IMPORTANT NOTICE

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If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriately authorised independent financial adviser.

THE FOLLOWING DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER.

THIS BASE PROSPECTUS AND ANY OFFER OF THE SECURITIES PURSUANT TO IT ARE ONLY ADDRESSED TO AND DIRECTED AT, AND MAY ONLY BE DISTRIBUTED TO OR ACTED ON BY, (I) PERSONS IN LATVIA AND LITHUANIA; AND (II) PERSONS LOCATED IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (THE "EEA") (OTHER THAN IN LATVIA AND LITHUANIA) WHO ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE NO. 2003/71/EC AND AMENDMENTS THERETO, INCLUDING DIRECTIVE NO. 2010/73/EU, TO THE EXTENT IMPLEMENTED IN THE RELEVANT MEMBER STATE) ("QUALIFIED INVESTORS").

ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

IF YOU HAVE GAINED ACCESS TO THIS ELECTRONIC TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OF THE ISSUER IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES (WHICH TