,966**	**453,668**	**443,400**	**501,636**	**451,298**	**441,275**

The accompanying notes on pages 16 through 59 form an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Board
27 February 2019

Marina Baranovska
Chief Accountant

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	Non-controlling interest	Retained earnings	Total equity
As at 31 December 2016 (audited)	**204,862**	**(8,235)**	**9,092**	**-**	**-**	**4,375**	**210,094**
Change in accounting policy (see Note 2 (5) item 5.5)	-	38	-	-	-	274	274
As at 31 December 2016 (restated)	**204,862**	**(8,197)**	**9,092**	**-**	**-**	**4,649**	**210,406**
Profit for the period	-	-	-	-	-	8,709	8,709
Other comprehensive income	-	-	(1,161)	-	-	-	(1,161)
Other comprehensive income associated with assets held for sale (Note 22)	-	-	(1,839)	1,839	-	-	-
Total comprehensive income	-	-	(3,000)	1,839	-	8,709	7,548
Changes of reserves (see Note 19, Note 2 (5) item 5.5)	-	2,394	-	-	-	-	2,394
Increase of reserve capital (see Note 19)	-	2,500	-	-		-	2,500
Distribution of 2016 year profit of the Company (Note 19)	-	4,025	-	-	-	(4,025)	-
As at 31 December 2017 (restated)	**204,862**	**722**	**6,092**	**1,839**	**-**	**9,333**	**222,848**
Impact of IFRS 9 adoption (Note 2 (2) item 3)	-	-	-	(1,839)	-	(810)	(2,649)
Reclassification of distribution of 2015 year profit of the Company	-	-	-	-	-	(1,829)	(1,829)
As at 1 January 2018 (unaudited)	**204,862**	**722**	**6,092**	**-**	**-**	**6,694**	**218,370**
Profit for the period	-	-	-	-	-	3,919	3,919
Other comprehensive income associated with assets held for sale (Note 22)	-	-	(2,495)	-	-	-	(2,495)
Total comprehensive income	-	-	(2,495)	-	-	3,919	1,424
Changes of reserves (see Note 19)	-	(753)	-	-	-	-	(753)
Increase of reserve capital (see Note 19)	-	2,112	-	-	-	-	2,112
Distribution of 2017 year profit of the Company (Note 19)	-	5,884	-	-	-	(5,884)	-
Non-controlling interest	-	-	-	-	266	-	266
As at 31 December 2018 (unaudited)	**204,862**	**7,965**	**3,597**	**-**	**266**	**4,729**	**221,419**

The accompanying notes on pages 16 through 59 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**
Change in accounting policy (see Note 2 (5) item 5.5)	-	-	-	-	697	697
As at 31 December 2016 (restated)	**204,862**	**(6,911)**	**9,092**	**-**	**4,722**	**211,765**
Profit for the period (see Note 2 (5) item 5.5)	-	-	-	-	6,791	6,791
Other comprehensive income (Note 22)	-	-	(1,161)	-	-	(1,161)
Other comprehensive income associated with assets held for sale (Note 22)	-	-	(1,839)	1,839	-	-
Total comprehensive income	-	-	(3,000)	1,839	6,791	5,630
Increase of reserve capital (Note 19)	-	2,500	-	-	-	2,500
Distribution of 2016 year profit (Note 19)	-	4,025	-	-	(4,025)	-
As at 31 December 2017 (restated)	**204,862**	**(386)**	**6,092**	**1,839**	**7,488**	**219,895**
Impact of IFRS 9 adoption (Note 2 (2) item 3)	-	-	-	(1,839)	(810)	(2,649)
As at 1 January 2018 (unaudited)	**204,862**	**(386)**	**6,092**	**-**	**7,723**	**218,291**
Profit for the period	-	-	-	-	4,289	4,289
Other comprehensive income (Note 22)	-	-	(2,495)	-	-	(2,495)
Total comprehensive income	-	-	(2,495)	-	4,289	1,794
Increase of reserve capital (Note 19)	-	2,112	-	-	-	2,112
Distribution of 2017 year profit (Note 19)	-	5,884	-	-	(5,884)	-
As at 31 December 2018 (unaudited)	**204,862**	**7,610**	**3,597**	**-**	**5,083**	**221,152**

The accompanying notes on pages 16 through 59 form an integral part of these financial statements.

Statement of Cash Flows

All amounts in thousands of euro

	Notes	Group 01/01/2018-31/12/2018 (unaudited)	Group 01/01/2017-31/12/2017 (restated)	Company 01/01/2018-31/12/2018 (unaudited)	Company 01/01/2017-31/12/2017 (restated)
Profit before taxes		**3,919**	**8,709**	**4,289**	**6,791**
Amortisation of intangible assets and depreciation of property, plant and equipment		620	417	620	417
Interest income	4	(11,934)	(12,194)	(11,934)	(11,950)
Interest received		8,687	10,446	8,687	10,200
Interest expenses		763	820	763	819
Interests paid		(542)	(207)	(542)	(191)
Increase/(decrease) in provisions for impairment of loans, guarantees, other assets and investment securities measured at amortised cost	6	(670)	2001	(670)	2,001
Increase / (decrease) in share of profit in joint venture and associate capital funds	9	50	(907)	50	(907)
Increase in deferred income and accrued expense		634	402	634	591
(Decrease) in deferred expense and accrued income		(71)	(196)	(71)	(196)
Increase of cash and cash equivalents used before changes in assets and liabilities		**1,456**	**9,291**	**1,826**	**7,575**
(Increase) in other assets		(19,017)	(8,727)	(21,387)	(8,149)
Increase / (decrease) in other liabilities		33,639	(1,085)	35,309	388
Decrease in balances due from credit institutions		888	(3,998)	888	(3,998)
(Increase) / decrease in loans		(4,237)	7,149	(3,954)	7,148
Increase / (decrease) in balances due to credit institutions		(4,246)	(12,776)	(4,247)	(12,775)
Corporate income tax		-	-	-	-
Net cash flows to/ from operating activities		**8,483**	**(10,146)**	**8,435**	**(9,811)**
Cash flows to/ from investing activities					
Sale of investment securities		12,860	5,066	12,860	4,876
Purchase of property, plant and equipment and intangible assets		(1,596)	5,239	(1,596)	5,239
Purchase of investment properties	10	(3,754)	(1,342)	(3,754)	(1,342)
Sale of assets held for sale		-	(5,818)	-	(5,818)
Investments in venture capital funds	9	1,473	746	1,473	746
Investments of subsidiaries in share capital		(1,160)	-	-	-
Investments in subsidiaries	14	-	-	(1,492)	-
Net cash flows to/ from investing activities		**7,823**	**3,891**	**7,491**	**3,701**
Cash flows to/ from financing activities					
Debt securities issued		9,901	19,799	9,901	19,799
Increase in capital		2,112	2,500	2,112	2,500
Net cash flows to/ from financing activities		**12,013**	**22,299**	**12,013**	**22,299**
Increase in cash and cash equivalents		**28,319**	**16,044**	**27,939**	**16,189**
Cash and cash equivalents at the beginning of the period		100,597	84,553	100.597	84,408
Cash and cash equivalents at the end of the period	21	**128,916**	**100,597**	**128,536**	**100,597**

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 27 February 2019.

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 twelve-month period ended 31 December 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).

These condensed financial statements have been prepared based on the application requirements of IFRS 9 'Financial Instruments' that affect (i) classification of the financial assets and liabilities of the Company and Group and respectively also the carrying value, (ii) amount of provisions for value impairment of the financial instruments, (iii) carrying value of the public funding's liabilities and ensuing recorded amount of the provisions for value impairment of the financial instruments, including the provisions covered by the risk cover of the public funding and (iv) accounting for the assets held for sale. Also, considering the IFRS 9 requirements regarding the investment values of the venture capital funds as well as aspiration of the Group's management to make the financial statements of the Group and Company more transparent that would provide the users of these statements with a better understanding of the financial position and operational results of the Company and Group, it was decided to unify the accounting policies used for recording of the investments in venture capital funds in the Company's standalone and consolidated financial statements. It means that the accounting policy applied to the investments in venture capital funds in the Company's standalone financial statements was changed from cost less impairment method to equity method. See Note 2.

(2) Application of IFRS 9 "Financial Instruments"

At classification of the financial assets and liabilities according to IFRS 9 – a) measured at amortised cost, b) measured at fair value through other comprehensive income or c) measured at fair value through profit or loss – the classification was changed for items *Assets Held for Sale* and *Support Programme Funding* and *State Aid* that affected the financial result of the Group / Company.

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 as at 31/12/2018
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	1,839
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 fair value through profit or loss	(8,449)
Other financial liabilities	Measured at amortised cost	Measured at amortised cost	-

2 Summary of significant accounting policies (cont'd)

(2) Application of IFRS 9 "Financial Instruments" (cont'd)

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.

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"

3.1. Impact of the transition to IFRS 9 on impairment losses

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 and IAS 37 to IFRS 9 was a decrease in equity of EUR 1,665 thousand, arising from additional impairment allowances.

The Group's / Company's total impairment due to credit losses as at 1 January 2018 was EUR 56,158 thousand (as of 31 December 2017: EUR 43,760 thousand), which comprised EUR 29,011 thousand (as of 31 December 2017: EUR 4,753 thousand) impairment from Risk Coverage reserve (part of Support programme funding and State aid recognised as liabilities due to the government and the EU funds) and EUR 27,148 thousand (as of 31 December 2017: EUR 39,007 thousand) impairment applied to the Group / Company.

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

		31.12.2017.					
	Gross carrying amount	Allowances for credit losses					
		IAS 39			IAS 37		
		Total	Risk Coverage	Altum	Total	Risk Coverage	Altum
Due to credit institutions and the Treasury	109,594	-	-	-	-	-	-
Investment securities held to maturity	4,247	3,804	-	3,804	-	-	-
Loans and receivables	207,585	17,995	2,557	15,438	-	-	-
Other financial assets	6,588	5,201	-	5,201	-	-	-
Financial assets measured at amortised cost, total	**328,014**	**27,000**	**2,557**	**24,443**	**-**	**-**	**-**
Investment securities available for sale	61,760	33	-	33	-	-	-
Financial assets measured at fair value through other comprehensive income, total	**61,760**	**33**	**-**	**33**	**-**	**-**	**-**
Financial guarantees	**182,376**	**8,182**	**2,196**	**5,986**	**8,544**	**-**	**8,544**

2 Summary of significant accounting policies (cont'd)

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

3.1. Impact of the transition to IFRS 9 on impairment losses (cont'd)

Financial instruments to which the IFRS 9 impairment requirements are applied: (cont'd)

		01.01.2018.					
	Gross carrying amount	Allowances for credit losses					
		IFRS 9			IAS 37		
		Total	Risk Coverage	Altum	Total	Risk Coverage	Altum
Due to credit institutions and the Treasury	109,594	5	-	5	-	-	-
Investment securities held to maturity	4,247	3,804	-	3,804	-	-	-
Loans and receivables	207,586	24,064	19,652	4,412	-	-	-
Other financial assets	6,588	5,404	-	5,404	-	-	-
Financial assets measured at amortised cost, total	**328,015**	**33,277**	**19,652**	**13,625**	**-**	**-**	**-**
Investment securities available for sale	61,760	33	-	33	-	-	-
Financial assets measured at fair value through other comprehensive income, total	**61,760**	**33**	**-**	**33**	**-**	**-**	**-**
Financial guarantees	**182,376**	**22,849**	**9,359**	**13,490**	**-**	**-**	**-**

On 31 December 2017, total impairment due to credit losses applied to the Group / Company consisted of credit losses EUR 30,462 thousand measured according to IAS 39 and credit losses EUR 8,544 measured according to IAS 37, while on 1 January 2018, total impairment due to credit losses applied to the Group / Company consisted of credit losses measured only according to IFRS 9.

3.2. Programme Funding

Until 1 January 2018, the Company recognised the Programme Funding as liabilities towards the state and EU funds at amortised cost recognising the difference between the actual rate of the loan and market rate as state aid.

Although these liabilities are interest-free or have an interest rate that differs from the average market rate, they have an additional participation in the profit or loss related to the assets in which the Company has invested using these resources. The management of the Company is of the opinion that these liabilities have a different kind of interest return related to the return on the underlying assets. For the purposes of IFRS the interest return of this kind is considered as embedded derivative. As it follows from IFRS 9 Clause 4.3.5., the embedded derivatives may be recognised without separating them from the contract, together with the whole contract, at its fair value with re-measurement through profit or loss.

Considering the above, the management of the Company decided to measure the liabilities at fair value through profit or loss that would help the user of the financial statements to appraise the actual situation with maximum adequacy.

Amount of liabilities of the Group and Company. The fair value of the liability established in this manner will consist of the already carried Programmes' funding coupled with the state aid portion adjusted for the part of the future cash flow pertaining to reduction of additional payments due to value appreciation or impairment of the associated assets.

When calculating the fair value of the liabilities or Programmes' funding, an adjustment of EUR (8,449) thousand was made. As a result, EUR (7,465) thousand were attributed to the amount of the liabilities and EUR (984) thousand – to the retained earnings of the previous years.

The measurement of the liabilities at fair value affected the amount of the value impairment provisions of the Group / Company. If until 1 January 2018 the Group / Company recognised in its financial statements the value impairment provisions less the risk coverage amount, then, as of introduction of IFRS 9, the value impairment provisions are presented in gross amounts, i.e. taking into account the amount of the risk coverage. The change in the amount of the provisions affected the financial position statements of the Group / Company as at 31.12.2018, while it had no impact on the profit or loss statement of the Group / Company.

3.3. Investments of the Venture Capital Funds

In view of the IFRS 9 requirements regarding the investment values of the venture capital funds as well as aspiration of Altum's management to make Altum's financial statements more comparable that would provide the users of these statements with a better understanding of the financial position and operational results of the Company and Group, it was decided to unify the accounting policies used for recording of the investments of the venture capital funds in Altum's standalone and consolidated financial statements. It means that the accounting policy applied to the investments of the venture capital funds in Altum's standalone financial statements was changed from acquisition cost method to equity capital method.

For more on the change of the accounting policy of the venture capital investments and quantitative impact on the financial statements of the Company and Group see Item 5.4. of this Note.

2 Summary of significant accounting policies (cont'd)

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

3.4. 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 31 December 2018, is included in the Group's profit or loss calculation for 408 thsd euro and in the Company's profit or loss calculation – for 778 thsd euro. For more information see Note 5, 13 and Note 22.

At the beginning of 2018 the sale process of the assets owned by the alternative investment funds 'Hipo Latvia Real Estate Fund I' and 'Hipo Latvia Real Estate Fund II' began following the sale plan prepared by the manager of the Funds. One of the fund-owned assets was sold in August 2018, while sale of the other asset was finalised in January 2019. The said investments are classified as Disposal groups held for sale as at 31 December 2018.

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

In the 2018, the Group/Company made the first disbursements to the 4th generation venture capital funds. Part of investments made were classified as *Investments in associates*, some as *Investments in subsidiaries*.

For information on classification of the venture capital funds see Note 23.

For information on the subscribed capital of the venture capital funds see Note 20.

(5) Change in accounting policies

5.1. Investments in venture capital funds – associates, except an investment in the Baltic Innovation Fund

Before 1 January 2018, Altum's investments in venture capital funds were treated as associates which in the separate financial statements were stated at cost less any impairment in value, while in the consolidated financial statements the risk capital funds were stated under the equity method.

The equity method was based on the following principle: on its balance sheet Altum recognizes the value of venture capital funds as its proportionate share of the net asset value (NAV) of the venture capital funds. The NAV was adjusted to reflect Altum's accounting policies, i.e. IFRS. The NAV of the venture capital funds mainly consisted of the venture capital funds' investments in equity instruments and issued loans as well as of the liabilities undertaken.

Before 1 January 2018, IAS 39 Investment Instruments was in force stating, inter alia, that in case of investment funds, the investments in equity instruments should be treated as financial instruments, i.e. recognizing these investments under available-for-sale assets which were allowed to be measured at cost less any accumulated impairment when their fair values could not be reliably measured. Accordingly, Altum could use the costs included in the financial statements of venture capital funds for equity method purposes.

Since 1 January 2018, IFRS 9 Financial Instruments have been in force. According to IFRS 9, the above investments become financial assets held either at fair value through other comprehensive income or at fair value through profit or loss. In neither case, there is an option of stating the said assets at cost, unless the cost is estimated to be close to its fair value. Consequently, in calculating NAV for venture capital funds, fair values of these investments must be taken into account. The Altum's financial statements present NAV taking account of the funds' fair value adjustments, i.e. fair values of investments in equity instruments.

Considering the IFRS 9 requirements regarding the measurement of investments of venture capital funds as well as the Altum Management's readiness to make the Altum's financial statements more transparent which would concurrently give the users of the financial statements a better understanding of the Company and Group's financial position and operational performance, the Management decided to unify the policies for the accounting for investments in venture capital funds between the Altum's separate and consolidated financial statements. It means that the accounting for the investments in venture capital funds in the Altum's separate financial statements was changed from the cost less impairment method to the equity method.

2 Summary of significant accounting policies (cont'd)

(5) Change in accounting policies (cont'd)

5.2. Investments in the Baltic Innovation Fund

Before 1 January 2018, investments in the Baltic Innovation Fund (BIF) in Altum's separate financial statements were measured at cost. In the consolidated financial statements these investments were stated and measured under the equity method similarly to other investments in associates.

In 2018, coming into effect of the amendments to IAS 28 regarding the measurement of associates, in carrying out the reassessment of the BIF, it was concluded that:

- within the meaning of IAS 28, the Financial Intermediary Division of Altum and BIF correspond to the definition of a venture capital fund or comparable to it entities;
- within the meaning of IAS 28, the BIF's investments should be classified as associates;
- The BIF measures its investments at fair value through profit or loss according to IAS 39.

The above conclusions enable Altum to the exception in relation to the BIF measurement provided in IAS 28 and in its financial statements to measure BIF and its investments applying IFRS 9 and *deciding to state the respective assets at fair value through profit or loss.*

5.3. Support programme funding

The change in the accounting policies described in Sections 1 and 2 affects the item Support programme funding as well. The Group and the Company use part of the support programme funding as a Risk Coverage Reserve to compensate the change in the values of venture capital funds. The risk coverage mechanism is attributable to the 2nd and 3rd generation venture capital funds, such as *BaltCap LatviaVenture Capital Fund, Imprimatur Capital Technology Venture Fund, Imprimatur Capital Seed Fund, ZGI-3 fund, FlyCap Investment Fund I* un *Expansion Capital Fund*, and since December 2017 – also to the Baltic Innovation Fund.

The effect of the change in accounting policy described in the paragraphs above was reflected retrospectively by changing the balance / turnover in the previous period.
As of 1January 2018 the fair value of the funding of the Support Programmes established in this manner will comprise the carried liability coupled with the state aid portion adjusted for the part of the future cash flow of additional payments / reduction of payments due to value appreciation or impairment of the associated assets, i.e. the liability would be recognised to the extent that corresponds to the liability's repayment amount established for Altum.

Detailed information is provided in Note 18.

5.4. Quantitative impact of change in accounting policy

Detailed information on the amendments made is provided below:

Group, 2016		Reported as at 31/12/2016 (EUR '000)	Restatement (EUR '000)	Restated as at 31/12/2016 (EUR '000)
Restated items of the statement of financial position:	**Note**	**Group**		**Group**
Investments in venture capital funds – associates, of which:		58,296	274	58,570
Investments in VCF, excl. BIF	9.	*52,691*	*-*	*52,691*
BIF	9.	*5,605*	*274*	*5,879*
Support programme funding	18	(98,096)	(38)	(98,058)
Reserves		(8,235)	38	(8,197)
Retained earnings		**4,375**	**274**	**4,649**

Group, 2016		Initial amount in 2016 (EUR '000)	Restatement (EUR '000)	Restated amount in 2016 (EUR '000)
Restated items of statement of comprehensive income:	**Note**	**Group**		**Group**
Share of gain or (loss) of investment in joint venture and associate	Note 9: – Reversal of BIF revaluation - EUR 92 thousand; – adjustment of ZGI-3 refund amount – EUR (38) thousand.	(1,758)	54	(1,704)
Refunded from VCF	Note 9 – adjustment of ZGI-3 refund amount	(684)	38	(646)
Share of loss of investment in joint venture and associate at fair value through profit or loss	Note 9 – BIF revaluation at fair value	-	(134)	(134)
Changes in retained earnings of the reporting year		**-**	**(42)**	**-**
Retained earnings until 2016		**-**	**316**	**-**
Retained earnings for the year	Consolidated statement of changes in equity, Item Changes in accounting policy	**4,375**	**274**	**4,649**

2 Summary of significant accounting policies (cont'd)

(5) Change in accounting policies (cont'd)

5.4. Quantitative impact of change in accounting policy (cont'd)

Company, 2016		Reported as at 31/12/2016 (EUR '000)	Restatement (EUR '000)	Restated as at 31/12/2016 (EUR '000)
Restated items of the statement of financial position:	**Note**	**Company**		**Company**
Investments in venture capital funds – associates, of which:		56,722	1,848	58,570
Investments in VCF, excl. BIF	9.	*50,962*	*1,729*	*52,691*
BIF	9	*5,760*	*119*	*5,879*
Support programme funding	18	(95,699)	(1,151)	(96,850)
Retained earnings		**4,025**	**697**	**4,722**

Company, 2016		Initial amount in 2016 (EUR '000)	Restatement (EUR '000)	Restated amount in 2016 (EUR '000)
Restated items of statement of comprehensive income:	**Note**	**Company**		**Company**
Impairment loss	Note 6 – reversal of BIF impairment loss	(3)	3	-
Impairment loss	Note 6 – compensation of BIF impairment loss reversal from Support programme funding	3	(3)	-
Impairment loss	Note 6 – reversal of 2nd un 3th generation VCF impairment loss	(2,630)	2,630	-
Impairment loss	Note 6 - compensation of 2nd un 3th generation VCF impairment loss from Support programme funding	2,630	(2,630)	-
Impairment loss	Note 6 – reversal of 1st generation VCF impairment loss	(249)	249	-
Impairment loss	Note 6, 9 – increase of 2nd un 3th generation VCF impairment loss	-	(245)	(245)
Impairment loss	Note 6 – compensation of increase of 2nd un 3th generation VCF impairment loss from Support programme funding	-	245	245
Share (loss) of investment in joint venture and associate at fair value through profit or loss	Note 9 – BIF revaluation at fair value	-	(134)	(134)
Share (loss) of investment in joint venture and associate	Note 9 – revaluation of 1st, 2nd and 3rd generation VCF by equity method	-	(1,704)	(1,704)
Share of gain of investment in joint venture and associate	Revaluation result of 2nd and 3rd generation VCF was covered by Support programme funding	-	1,423	1,423
Interest income	Reversal of interest income received by the 2nd and 3rd generation VCF from Program funding	(465)	465	-
Interest income	According to the equity method, interest income received by the 1st, 2nd and 3rd generations VCF reduces the value of the VCF investment	480	(480)	-
Changes in retained earnings of the reporting year		**-**	**(181)**	**-**
Retained earnings until 2016		**-**	**868**	**-**
Retained earnings for the year	Company's statement of changes in equity, Item Changes in accounting policy	**4,025**	**697**	**4,722**

2 Summary of significant accounting policies (cont'd)

(5) Change in accounting policies (cont'd)

5.4. Quantitative impact of change in accounting policy (cont'd)

Group, 2017		Reported as at 31/12/2017 (EUR '000)	Restatement (EUR '000)	Restated as at 31/12/2017 (EUR '000)
Restated items of the statement of financial position:	**Note**	**Group**		**Group**
Investments in venture capital funds – associates, of which:		51,170	1,982	53,152
Investments in VCF, excl. BIF	9	*44,758*	-	*44,758*
BIF	9	*6,412*	*1,982*	*8,394*
Support programme funding	18	(92,041)	(1,619)	(93,661)
Reserves (the restatement relates to item Changes in the reserves)	**19**	2,398	1,676	722
Retained earnings		**-**	**2,039**	**-**
Retained earnings for 2016		**-**	**(274)**	**-**
Retained earnings for 2017		**6,945**	**1,765**	**8,709**

Group, 2017		Initial amount in 2017 (EUR '000)	Restatement (EUR '000)	Restated amount in 2017 (EUR '000)
Restated items of statement of comprehensive income:	**Note**	**Group**		**Group**
Share of gain of investment in joint venture and associate	Note 9: – Reversal of BIF revaluation – EUR 798 thousand; – Adjustment of BIF revaluation result – EUR193 thousand; – Adjustment of 2nd and 3rd generation VCF revaluation result of 2017– EUR 1,521 thousand; – Revaluation result of BIF, 2nd and 3rd generation VCF was covered by Support programme funding – EUR (1,658) thousand.	818	854	1,672
Share of loss of investment in joint venture and associate at fair value through profit or loss	Note 9 – BIF revaluation at fair value	-	910	910
Changes in retained earnings			**1,764**	

Company, 2017		Reported as at 31/12/2017 (EUR '000)	Restatement (EUR '000)	Restated as at 31/12/2017 (EUR '000)
Restated items of the statement of financial position:	**Note**	**Company**		**Company**
Investments in venture capital funds – associates, of which:		49,108	4,044	53,152
Investments in VCF, excl. BIF	9.	*41,738*	*3,020*	*44,758*
BIF	9.	*7,370*	*1,024*	*8,394*
Support programme funding	18	(94,080)	(2,440)	(96,520)
Retained earnings		**-**	**1,604**	**-**
Retained earnings for 2016		**-**	**(697)**	**-**
Retained earnings for 2017		**5,884**	**907**	**6,791**

2 Summary of significant accounting policies (cont'd)

(5) Change in accounting policies (cont'd)

5.4. Quantitative impact of change in accounting policy (cont'd)

Company, 2017		Initial amount in 2017 (EUR '000)	Restatement (EUR '000)	Restated amount in 2017 (EUR '000)
Restated items of statement of comprehensive income:	**Note**	**Company**		**Company**
Impairment loss	Note 6 – reversal of BIF impairment loss	(1,024)	1,024	-
Impairment loss	Note 6 – compensation of BIF impairment loss reversal from Support programme funding	1,024	(1,024)	-
Impairment loss	Note 6 – reversal of 2nd un 3th generation VCF impairment loss	(7,194)	7,194	-
Impairment loss	Note 6 - compensation of 2nd un 3th generation VCF impairment loss from Support programme funding	7,194	(7,194)	-
Impairment loss	Note 6, 9 – decrease of 2nd un 3th generation VCF impairment loss	-	105	105
Impairment loss	Note 6 – compensation of decrease of 2nd un 3th generation VCF impairment loss from Support programme funding	-	(105)	(105)
Share gain of investment in joint venture and associate at fair value through profit or loss	Note 9 – BIF revaluation at fair value	-	910	910
Share (loss) of investment in joint venture and associate	Note 9 – revaluation of 2nd and 3rd generation VCF by equity method	-	(5,682)	(5,682)
Share gain of investment in joint venture and associate	Revaluation result of 2nd and 3rd generation VCF was covered by Support programme funding	-	5,682	5,682
Share (loss) of investment in joint venture and associate	Note 9 – revaluation of 1st generation VCF by equity method	-	(3)	(3)
Interest income	Reversal of interest income received by the 2nd and 3rd generation VCF from Program funding	(1,245)	1,245	-
Interest income	According to the equity method, interest income received by the 1st, 2nd and 3rd generations VCF reduces the value of the VCF investment	1,245	(1,245)	
Changes in retained earnings of the reporting year			**907**	

(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 January 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
	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (restated)	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (restated)
Interest on loans and guarantees*	9,934	9,791	9,934	9,791
Interest on securities at amortised cost	25	46	25	46
Interest on securities at fair value	1,966	2,094	1,966	2,094
Other interest income	-	244	-	-
Interest on balances due from credit institutions	9	19	9	19
Interest income from venture capital funds **	-	-	-	-
Total interest income	**11,934**	**12,194**	**11,934**	**11,950**

* 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 703 thousand (2017: EUR 645 thousand).

** The Company's item *Interest income from venture capital funds* was restated for the previous period (see Note 5 (5), item 5.5.).

5 Gains on the revaluation of assets held for sale

	Group	Group	Company	Company
	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (restated)	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (restated)
Gains on the revaluation of assets held for sale*	408	-	778	-
Total	**408**	**-**	**778**	**-**

*More information is available in Note 2 (3) item 3.4.

6 Impairment losses, net

	Group		Group		Company		Company	
	01/01/2018-31/12/2018 (unaudited)		01/01/2017-31/12/2017 (restated)		01/01/2018-31/12/2018 (unaudited)		01/01/2017-31/12/2017 (restated)	
impairment losses on:	10,353		11,467		10,353		11,467	
Loans, net	4,710		5,683		4,710		5,683	
impairment losses (Note 8)		*5,917*		*5,683*		*5,917*		*5,683*
impairment losses covered by risk coverage reserve		*(1,207)*		*-*		*(1,207)*		*-*
other assets	2,616		2,526		2,616		2,526	
debt securities	-		-		-		-	
investments in venture capital funds*	-		-		-		-	
guarantees	2,939		3,258		2,939		3,258	
impairment losses (Note17)		*8,174*		*3,258*		*8,174*		*3,258*
impairment losses covered by risk coverage reserve		*(5,235)*		*-*		*(5,235)*		*-*
unutilised loan facilities	88		-		88		-	
impairment losses (Note 17)		*1,220*		*-*		*1,220*		*-*
compensation of impairment losses from risk coverage reserve		*(1,132)*		*-*		*(1,132)*		*-*
Reversal of impairment on:	(9,575)		(7,811)		(9,575)		(7,811)	
Loans, net	(2,685)		(2,112)		(2,685)		(2,112)	
reversal of impairment (Note 8)		*(3,408)*		*(2,112)*		*(3,408)*		*(2,112)*
reversal of impairment covered by risk coverage reserve		*723*		*-*		*723*		*-*
other assets	(1,231)		(467)		(1,231)		(467)	
debt securities	(215)		(130)		(215)		(130)	
investments in venture capital funds*	-		-		-		-	
guarantees	(5,444)		(5,102)		(5,444)		(5,102)	
reversal of impairment (Note17)		*(6,876)*		*(5,102)*		*(6,876)*		*(5,102)*
reversal of impairment covered by risk coverage reserve		*1,432*		*-*		*1,432*		*-*
(Income) from release of provisions for onerous contracts (guarantees)	-		(474)		-		(474)	
Recovery of loans written off in previous periods	(1,448)		(1,181)		(1,448)		(1,181)	
Total impairment losses, net	**(670)**		**2,001**		**(670)**		**2,001**	

* Company's items *Impairment losses on investments in venture capital funds and Reversal of impairment on investments in venture capital funds* were restated for the previous period. See Note 2 (5) item 5.5. for details.
** As of adoption of IFRS 9 on 1 January 2018 the principles of establishment of provisions for financial guarantees are regulated by IFRS 9, exposing the financial guarantees for the establishment of the allowances for expected credit losses, as opposed to IAS 39. For more information see Note 2 (3) item 3.1.

7 Due from other credit institutions and the Treasury

	Group	Group	Company	Company
	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (restated)	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (restated)
Due from credit institutions registered in Latvia and the Treasury	137,031	109,594	136,651	109,594
Impairment allowances	(5)	-	(5)	-
Total net	**137,026**	**109,594**	**136,646**	**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 balances due from credit institutions and the Treasury by categories as at 31 December 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	-	12,595	96,875	22,159	5,402	-	-	-	137,031
Total gross	**-**	**12,595**	**96,875**	**22,159**	**5,402**	**-**	**-**	**-**	**137,031**

The table below shows the breakdown of the Company's balances due from credit institutions and the Treasury by categories as at 31 December 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	-	12,411	96,875	21,963	5,402	-	-	-	136,651
Total gross	**-**	**12,411**	**96,875**	**21,963**	**5,402**	**-**	**-**	**-**	**136,651**

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 16).

As at 31 December 2018, the Group/Company held accounts with 4 banks and the Treasury of the Republic of Latvia.

As at 31 December 2018, the average interest rate on balances due from credit institutions was 0.012% (31 December 2017: -0.078%).

8 Loans

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

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (restated)	31/12/2018 (unaudited)	31/12/2017 (restated)
Private companies	189,549	180,833	189,267	180,833
Individuals	25,853	23,324	25,853	23,324
Financial institutions	867	2,431	867	2,431
Local governments	239	292	239	292
Public and religious institutions	623	269	623	269
Total gross loans	**217,131**	**207,585**	**216,849**	**207,585**
Impairment allowances*	(19,376)	(15,438)	(19,376)	(15,438)
Total net loans	**197,755**	**192,147**	**197,473**	**192,147**

* The increase in impairment allowances for loans was affected by the transition to IFRS 9, which includes two factors:

- transition to the expected credit loss model (see Note 2 (2) for details);
- revaluation of support programme funding (liabilities) at fair value.

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

Granted loans by industries:

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (restated)	31/12/2018 (unaudited)	31/12/2017 (restated)
Agriculture and forestry	94,954	84,124	94,954	84,124
Manufacturing	46,192	44,949	46,192	44,949
Private individuals	23,481	23,373	23,481	23,373
Other industries	21,508	14,599	21,226	14,599
Retail and wholesale	11,371	14,167	11,371	14,167
Hotels and restaurants	4,256	6,578	4,256	6,578
Electricity, gas and water utilities	3,958	5,562	3,958	5,562
Transport, warehousing and communications	1,166	1,889	1,166	1,889
Real estate	4,219	4,341	4,219	4,341
Construction	2,586	3,139	2,586	3,139
Financial intermediation	867	1,221	867	1,221
Fishing	2,334	3,352	2,334	3,352
Municipal authorities	239	293	239	293
Total gross loans	**217,131**	**207,585**	**216,849**	**207,585**

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

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (restated)	31/12/2018 (unaudited)	31/12/2017 (restated)
Number of customers	16	23	16	23
Total credit exposure of customers (EUR ‘000))	19,420	36,895	19,420	36,895
Percentage of total gross portfolio of loans	8.9%	17.7%	8.9%	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
	31/12/2018 (unaudited)	01/01/2018 (audited)	31/12/2018 (unaudited)	01/01/2018 (audited)
Credit risk has not increased significantly (Stage 1)	163,133	149,296	162,851	149,296
Credit risk has increased significantly (Stage 2)	16,597	10,349	16,597	18,349
Loans which have objective evidence of impairment (Stage 3)	37,401	47,940	37,401	39,940
Total loans gross	**217,131**	**207,585**	**216,849**	**207,585**
Impairment allowances	(19,376)	(24,064)	(19,376)	(24,064)
Total net loans	**197,755**	**183,521**	**197,473**	**183,521**

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

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Performing	178,557	171,964	178,275	171,964
Past due up to 30 days	17,565	12,062	17,565	12,062
Past due from 31 to 60 days	3,012	887	3,012	887
Past due from 61 to 90 days	618	284	618	284
Past due over 90 days	17,379	22,388	17,379	22,388
Total gross loans, without interest accrued on the loans	**217,131**	**207,585**	**216,849**	**207,585**

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

	Group	Group	Company	Company
	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (audited)	01/01/2018-31/12/2018 (unaudited)	01/01/2017-31/12/2017 (audited)
Allowances at the beginning of the period	15,438	16,179	15,438	16,179
Covered by risk coverage reserve*	2,557	-	2,557	-
Impact of IFRS 9 adoption	4,324	-	4,324	-
Allowances for accrued income	1,745	-	1,745	-
Allowances at 1 January 2018	24,064	16,179	24,064	16,179
Increase in impairment allowances (Note 6)	5,917	5,683	5,917	5,683
Decrease in impairment allowances (Note 6)	(3,408)	(2,112)	(3,408)	(2,112)
Accrued interest	-	(793)	-	(793)
Write-off of loans	(7,200)	(3,519)	(7,200)	(3,519)
Currency change	3	-	3	-
Allowances at the end of the period ended 31 December	**19,376**	**15,438**	**19,376**	**15,438**
Group's / Company's share of provisions	14,426	15,438	14,426	15,438
Provisions covered by risk coverage*	4,950	2,557**	4,950	2,557**

* As of January 1, 2018, the Group/Company has recognized the provision for impairment in gross amount, i. taking into account the amount covered by Risk Coverage reserve. See Note 2 (3) item 3.2. for details.

**According to the Group's/Company's estimates as at December 31, 2017 the loan loss provisions should amount to EUR 17,836 thousand. The Risk coverage amount available for such loan loss provisions equals to EUE 2,557 thousand.

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 18).

8 Loans (cont'd)

Information on the value of collateral (assessed at fair value as at 31 December 2018) and position against net loan portfolio is provided below:

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Real estate (loans)	155,299	151,321	155,299	151,321
Real estate (leaseback)	6,923	520	6,923	520
Movable property	22,273	26,250	22,273	26,250
Guarantees	305	238	305	238
Risk coverage of loan funds	4,950	2,557	4,950	2,557
Total collateral	**189,750**	**180,886**	**189,750**	**180,886**
Loan portfolio, gross	217,131	207,585	216,849	207,585
Provisions (only Impairment applied to the Group / Company)	(14,425)	(15,438)	(14,425)	(15,438)
Loan portfolio, net	202,706	192,147	202,424	192,147
Exposed	**6.39%**	**5.86%**	**6.26%**	**5.86%**

As at 31 December 2018, the average annual interest rate for the loan portfolio of the Group/Company was 4.15% (31 December 2017: 4.15%).

9 Investments in venture capital funds

The Group/Company has 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.

At Group level, together with transition to IFRS 9, the valuation of BIF and its *investments has been changed to investments valued fair value through profit or loss.*

At the Company level, together with transition to IFRS 9, several changes have been made in the accounting policy:

- all investments in associates, except BIF, have changed the accounting policy from the cost less impairment method to the equity method;
- valuation of BIF and its investments has been changed to *investments valued fair value through profit or loss.*

The change in the accounting policy has been made retrospectively. See Note 2 (5).

The Group's/Company's investments in associates as at 31/12/2018, based on information provided by venture capital fund managers in the 4th quarter of 2018:

		31/12/2018 (unaudited)		**31/12/2018 (unaudited)**
Company	**Country of incorporation**	**Equity per company**	**Group's/Company's share of total share capital, %**	**Carrying amount**
KS Otrais Eko Fonds	LV	2,387	33.33	746
KS Baltcap Latvia Venture Capital Fund	LV	12,541	66.67	8,361
KS Imprimatur Capital Seed Fund	LV	1,983	100	1,983
KS Imprimatur Capital Technology Venture Fund	LV	6,113	67	4,076
KS Expansion Capital Fund	LV	12,828	95.24	12,217
KS ZGI-3	LV	6,618	95.24	6,303
KS Flycap Investment Fund	LV	12,622	95.24	12,022
Baltic Innovation Fund	LU	51,686	20	10,337
Overkill Ventures Fund II AIF	LV	14	80	11
Buildit Latvia Seed Fund AIF	LV	14	80	11
Commercialization Reactor Seed Fund	LV	14	80	11
KS ZGI-4	LV	144	60	86
Total investments		**106,964**		**56,164**

9 Investments in venture capital funds (cont'd)

The movement in the Group's/Company's investments in associates in 2018:

	Investments in associates	BIF investments	Group/Company 01/01/2018-31/12/2018 Total amount (restated)
Carrying amount at the beginning of period	44,898	8,394	53,292
Invested	255	2,825	3,080
Refunded	(4,553)	-	(4,553)
Share of loss of investment in joint venture and associate (See Note 2(5))*	5,227	-	5,227
Share of loss of investment in joint venture and associate at fair value through profit or loss (See Note 2 (5))**	-	(882)	(882)
Carrying amount at the end of the period ended	45,827	10,337	56,164
Impairment	-	-	-
Net carrying amount at the end of the period	**45,827**	**10,337**	**56,164**

* The 2nd and 3rd generation risk venture funds' revaluation result of 2018 was compensated by Risk coverage reserve in amount of EUR 5,277 thousand.

** Baltic Innovation Fund's revaluation result in amount of EUR 882 thousand was covered by Risk coverage reserve.

The Group's/Company's investments in associates as at 31/12/2017:

Company	Country of Incorpo-ration	31/12/2017 (restated) Equity per company	Group's correction*	Group's/Company's share of total share capital, %	31/12/2017 (restated) Carrying amount
KS ZGI Fonds	LV	-	-	-	-
KS Otrais Eko Fonds	LV	2,387	-	33.33	796
KS Baltcap Latvia Venture Capital Fund	LV	10,272		66.67	6,848
KS Imprimatur Capital Seed Fund	LV	4,474	(24)	100	4,450
KS Imprimatur Capital Technology Venture Fund	LV	3,899	(18)	67	2,600
KS Expansion Capital Fund	LV	13,738	-	95.24	13,084
KS ZGI-3	LV	7,474	-	95.24	7,118
KS Flycap Investment Fund	LV	10,502	-	95.24	10,002
Baltic Innovation Fund	LU	41,970	-	20	8,394
Total investments		**94,716**	**(42)**	**x**	**53,292**

* Adjustment to align with Group's accounting policies.

The movement in the Group's/Company's investments in associates in 2017:

	Investments in associates	BIF investments	Group/Company 01/01/2017-31/12/2017 Total amount (restated)
Carrying amount at the beginning of period	52,936	5,879	58,815
Invested	677	1,605	2,282
Refunded	(3,030)	-	(3,030)
Share of loss of investment in joint venture and associate (See Note 2(5) item 5.5)*	(5,685)	-	(5,685)
Share of loss of investment in joint venture and associate at fair value through profit or loss (See Note 2 (5) item 5.5.)	-	910	910
Carrying amount at the end of the period ended	44,898	8,394	53,292
Impairment	(140)	-	(140)
Net carrying amount at the end of the period	**44,758**	**8,394**	**53,152**

* The 2nd and 3rd generation risk venture funds' revaluation result of 2017 was covered by Risk coverage reserve in amount of EUR 5,682 thousand. See Note 2 (5) item 5.5 for details.

9 Investments in venture capital funds (cont'd)

The Group's/Company's investments in associates as at 31/12/2016:

Company	Country of Incorpo-ration	31/12/2016 (restated) Equity per company	Group's correction*	Group's/Company's share of total share capital, %	31/12/2016 (restated) Carrying amount
KS ZGI Fonds	LV	5	-	65.07	3
KS Otrais Eko Fonds	LV	2,387	-	33.33	796
KS Baltcap Latvia Venture Capital Fund	LV	14,341	-	66.67	9,561
KS Imprimatur Capital Seed Fund	LV	7,429	(1,869)	100	5,560
KS Imprimatur Capital Technology Venture Fund	LV	6,173	(2,070)	67	2,749
KS Expansion Capital Fund	LV	13,883	-	95.24	13,222
KS ZGI-3	LV	11,195	(1,957)	95.24	8,798
KS Flycap Investment Fund	LV	12,860	-	95.24	12,247
Baltic Innovation Fund	LU	29,385	-	20	5,879
Total investments		**97,659**	**(5,896)**	**X**	**58,815**

* Adjustment to align with Group's accounting policies.

The movement in the Group's/Company's investments in associates in 2016:

	Investments in associates	BIF investments	Group/Company 01/01/2016-31/12/2016 Total amount (restated)
Carrying amount at the beginning of period	37,491	2,754	40,245
Invested	17,795	3,259	21,054
Refunded	(646)	-	(646)
Share of loss of investment in joint venture and associate (See Note 2(5) item 5.5)*	(1,704)	-	(1,704)
Share of loss of investment in joint venture and associate at fair value through profit or loss (See Note 2 (5)item 5.5.)	-	(134)	(134)
Carrying amount at the end of the period ended	52,936	5,879	58,815
Impairment	(245)	-	(245)
Net carrying amount at the end of the period	**52,691**	**5,879**	**58,570**

* The 2nd and 3rd generation risk venture funds' revaluation result of 2016 was covered by Risk coverage reserve in amount of EUR 1,423 thousand. See Note 2 (5) item 5.5 for details.

In the reporting period, the Group's / Company's expenses included:

- EUR 1,339 thousand from the risk coverage reserve used to cover management fees for the 2nd and 3rd generation venture capital funds (2017: EUR 1,521 thousand);
- Management fees for the *Baltic Innovation Fund* amounting to EUR 175 thousand (2017: EUR 193 thousand), of which EUR 121 thousand was compensated from the risk coverage reserve

The program, through which are made investments into 4nd generation venture capital funds, is based on the *Agent* accounting principle. As a result, EUR 469 thousand from the risk coverage reserve used to cover management fees for the 4nd generation venture capital funds while it had no impact on the profit or loss statement of the Group / Company.

In 2018, disbursements were made to the 4nd generation venture capital funds, some of which are classified as *Investments in subsidiaries*. See Note 2 (4) and Note 23 for more detailed information on classification.

For information on the subscribed capital of the funds see Note 20.

10 Investment properties

	Group 31/12/2018 (unaudited)	Group 31/12/2017 (audited)	Company 31/12/2018 (unaudited)	Company 31/12/2017 (audited)
Carrying amount at the beginning of period	10,808	17,087	10,808	4,869
Reclassified as assets held for sale	-	(12,218)	-	-
Acquired during the reporting period*	3,988	5,839	3,988	5,839
Disposals during the reporting period	(234)		(234)	-
Net gain from fair value adjustment	232	121	232	121
Carrying amount at the end of the period	**14,794**	**10,808**	**14,794**	**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
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Financial assets	30,349	16,735	30,349	16,735
Other assets (inventories)	652	1,946	652	1,946
Total other assets (gross)	**31,001**	**18,681**	**31,001**	**18,681**
Impairment provision for financial assets	(6,035)	(12,849)	(6,035)	(12,849)
Total other assets (net)	**24,966**	**5,832**	**24,966**	**5,832**

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

- Disbursed compensations under guarantee arrangements of EUR 5,694 thousand (2017: EUR 5,073 thousand) for which allowances of EUR 5,694 thousand were established (2017: EUR 5,073 thousand);
- Grants issued under the Energy Efficiency Programme for Multi-apartment Buildings of EUR 22,575 thousand (2017: EUR 2,772 thousand);
- Financial assets of EUR 1,142 thousand (2017: EUR 197 thousand) for which allowances of EUR 265 thousand were established (2017: EUR 122 thousand).
- Other financial assets of EUR 938 thousand (2017: EUR 1,045 thousand) for which allowances of EUR 76 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 Financial assets at fair value through profit or loss

In 2018 disbursements were made to the 4nd generation venture capital funds, part of which are classified *as investments in subsidiaries*. For more information on the classification see Note 23.

At the Group level the participation in the share capital of subsidiaries is consolidated.

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Investments by subsidiaries in the shares of companies	1,160	-	-	-
Derivatives	-	142	-	142
Total	**1,160**	**142**	**-**	**142**

13 Assets held for sale

At the reporting date the carrying value is equivalent to the fair value of the instruments

	Group	Group	Company	Company
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
“Hipo Latvia Real Estate Fund I”	10,550	9,678	10,550	9,013
“Hipo Latvia Real Estate Fund II”	793	1,257	793	1,552
Assets held for sale	**11,343**	**10,935**	**11,343**	**10,565**

For more information see Note 2 (3) item 3.4.

14 Investments in subsidiaries

In 2018 disbursements were made to the 4nd generation venture capital funds, part of which are classified *as investments in subsidiaries,* but part *as investments in associates*. For more information on the classification see Note 23.

At the Group level the investments in subsidiaries are consolidated.

Company's investments in the share capital of subsidiaries:

	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)
Overkill Ventures Fund I AIF	231	-
Buildit Latvia Pre-Seed Fund AIF	300	-
Commercialization Reactor Pre-seed Fund	141	-
KS INEC 1	787	-
KS INEC 2	33	-
Participation in the share capital of subsidiaries	**1,492**	**-**

For more information on the structure of Group see Note 23.

15 Due to credit institutions

	Group	Group	Company	Company
	31/12/2018/ (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Due to credit institutions registered in OECD countries	38,245	46,933	38,245	46,933
Total	**38,245**	**46,933**	**38,245**	**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 38,245 thousand, of which EUR 58 thousand constitutes accrued interest expenses.

During the reporting period, the Group/Company repaid EUR 8,855 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 38,187 thousand (Note 24) which is considered a parent guarantee on behalf of the Group/Company.

As at 31 December 2018, the average interest rate for the balances due to credit institutions was 0.41% (2017: 0.41%).

16 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 31/12/2018 (unaudited)	Group 31/12/2017 (audited)	Company 31/12/2018 (unaudited)	Company 31/12/2017 (audited)
LV0000802353	EUR	20,000	1,000	17.10.2017	17.10.2024	1.37	19,883	19,852	19,883	19,852
LV0000880037	EUR	10,000	1,000	07.03.2018	07.03.2025	1.3	10,060	-	10,060	-
Total issued debt securities							**29,943**	**19,852**	**29,943**	**19,852**

17 Provisions

As of adoption of IFRS 9 on 1 January 2018 the principles of establishment of provisions for financial guarantees are regulated by IFRS 9, exposing the financial guarantees for the establishment of the allowances for expected credit losses, as opposed to IAS 39. For more information see Note 2 (3) item 3.1.

	Group	Group	Company	Company
	30/09/2018 (unaudited)	31/12/2017 (audited)	30/09/2018 (unaudited)	31/12/2017 (audited)
Provisions for:				
Onerous contracts	-	8,544	-	8,544
Other guarantee programmes	10,294	3,818	10,294	3,818
Guarantee activity	1,219	941	1,219	941
Loan guarantees to rural entrepreneurs	2,220	824	2,220	824
Guarantees *under the Mezzanine loan programme*	1,421	391	1,421	391
Housing Guarantee Programme	8,990	13	8,990	13
Total provisions	**24,144**	**14,531**	**24,144**	**14,531**
Group's / Company's share of provisions	10,982	14,531	10,982	14,531
Provisions covered by risk coverage*	13,162	-	13,162	-

*As of 1 January 2018, Group's /Company's allowances for expected credit losses disclosed at gross value, including the risk coverage amount. For more information see Note 2 (3) item 3.2.

As a result of the transition to the expected credit loss model, which is basis of IFRS 9, Group/Company has estimated allowances for expected credit losses for unutilised loan facilities:

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Total provisions for unutilized loan facilities	**1,220**	**-**	**1,220**	**-**
Group's / Company's share of provisions	88	-	88	-
Provisions covered by risk coverage	1,132	-	1,132	-

For more information see Note 2 (3) item 3.2.

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

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Provisions at the beginning of the period	5,986	7,845	5,986	7,845
Impact of IFRS 9 adaption*	6,123	-	6,123	-
Reclassification IAS 37 (Provisions for onerous contracts)**	8,544	-	8,544	-
Provisions covered by risk coverage*	2,196	-	2,196	-
Provisions as at 1 January 2018	22,849	7,845	22,849	7,845
Increase in provisions (Note 6)	8,174	3,258	8,174	3,258
Decrease in provisions (Note 6)	(6,876)	(5,101)	(6,876)	(5,101)
Currency change	(3)	(16)	(3)	(16)
Provisions at the end of the period	**24,144**	**5,986**	**24,144**	**5,986**
Group's / Company's share of provisions	10,982	5,986	10,982	5,986
Provisions covered by risk coverage	13,162	2,196***	13,162	2,196***

*For more information see Note 2 (3).

** As of adoption of IFRS 9 on 1 January 2018 the principles of establishment of provisions for financial guarantees are regulated by IFRS 9, exposing the financial guarantees for the establishment of the allowances for expected credit losses, as opposed to IAS 39. For more information see Note 2 (3) item 3.1.

*** According to the Group's/Company's estimates as at December 31, 2017 the guarantee provisions (except for provisions for onerous contracts) should amount to 8,182 thsd euros, of which 2,196 thsd euros are covered from the risk coverage amount.

17 Provisions (cont'd)

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

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Provisions at the beginning of the period	8,544	9,019	8,544	9,019
Impact of IFRS 9 adaption*	(8.544)	-	(8.544)	-
Provisions as at 1 January 2018	-	9,019	-	9,019
Increase in provisions	-	3,940	-	3,940
Decrease in provisions	-	(4,415)	-	(4,415)
Provisions at the end of the period ended	**-**	**8,544**	**-**	**8,544**
Group's / Company's share of provisions	-	8,544	-	8,544
Provisions covered by risk coverage	-	-	-	-

As of adoption of IFRS 9 on 1 January 2018 the principles of establishment of provisions for financial guarantees are regulated by IFRS 9, exposing the financial guarantees for the establishment of the allowances for expected credit losses, as opposed to IAS 39. For more information see Note 2 (3) item 3.1.

Financial guarantees, gross and net amounts:

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Maximum exposure to credit risk with regard to the off-balance sheet amount	236,895	182,376	236,895	182,376
Provisions for financial guarantees	(24,144)	(5,986)	(24,144)	(5,986)
Off-balance sheet net amount of guarantees	**212,751**	**176,390**	**212,751**	**176,390**

Unutilised loan facilities, gross and net amounts:

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Unutilised loan facilities	19,611	8,788	19,611	8,788
Provisions for unutilized loan facilities	(1,220)	-	(1,220)	-
Net amount of unutilized loan facilities	**18,391**	**8,788**	**18,391**	**8,788**

For more information on the amount of guarantees and unutilized loan facilities see Note 20.

18 Support programme funding

	Group	Group	Group	Company	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2016 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2016 (audited)
Support programme funding	**132,676**	**93,661**	**98,058**	**132,676**	**96,520**	**96,850**
State aid	**-**	**3,968**	**5,575**	**-**	**3,968**	**5,575**

Group/Company has changed the accounting methodology for Support programme funding.

For more information see Note 2 (5).

18 Support programme funding (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 Group's credit risk losses as at 31 December 2018, 31 December 2017 and 31 December 2016:

Programme	Programme funding as at 31/12/2018, EUR '000	Credit risk cover as at 31/12/2018, EUR '000	Provisions covered by risk coverage as at 31/12/2018, EUR '000	Net programme funding as at 31/12/2018, EUR '000	Programme funding as at 31/12/2017, EUR '000 (revised)	Credit risk cover as at 31/12/2017, EUR '000 (revised)	Programme funding as at 31/12/2016, EUR '000 (revised)	Credit risk cover as at 31/12/2016, EUR '000 (revised)
ERDFII	6,888	5,208	(984)	5,904	25,269	6,451	25,746	9669
ESF II	1,422	1,225	(363)	1059	6,392	2,436	9,466	3937
Microcredits of Swiss programme	5,435	1,366	(43)	5,392	5,643	1,657	5,711	2201
ERAF I	606	197	(77)	303	1,285	620	1,470	972
ESF I	380	157	(28)	578	1,008	184	987	210
Microcredits	15	-	-	15	605	3	616	5
ERAF II (second round)	5,733	1,662	(186)	5,547	5,528	2,703	5,051	3685
Incubators (from ESF II)	78	20	(2)	76	546	546	545	545
ERAF II 2 Public fund	2,396	317	(16)	2,380	2,485	960	2,485	1691
Fund of Funds and venture capital funds	24,914	19,931	-	24,914	16,424	12,699	24,207	12609
Fund of Funds programme - Start-up loans	2,283	2,282	(354)	1,929	1,316	1,079	625	513
Fund of Funds programme – Microcredits	297	297	(42)	255	257	141	80	44
Fund of Funds programme - Parallel loans	2,143	2,143	(2,044)	99	1,200	1,080	1,200	1080
Fund of Funds programme - Guarantees	14,981	14,981	(4,254)	10,727	9,500	8645	3,522	3205
EEPMB* loan fond	2,388	2,388	-	2,388	2,512	452	2,512	452
EEPMB guarantees	3,008	2,400	(530)	2,478	2,994	2,006	3,051	2044
EEPMB grants	31,305	-	-	31,305	4,856	-	-	-
Housing Guarantee Programme	6,849	6,849	(5,769)	1,080	2,849	2,849	-	-
Social Entrepreneurship Programme	302	-	-	302	-	-	-	-
Start-up State Aid Cumulation Lending Programme	1,000	1,000	(342)	658	2,000	2,000	-	-
GPLEC **	11,158	6,158	(1,090)	10,068	5,000	4,750	5,000	4,750
Other loans to start-ups	2,407	898	(94)	2,313	2,239	1,677	2,481	1,677
Mezzanine Loan Programme	3,806	3,045	(2,907)	899	4,462	3,793	5,322	4,524
Investment Fund Activity***	7,706	5,702	-	7,706	2,693	2,586	11,441	10,984
Baltic Innovation Fund***	978	489	-	978	1,420	1,420	-	-
Guarantees and interest grants programme	4,278	4,278	-	4,278	1,904	1,904	-	-
Parallel loans to large entrepreneurs	580	580	-	580	-	-	-	-
Portfolio Guarantee Fund	1,923	1,923	(42)	1,881	-	-	-	-
Parallel loans	2,000	2,000	(21)	1,979	-	-	-	-
Export guarantees	2,030	2,030	(55)	1,975	-	-	-	-
Loans for enterprises in rural territories	2,499	175	(1)	2,498	-	-	-	-
Energy Efficiency Fund	132	-	-	132	-	-	-	-
Total	**151,921**	**89,703**	**(19 245)**	**132,676**	**110,387**	**62,641**	**111,518**	**64,797**

*EEPMB – Energy Efficiency Programme for Multi-apartment Buildings
**GPLEC - Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators
***Programme funding for *Investment Fund Activity* and *Baltic Innovation Fund* has been revised for previous periods. Corrections are due to the changes of accounting methodology for venture capital funds. For more information see Note 2(5) item 5.3.

18 Support programme funding (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 31 December 2018, 31 December 2017 and 31 December 2016:

Programme	Programme funding as at 31/12/2018, EUR '000	Credit risk cover as at 31/12/2018, EUR '000	Provisions covered by risk coverage as at 31/12/2018, EUR '000	Net programme funding as at 31/12/2018, EUR '000	Programme funding as at 31/12/2017, EUR '000 (revised)	Credit risk cover as at 31/12/2017, EUR '000 (revised)	Programme funding as at 31/12/2016, EUR '000 (revised)	Credit risk cover as at 31/12/2016, EUR '000 (revised)
ERDFII	6,888	5,208	(984)	5,904	25,269	6,451	25,746	9,669
ESF II	1,422	1,225	(363)	1059	6,392	2,436	9,466	3,937
Microcredits of Swiss programme	5,435	1,366	(43)	5,392	5,643	1,657	5,711	2,201
ERAF I	606	197	(77)	303	1,285	620	1,470	972
ESF I	380	157	(28)	578	1,008	184	987	210
Microcredits	15	-	-	15	605	3	616	5
ERAF II (second round)	5,733	1,662	(186)	5,547	5,528	2,703	5,051	3,685
Incubators (from ESF II)	78	20	(2)	76	546	546	545	545
ERAF II 2 Public fund	2,396	317	(16)	2,380	2,485	960	2,485	1,691
Fund of Funds and venture capital funds	24,914	19,931	-	24,914	16,424	12,699	24,207	12,609
Fund of Funds programme - Start-up loans	2,283	2,282	(354)	1,929	1,316	1,079	625	513
Fund of Funds programme – Microcredits	297	297	(42)	255	257	141	80	44
Fund of Funds programme - Parallel loans	2,143	2,143	(2,044)	99	1,200	1,080	1,200	1,080
Fund of Funds programme - Guarantees	14,981	14,981	(4,254)	10,727	9,500	8,645	3,522	3,205
EEPMB* loan fond	2,388	2,388	-	2,388	2,512	452	2,512	452
EEPMB guarantees	3,008	2,400	(530)	2,478	2,994	2,006	3,051	2,044
EEPMB grants	31,305	-	-	31,305	4,856	-	-	-
Housing Guarantee Programme	6,849	6,849	(5,769)	1,080	2,849	2,849	-	-
Social Entrepreneurship Programme	302	-	-	302	-	-	-	-
Start-up State Aid Cumulation Lending Programme	1,000	1,000	(342)	658	2,000	2,000	-	-
GPLEC **	11,158	6,158	(1,090)	10,068	5,000	4,750	5,000	4,750
Other loans to start-ups	2,407	898	(94)	2,313	2,239	1,677	2,481	1,677
Mezzanine Loan Programme	3,806	3,045	(2,907)	899	4,462	3,793	5,322	4,524
Investment Fund Activity***	7,706	5,702	-	7,706	2,704	2,596	10,232	9,823
Baltic Innovation Fund***	978	489	-	978	1,420	1,420	-	-
Guarantees and interest grants programme	4,278	4,278	-	4,278	1,904	1,904	-	-
Parallel loans to large entrepreneurs	580	580	-	580	-	-	-	-
Portfolio Guarantee Fund	1,923	1,923	(42)	1,881	-	-	-	-
Parallel loans	2,000	2,000	(21)	1,979	-	-	-	-
Export guarantees	2,030	2,030	(55)	1,975	-	-	-	-
Loans for enterprises in rural territories	2,499	175	(1)	2,498	-	-	-	-
Energy Efficiency Fund	132	-	-	132	-	-	-	-
Total	**151,921**	**89,703**	**(19,245)**	**132,676**	**110,398**	**62,651**	**110,309**	**63,636**

*EEPMB – Energy Efficiency Programme for Multi-apartment Buildings
**GPLEC - Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators
***Programme funding for *Investment Fund Activity* and *Baltic Innovation Fund* has been revised for previous periods. Corrections are due to the changes of accounting methodology for venture capital funds. For more information see Note 2(5) item 5.3.

18 Support programme funding (cont'd)

Provisions covered by risk coverage

	31/12/2018	31/12/2017	31/12/2016
Provisions for loans covered by risk coverage (Note 8)	4,951	2,557	3,105
Provisions for financial guarantees covered by risk coverage (Note 17)	13,162	2,196	1,218
Provisions for unutilised loan facilities covered by risk coverage (Note 17)	1,132	-	-
Total	**19,245**	**4,753**	**4,323**

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.

19 Reserves

Information about the Group's reserves movements below:

	Specific reserves				
	Difference recognised in Group's reorganisation reserve, EUR '000	Reserve capital for Housing Guarantee Programme, EUR '000	General reserve capital, EUR '000	Revaluation reserve of financial assets measured at fair value through other comprehensive income, EUR '000	Reserves, EUR '000
Reserves as at 31/12/2016 (audited)	(17,259)	7,195	1,829	9,092	857
Change in accounting policy (see Note 2 (5) item 5.5)	38	-	-	-	38
Reserves as at 31/12/2016 (restated)	(17,221)	7,195	1,829	9,092	895
Changes of reserves (see Note 2 (5) item 5.5)	2,394	-	-	-	2,394
Distribution of 2016 year profit of Company	-	-	4,025	-	4,025
Increase of reserve capital	-	2,500	-	-	2,500
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income (Note 22)	-	-	-	(1,161)	(1,161)
Reserves as at 31/12/2017 (restated)	**(14,827)**	**9,695**	**5,854**	**7,931**	**8,653**
Impact of IFRS 9 adoption (Note 2 (3))	-	-	-	(1,839)	(1,839)
Reserves as at 01/01/2018 (restated)	**(14,827)**	**9,695**	**5,854**	**6,092**	**6,814**
Changes of reserves	(753)	-	-	-	(753)
Distribution of 2017 year profit of Company	-	-	5,884	-	5,884
Increase of reserve capital	-	2,112	-	-	2,112
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income (Note 22)	-	-	-	(2,495)	(2,495)
Reserves as at 31/12/2018 (unaudited)	**(15,580)**	**11,807**	**11,738**	**3,597**	**11,562**

Applying the new accounting policy on investments in venture capital funds, Changes of reserves was restated for the previous periods. See more information in Note 2 (5).

19 Reserves (cont'd)

Information about the Company's reserves movements below:

	Difference recognised in Company's reorganisation reserve, EUR '000	Revaluation reserve of financial assets measured at fair value through other comprehensive income, EUR '000	Reserve capital for Housing Guarantee Programme, EUR '000	General reserve capital, EUR '000	Reserves, EUR '000
Reserves as at 31/12/2016 (audited)	(15,935)	9,092	7,195	1,829	2,181
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income (Note 22)	-	(1,161)	-	-	(1,161)
Distribution of 2016 year profit of Company	-	-	-	4,025	4,025
Increase of reserve capital	-	-	2,500	-	2,500
Reserves as at 31/12/2017 (audited)	**(15,935)**	**7,931**	**9,695**	**5,854**	**7,545**
Impact of IFRS 9 adoption (Note 2 (3))	-	(1,839)	-	-	(1,839)
Reserves as at 01/01/2018 (unaudited)	**(15,935)**	**6,092**	**9,695**	**5,854**	**5,706**
(Decrease) in revaluation reserves of financial assets measured at fair value through other comprehensive income (Note 22)	-	(2,495)	-	-	(2,495)
Distribution of 2017 year profit of Company	-	-	-	5,884	5,884
Increase of reserve capital	-	-	2,112	-	2,112
Reserves as at 31/12/2018 (unaudited)	**(15,935)**	**3,597**	**11,807**	**11,738**	**11,207**

20 Off-balance sheet items and contingent liabilities

EUR '000	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Contingent liabilities:				
outstanding guarantees	236,895	182,376	236,895	182,376
Financial commitments:				
unutilised loan facilities	19,611	8,788	19,611	8,788
commitments to venture capital funds	60,258	27,020	60,258	27,020
Total contingent liabilities	**316,764**	**218,184**	**316,764**	**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 23.

Approved funding for the venture capital funds:

	Contract period	Commitment, EUR '000	Approved funding not invested in fund as at 31/12/2018, EUR '000 (unaudited)	Approved funding not invested in fund as at 31/12/2017, EUR '000 (audited)
BaltCap LatviaVentureCapital Fund, KS	22.01.2020.	20,000	3,994	4,114
AIF Impr.Cap.Technol.Vent.Fund, KS	11.06.2020.	4,966	419	638
AIF Imprimatur Capital Seed Fund, KS	11.06.2020.	10,000	755	893
ZGI-3, KS	31.12.2020.	11,800	1,236	1,502
FlyCap Investment Fund I AIF, KS	31.12.2020.	15,000	1,484	1,875
Expansion Capital Fund AIF, KS	31.12.2020.	15,000	299	331
Baltic Innovation Fund	01.01.2029.	26,000	14,667	17,667
Overkill Ventures Fund I AIF	09.05.2026.	3,200	2,783	-
Overkill Ventures Fund II AIF	09.08.2026.	1,800	1,771	-
Buildit Latvia Seed Fund AIF	20.06.2026.	1,800	1,765	-
Buildit Latvia Pre-Seed Fund	31.06.2026.	3,200	2,697	-
Commercialization Reactor Pre-seed Fund	24.07.2026.	3,200	2,933	-
Commercialization Reactor Seed Fund	22.08.2026.	1,800	1,773	-
ZGI-4 AIF, KS	24.08.2028.	15,000	14,778	-
KS INEC 1	29.11.2028.	5,250	4,449	-
KS INEC 2	29.11.2020.	4,500	4,456	-
Kopā		**142,516**	**60,259**	**27,020**

20 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 2018:

EUR '000	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	236,895 *	-	-	-	-	-	236,895
Financial commitments							
unutilised loan facilities	19,611	-	-	-	-	-	19,611
commitments to venture capital funds	600	2,100	4,600	10,000	38,000	4,958	60,258
Total financial commitments	20,211	2,100	4,600	10,000	38,000	4,958	79,869
Total	**257,106 ***	**2,100**	**4,600**	**10,000**	**38,000**	**4,958**	**316,764**

* According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Group / Company has been classified within maturity "Up to 1 month" thus Total financial liabilities, off-balance sheet items and contingent liabilities substantially exceeds Liquid assets with maturity of "Up to 1 month". Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses. As a consequence, the liquidity of the Group / Company is not deteriorated.

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

EUR '000	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	182,376 *	-	-	-	-	-	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	**191,600 ***	**714**	**1,676**	**3,732**	**16,246**	**4,216**	**218,184**

* According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Group / Company has been classified within maturity "Up to 1 month" thus Total financial liabilities, off-balance sheet items and contingent liabilities substantially exceeds Liquid assets with maturity of "Up to 1 month". Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses. As a consequence, the liquidity of the Group / Company is not deteriorated.

21 Cash and cash equivalents

	Group	**Group**	**Company**	**Company**
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Demand deposits with other credit institutions	128,916	100,597	128,536	100,597
Total	**128,916**	**100,597**	**128,536**	**100,597**

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

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (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*	(2,472)	(1,161)	(2,472)	(1,161)
Profit from sales	(55)	-	(55)	-
Impairment loss**	32	-	32	-
Other comprehensive income (Note 19)	(2,495)	(1,161)	(2,495)	(1,161)
Total at the end of the period	**3,597**	**7,931**	**3,597**	**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	**3,597**	**6,092**	**3,597**	**6,092**

* For more information see Note 2 (5).

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

23 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, Audit Committee and the Management Board of the Company amounted to EUR 625 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.

23 Related party transactions (cont'd)

The following table provides information regarding the Group:

Legal tittle	Legal address	Investment % in share capital	Classification
Ieguldījumi asociētos uzņēmumos			
KS Otrais Eko Fonds	Darza street 2, Riga, LV-1007	33	Associate
KS Baltcap Latvia Venture Capital Fund	Jaunmoku street 34, Riga, Latvia, LV-1046	67	Associate
KS Imprimatur Capital Technology Venture Fund	Elizabetes street 85a-18, Riga, Latvia, LV-1050	67	Associate
KS Imprimatur Capital Seed Fund	Elizabetes street 85a-18, Riga, Latvia, LV-1050	100	Associate
KS ZGI-3	Daugavgrivas street 21, Riga, Latvia, LV-1048	95	Associate
KS FlyCap investment Fund	Matrozu street 15A, Riga, Latvia, LV-1048	95	Associate
KS Expansion Capital fund	Kr. Barona stret 32-7, Riga, Latvia, LV-1011	95	Associate
Baltic Innovation Fund	Eiropean Investment Fund, 37B, avenue J.F. Kennedy, L-2968 Luxembourg	20	Associate
Overkill Ventures Fund I AIF	Dzirnavu street 105, Riga, Latvia, LV-1011	100	Subsidiary
Overkill Ventures Fund II AIF	Dzirnavu street 105, Riga, Latvia, LV-1011	80	Associate
Buildit Latvia Seed Fund AIF	Sporta street 2, Riga, Latvia, LV-1013	80	Associate
Buildit Latvia Pre-Seed Fund AIF	Sporta street 2, Riga, Latvia, LV-1013	100	Subsidiary
Commercialization Reactor Pre-seed Fund	Brivibas gatve 300 -9, Riga, Latvia	100	Subsidiary
Commercialization Reactor Seed Fund	Brivbas gatve 300 -9, Rīga, Latvia	80	Associate
ZGI-4 AIF	Daugavgrivas street 21, Riga, Latvia, LV-1048	60	Associate
KS INEC 1	Kr. Barona stret 32-7, Riga, Latvia, LV-1011	75	Subsidiary
KS INEC 2	Kr. Barona stret 32-7, Riga, Latvia, LV-1011	90	Subsidiary
Alternative investment funds controlled 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, Rīga, Latvia, LV-1010	100	

The above disclosed classification of venture capital fund as subsidiary or associate is only for purposes of financial accounting.

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

		Received State aid funding, EUR '000	Issued State aid funding or funding paid back, EUR '000
Transactions with shareholders: Ministry of Finance	31/12/2018	-	-
	31/12/2017	-	(336)
Ministry of Economics	31/12/2018	2,112	-
	31/12/2017	5,349	(217)
Associates: Venture capital funds	31/12/2018	4,553	(6,821)
	31/12/2017	3,030	(3,998)
Other companies owned by Group's shareholders: Rural Support Service	31/12/2018	-	-
	31/12/2017	-	(3,304)
Central Finance and Contracting Agency	31/12/2018	28,000	-
	31/12/2017	4,946	-

Assessing the value of *Assets held for sale,* the revaluation result of the year 2018 measured at fair value as at 31 December 2018, is included in the Group's profit or loss calculation for 408 thsd euro and in the Company's profit or loss calculation – for 778 thsd euro (Note 5).

23 Related party transactions (cont'd)

The Group's balances from transactions with related parties, including off-balance sheet financial liabilities, as at 31 December 2018 and 31 December 2017 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 subsidiaries, EUR '000
Due from other credit institutions and Treasury (Note 7)	31.12.2018.	-	-	-	-	380
	31.12.2017.	-	-	-	-	-
Financial assets at fair value through profit or loss	31.12.2018.	-	-	-	-	1,160
	31.12.2017.	-	-	-	-	-
Investments in venture capital funds – associates (Note 9)	31.12.2018.	-	-	56,164	-	-
	31.12.2017.	-	-	53,292	-	-
	31.12.2017.	-	-	(140)	-	-
Loans (Note 8)	31.12.2017.	-	-	-	-	282
	31.12.2017.	-	-	-	-	-
Assets held for sale (Note 13)	31.12.2018.	11,343	-	-	-	-
	31.12.2017.	12,935	-	-	-	-
Due to general governments	31.12.2018.	-	-	-	7,171	-
	31.12.2017.	-	-	-	9,686	-
Support programme funding un state aid (Note 18)*	31.12.2018.	-	107,762		23,422	1,492
	31.12.2017.	-	87,267	-	10,362	-
Liabilities directly associated with assets held for sale	31.12.2018.	-	-	-	-	-
	31.12.2017.	2,000	-	-	-	-
Other liabilities	31.12.2018.	-	-	-	-	64
	31.12.2017.	-	-	-	-	-
Non-controlling interest	31.12.2018.	-	-	-	-	266
	31.12.2017.	-	-	-	-	-
Off-balance sheet financial liabilities for venture capital funds (Note 20)	31.12.2018.	-	-	43,952	-	16,306
	31.12.2017.	-	-	27,020	-	-

*Item Support programme funding un state aid was restated for the previous period. See Note 2 (5) for details.

The Company's balances from transactions with related parties, including off-balance sheet financial liabilities, as at 31 December 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 (Note 9)	31.12.2018.	-	-	56,164	-
	31.12.2017.	-	-	53,292	-
	31.12.2017.	-	-	(140)	-
Investments in subsidiaries (Note 14)	31.12.2018.	-	-	-	-
	31.12.2017.	-	-	-	-
Due to general governments	31.12.2018.	-	-	-	7,171
	31.12.2017.	-	-	-	9,685
Support programme funding and State aid (Note 18)*	31.12.2018.	-	107,762		23,422
	31.12.2017.	-	90,126	-	10,362
Off-balance sheet financial liabilities for venture capital funds (Note 20)	31.12.2018.	-	-	43,952	-
	31.12.2017.	-	-	27,020	-

*Item Support programme funding un state aid was restated for the previous period. See Note 2 (5) for details.

24 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	Copany
	31/12/2018 (unaudited)	31/12/2017 (restated)	31/12/2018 (unaudited)	31/12/2017 (restated)
Assets exposed to credit risk				
Due from other credit institutions and the Treasury	137,026	109,594	136,646	109,594
Financial assets at fair value through other comprehensive income - investment securities	50,389	61,760	50,389	61,760
Financial assets at amortised cost:				
Investment securities	467	443	467	443
Loans and receivables	197,755	192,147	197,473	192,147
Investments in venture capital funds	56,164	53,152	56,164	53,152
Other assets	24,314	3,886	24,314	3,886
Total	**466,115**	**420,982**	**465,453**	**420,982**

	Group	Group	Company	Company
	31/12/2018 (unaudited)	31/12/2017 (audited)	31/12/2018 (unaudited)	31/12/2017 (audited)
Off-balance sheet items exposed to credit risk				
Contingent liabilities (Note 20)	236,895	182,376	236,895	182,376
Financial commitments (Note 20)	79,869	35,808	79,869	35,808
Total	**316,764**	**218,184**	**316,764**	**218,184**

As at 31 December 2018, a part of the Group/Company assets amounting to EUR 76,402 thousand were pledged. Detailed information on the loan agreements concluded by the Group/Company as at 31 December 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 38,215 thousand (2017: EUR 32,201 thousand).

As at 31 December 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 38,187 thousand was issued to secure the Group's/Company's loan from EIB (Note 15).

Detailed information on commercial pledges stemming from the signed loan agreements, the funding under which was not used, as at 31 December 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 has 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 has not started to use the Treasury's loan as yet.

24 Maximum exposure to credit risk (cont’d)

Transactions with derivatives, effective as at 31 December 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.

25 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:

	31/12/2018 (unaudited)		31/12/2017 (restated)	
	Carrying amount, EUR ‘000	**Fair value, EUR ‘000**	**Carrying amount, EUR ‘000**	**Fair value, EUR ‘000**
Assets				
Due from other credit institutions and Treasury	137,026	137,007	109,594	109,594
Financial assets at fair value through profit or loss	1,160	1,160	142	142
Financial assets at fair value through other comprehensive income - investment securities	50,389	50,389	61,760	61,760
Financial assets at amortised cost:				
Investment securities	467	1,148	443	1,208
Individuals	23,485	23,387	21,635	21,597
Companies	174,270	173,014	170,512	169,699
Loans and receivables	197,755	196,401	192,147	191,296
Assets held for sale	11,343	11,343	12,935	12,935
Investments in venture capital funds – associates (investments in BIF)	10,337	10,337	8,394	8,394
Investment properties	14,794	14,794	10,808	10,808
Other assets	24,314	24,314	3,886	3,886
Total assets	**447,585**	**446,893**	**400,109**	**400,023**
Liabilities				
Due to credit institutions	38,245	38,245	46,933	46,933
Financial liabilities at fair value through profit or loss – derivatives	2	2	-	-
Due to general governments	48,110	47,370	43,609	42,103
Financial liabilities at amortised cost - Issued debt securities	29,943	29,943	19,852	19,852
Liabilities directly associated with assets held for sale	-	-	2,000	2,000
Provisions	25,364	25,364	14,531	14,531
Support programme funding	132,676	132,676	93,661	93,661
Total liabilities	**274,340**	**273,600**	**220,586**	**219,080**

Information for the fair value of the Group’s assets and liabilities as at 31 December 2017 has been restated considering the change of accounting policy in respect of investments in venture capital funds. For more information see Note 2 (5).

25 Fair values of assets and liabilities (cont'd)

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:

	31/12/2018 (unaudited)		31/12/2017 (restated)	
	Carrying amount, EUR '000	**Fair value, EUR '000**	**Carrying amount, EUR '000**	**Fair value, EUR '000**
Assets				
Due from other credit institutions and Treasury	136,646	136,627	109,594	109,594
Financial assets at fair value through profit or loss	-	-	142	142
Financial assets at fair value through other comprehensive income - investment securities	50,389	50,389	61,760	61,760
Financial assets at amortised cost:				
Investment securities	467	1,148	443	1,208
Individuals	23,451	23,353	21,635	21,597
Companies	174,022	172,766	170,512	169,699
Loans and receivables	197,473	196,119	192,147	191,296
Assets held for sale	11,343	11,343	10,565	10,565
Investments in venture capital funds – associates (investments in BIF)	10,337	10,337	8,394	8,394
Investments in subsidiaries	1,492	1,492	-	-
Investment properties	14,794	14,794	10,808	10,808
Other assets	24,314	24,314	3,886	3,886
Total assets	**447,255**	**446,563**	**397,739**	**397,653**
Liabilities				
Due to credit institutions	38,245	38,245	46,933	46,933
Financial liabilities at fair value through profit or loss – derivatives	2	2	-	-
Due to general governments	48,110	47,370	43,609	42,103
Financial liabilities at amortised cost - Issued debt securities	29,943	29,943	19,852	19,852
Provisions	25,364	25,364	14,531	14,531
Support programme funding	132,676	132,676	96,520	96,520
Total liabilities	**274,340**	**273,600**	**221,445**	**219,939**

Information for the fair value of the Company's assets and liabilities as at 31 December 2017 has been restated considering the change of accounting policy in respect of investments in venture capital funds. For more information see Note 2 (5).

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.

25 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 31 December 2018:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss	-	-	1,160	1,160
Financial assets at fair value through other comprehensive income - investment securities	36,344	14,045	-	50,389
Assets held for sale	-	-	11,343	11,343
Investments in venture capital funds – associates (investments in BIF)	-	-	10,337	10,337
Investment properties	-	-	14,794	14,794
Assets with fair values disclosed				
Due from other credit institutions and Treasury	132,026	-	4,981	137,007
Financial assets at amortised cost				
Investment securities	-	1,148	-	1,148
Loans and receivables	-	-	196,401	196,401
Other assets	-	-	24,314	24 314
Total assets	**168,370**	**15,193**	**263,330**	**446,893**
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss – derivatives	-	2	-	2
Liabilities directly associated with assets held for sale	-	-	-	-
Provisions	-	-	25,364	25,364
Support programme funding	-	-	132,676	132,676
Liabilities with fair value disclosed				
Due to credit institutions	-	-	38,245	38,245
Due to general governments	-	-	47,370	47,370
Financial liabilities at amortised cost - Issued debt securities	-	-	29,943	29,943
Total liabilities	**-**	**2**	**273,598**	**273,600**

25 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 31 December 2017:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through other comprehensive income - investment securities	37,723	24,037	-	61,760
Financial assets at fair value through profit or loss - derivatives	-	142	-	142
Assets held for sales	-	-	10,565	10,565
Investments in venture capital funds – associates (investments in BIF)	-	-	8,394	8,394
Investments in subsidiaries	-	-	-	-
Investment properties	-	-	10,808	10,808
Assets with fair values disclosed				
Due from other credit institutions and Treasury	100,594	-	9,000	109,594
Financial assets at amortised cost				
Investment securities	-	1,208	-	1,208
Loans and receivables	-	-	191,296	191,296
Other assets	-	-	3,886	3,886
Total assets	**138,317**	**25,387**	**233,949**	**397,653**
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss – derivatives	-	-	-	-
Provisions	-	-	14,531	14,531
Liabilities with fair value disclosed				
Due to credit institutions	-	-	46,933	46,933
Due to general governments	-	-	42,103	42,103
Financial liabilities at amortised cost - Issued debt securities	-	-	19,852	19,852
Support programme funding	-	-	96,520	96,520
Total liabilities	**-**	**-**	**219,939**	**219,939**

Information for the fair value of the Group's assets and liabilities as at 31 December 2017 has been restated considering the change of accounting policy in respect of investments in venture capital funds. For more information see Note 2 (5).

25 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 31 December 2018:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income - investment securities	36,344	14,045	-	50,389
Investments in venture capital funds – associates (investments in BIF)	-	-	10,337	10,337
Investments in subsidiaries	-	-	1,492	1,492
Investment properties	-	-	14,794	14,794
Assets held for sale	-	-	11,343	11,343
Assets with fair values disclosed				-
Due from other credit institutions and Treasury	131,646	-	4,981	136,627
Financial assets at amortised cost				
Investment securities	-	1148	-	1,148
Loans and receivables	-	-	196,119	196,119
Other assets	-	-	24,314	24,314
Total assets	**167,990**	**15,193**	**263,380**	**446,563**
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss – derivatives	-	2	-	2
Provisions	-	-	25,364	25,364
Support programme funding	-	-	132,676	132,676
Liabilities with fair value disclosed				
Due to credit institutions	-	-	38,245	38,245
Due to general governments	-	-	47,370	47,370
Financial liabilities at amortised cost - Issued debt securities	-	-	29,943	29,943
Total liabilities	**-**	**2**	**273,598**	**273,600**

25 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 31 December 2017:

	1. līmenis	2. līmenis	3. līmenis	Kopā
Assets measured at fair value				
Financial assets at fair value through other comprehensive income - investment securities	37,723	24,037	-	61,760
Financial assets at fair value through profit or loss - derivatives	-	142	-	142
Assets held for sales	-	-	10,565	10,565
Investments in venture capital funds – associates (investments in BIF)	-	-	8,394	8,394
Investments in subsidiaries	-	-	-	-
Investment properties	-	-	10,808	10,808
Assets with fair values disclosed				
Due from other credit institutions and Treasury	100,594	-	9,000	109,594
Financial assets at amortised cost				
Investment securities	-	1,208	-	1,208
Loans and receivables	-	-	191,296	191,296
Other assets	-	-	3,886	3,886
Total assets	**138,317**	**25,387**	**233,949**	**397,653**
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss – derivatives	-	-	-	-
Provisions	-	-	14,531	14,531
Liabilities with fair value disclosed				
Due to credit institutions	-	-	46,933	46,933
Due to general governments	-	-	42,103	42,103
Financial liabilities at amortised cost - Issued debt securities	-	-	19,852	19,852
Support programme funding	-	-	96,520	96,520
Total liabilities	**-**	**-**	**219,939**	**219,939**

Information for the fair value of the Company's assets and liabilities as at 31 December 2017 has been restated considering the change of accounting policy in respect of investments in venture capital funds. For more information see Note 2 (5).

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 measurement 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.

25 Fair values of assets and liabilities (cont'd)

The Group's and Company's investments in venture capital funds are classified as *Associates* or *Investments in subsidiaries*. Associate is the entity over which the Group/Company has significant influence, but no control. Significant influence is the power to participate in the financial and operating policy decisions of the investee. Subsidiary is the entity controlled by the Group/Company.

Investments in venture capital funds, except from investment in Baltic Innovation Fund, are measured using the equity method both at the Group and the Company level.

Investments in Baltic Innovation Fund are measured at fair value through profit or loss statement.

See more information on change of accounting policy regarding investments in venture capital funds in Note 2 (5).

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.

26 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 31 December 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 27 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	26,700	3,143	38,674
Due to general governments	191	764	51,406	52,361
Support programme funding	-	-	132,676	132,676
Other liabilities	-	-	3,013	3,013
Total financial liabilities	**9,022**	**27,464**	**190,238**	**226,724**
Off-balance sheet items and contingent liabilities	273,806	38,000	4,958	316,764
Total financial liabilities, off-balance items and contingent liabilities	**282,828***	**65,464**	**195,196**	**543,488**
Due from other credit institutions and the State Treasury	137,026	-	-	137,026
Investment securities	1,696	38,839	10,321	50,856
Liquid assets	**138,722**	**38,839**	**10,321**	**187,882**

* According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Group has been classified within maturity "Up to 1 year" thus Total financial liabilities, off-balance sheet items and contingent liabilities substantially exceeds Liquid assets with maturity of "Up to 1 year". Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses. As a consequence, the liquidity of the Group is not deteriorated.

26 Liquidity risk (cont'd)

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 and state aid *	-	-	97,629	97,629
Other liabilities	-	-	3,764	3,764
Total financial liabilities	**9,020**	**32,988**	**152,571**	**194,579**
Off-balance sheet items and contingent liabilities	197,722	16,247	4,215	218,184
Total financial liabilities, off-balance items and contingent liabilities	**206,742****	**49,235**	**156,786**	**412,763**
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**

* Support programme funding and state aid has been restated for the comparative period. For more information see Note 2 (5).

** According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Group has been classified within maturity "Up to 1 year" thus Total financial liabilities, off-balance sheet items and contingent liabilities substantially exceeds Liquid assets with maturity of "Up to 1 year". Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses. As a consequence, the liquidity of the Group is not deteriorated.

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 2018:

	Up to 1 year	1 to 5 years	Over 5 years and w/o date	Total
Due to other credit institutions	8,831	26,700	3,143	38,674
Due to general governments	191	764	51,406	52,361
Support programme funding	-	-	132,676	132,676
Other liabilities	-	-	3,133	3,133
Total financial liabilities	**9,022**	**27,464**	**190,358**	**226,844**
Off-balance items and contingent liabilities	273,806	38,000	4,958	316,764
Total financial liabilities, off-balance items and contingent liabilities	**282,828***	**65,464**	**195,316**	**543,608**
Due from other credit institutions and the State Treasury	136,646	-	-	136,646
Investment securities	1,696	38,839	10,321	50,856
Liquid assets	**138,342**	**38,839**	**10,321**	**187,502**

* According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Company has been classified within maturity "Up to 1 year" thus Total financial liabilities, off-balance sheet items and contingent liabilities substantially exceeds Liquid assets with maturity of "Up to 1 year". Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses. As a consequence, the liquidity of the Company is not deteriorated.

26 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 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 and state aid *	-	-	100,488	100,488
Other liabilities	-	-	3,488	3,488
Total financial liabilities	**9,020**	**32,988**	**155,154**	**197,162**
Off-balance items and contingent liabilities	197,722	16,247	4,215	218,184
Total financial liabilities, off-balance items and contingent liabilities	**206,742****	**49,235**	**159,369**	**415,346**
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**

* Support programme funding and state aid has been restated for the comparative period. For more information see Note 2 (5).

** According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Company has been classified within maturity "Up to 1 year" thus Total financial liabilities, off-balance sheet items and contingent liabilities substantially exceeds Liquid assets with maturity of "Up to 1 year". Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses. As a consequence, the liquidity of the Company is not deteriorated.

27 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 31 December 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	123,824	8,202	-	5,000	-	-	137,026
Financial assets at fair value through profit or loss	-	-	-	-	-	1,160	1,160
Investment securities	96	1,270	71	260	38,866	10,293	50,856
Loans and receivables	10,224	8,387	7,779	18,886	85,664	66,815	197,755
Assets held for sale	11,343	-	-	-	-	-	11,343
Investments in venture capital funds	746	-	-	-	45,081	10,337	56,164
Deferred expense and accrued income	158	-	-	1,958	211	-	2,327
Investment property	-	-	-	-	12,747	2,047	14,794
Property, plant and equipment	-	-	-	-	-	4,228	4,228
Intangible assets	-	-	-	-	-	1,347	1,347
Other assets	1,241	-	-	652	23 073	-	24 966
Total assets	**147,632**	**17,859**	**7,850**	**26,756**	**205,642**	**96,227**	**501,966**
Liabilities							
Due to credit institutions	-	4,398	-	4,333	26,389	3,125	38,245
Financial assets at fair value through profit or loss – derivatives	2	-	-	-	-	-	2
Due to general governments	-	1	-	-	-	48,109	48,110
Issued debt securities	109	-	-	-	-	29,834	29,943
Deferred income and accrued expense	970	185	228	253	789	586	3,011
Support programme funding and State aid	34,052	-	206	-	17,600	80,818	132,676
Liabilities directly associated with assets held for sale	-	-	-	-	-	-	-
Provisions	25,094	-	-	270	-	-	25,364
Corporate income tax liabilities	-	-	-	-	-	-	-
Other liabilities	3,196	-	-	-	-	-	3,196
Total liabilities	**63,423**	**4,584**	**434**	**4,856**	**44,778**	**162,472**	**280,547**
Net liquidity	**84,209**	**13,275**	**7,416**	**21,900**	**160,823**	**(66,204)**	**221,419**

27 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	-	796	-	-	43,962	8,394	53,152
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
Corporate income tax	-	-	-	-	-	-	-
Other assets	271	-	139	-	1,966	3,456	5,832
Total assets	**111,231**	**14,308**	**10,294**	**41,972**	**105,505**	**170,358**	**453,668**
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	58746	97,629
Liabilities directly associated with assets held for sale	-	-	-	2,000	-	-	2,000
Provisions	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**	**133,472**	**230,820**
Net liquidity	**97,458**	**9,065**	**9,724**	**26,286**	**43,429**	**36,886**	**222,848**

27 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 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	123,444	8,202	-	5,000	-	-	136,646
Investment securities	96	1,270	71	260	38,866	10,293	50,856
Loans and receivables	10,224	8,387	7,779	18,886	85,664	66,533	197,473
Derivatives	-	-	-	-	-	-	-
Assets held for sale	11,343	-	-	-	-	-	11,343
Investments in venture capital funds	746	-	-	-	45,081	10,337	56,164
Investments in subsidiaries	-	-	-	-	-	1,492	1,492
Deferred expense and accrued income	158	-	-	1,958	211	-	2,327
Investment property	-	-	-	-	12,747	2,047	14,794
Property, plant and equipment	-	-	-	-	-	4,228	4,228
Intangible assets	-	-	-	-	-	1,347	1,347
Other assets	1,241	-	-	652	23,073	-	24,966
Total assets	**147 252**	**17,859**	**7,850**	**26,756**	**205,642**	**96,277**	**501,636**
Liabilities							
Due to credit institutions	-	4,398	-	4,333	26,389	3,125	38,245
Derivatives	2	-	-	-	-	-	2
Due to general governments	-	1	-	-	-	48,109	48,110
Issued debt securities	109	-	-		-	29,834	29,943
Deferred income and accrued expense	970	185	228	253	789	586	3,011
Support programme funding and State aid	34,052	-	206	-	17,600	80,818	132,676
Provisions for off-balance sheet commitments	25,094	-	-	270	-	-	25,364
Corporate income tax liabilities	-	-	-	-	-	-	-
Other liabilities	3,133	-	-	-	-	-	3,133
Total liabilities	**63,360**	**4,584**	**434**	**4,856**	**44,778**	**162,472**	**280,484**
Net liquidity	**83,892**	**13,275**	**7,416**	**21,900**	**160,864**	**(66,195)**	**221,152**

27 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	-	796	-	-	43 962	8 394	53 152
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
Corporate income tax liabilities	-	-	-	-	-	-	-
Other assets	271	-	139	-	1,966	3,456	5,832
Assets held for sale	-	-	-	10,565	-	-	10,565
Total assets	**111,231**	**14,308**	**10,294**	**39,602**	**105,505**	**170,358**	**451,298**
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	59 567	100 488
Provisions	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**	**134,294**	**231,403**
Net liquidity	**97,628**	**9,065**	**9,724**	**32,579**	**34,835**	**36,064**	**219,895**

28 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 (restated*)	2016 (restated*)	2015 (audited)	2018 (unaudited)	2017 (restated*)
Key financial data					
Net income from interest, fees and commission (tEUR)	11,602	11,024	16,419	11,554	11,602
Profit for the period (tEUR)	8,709*	2,170*	4,924	3,919	8,709*
Cost to income ratio (CIR)	50.3%*	88,4%	55,8%	82.5%	50.3%*
Employees	230	242	282	222	230
Total assets (tEUR)	**453,668***	**443,126***	**406,918**	**501,966**	**453,668***
Tangible common equity (TCE)/total tangible managed assets (TMA)	35.1%*	35,2%*	37,3%	31.4%	35.1%*
Equity and reserves (tEUR)	222,848*	210,094*	199,610	221,419	222,848*
Total risk coverage: (tEUR)	67,583	67,705	41,021	82,266	67,583
Risk coverage reserve	62,641*	64,833*	40,662	89,703	62,641*
Risk coverage reserve used for provisions	-4,753	-4,323	-1,276	-19,244	-4,753
Portfolio loss reserve (specific reserve capital)	9,695	7,195	1,635	11,807	9,695
Liquidity ratio for 180 days**	482%*	449%	352%	247%	482%*
Financial instruments (gross value)					
Outstanding (tEUR) (by financial instrument)					
Loans	207,585	217,429	218,562	217,131	207,585
Guarantees	182,376	147,175	131,120	236,895	182,376
Venture capital funds	53,152	58,541	39,929	48,957	53,152
Total	**443,113**	**423,145**	**389,611**	**502,983**	**443,113**
Number of contracts	14,402	11,449	8,901	18,280	14,402
Volumes granted (tEUR) (by financial instrument)					
Loans	51,869	59,465	52,329	66,443***	51,869
Guarantees	68,615	56,109	50,065	88,765	68,615
Venture capital funds	2,638	21,356	18,798	4,149	2,638
Total	**123,122**	**136,929**	**121,192**	**159,357**	**123,122**
Number of contracts	4,697	4,461	2,819	5,571	4,697
Leverage for raised private funding	185%	162%	104%	162%	185%

* Due to change of accounting policy regarding investments in venture capital funds and adoption of IFRS 9 requirements that effects the accounting of public funding risk coverage the comparatives for 2017 and 2016 have been restated.
** Liquidity ratio calculation takes into account previous experience and management estimate of expected amount and timing of guarantees claims.
*** 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. 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. 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. 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.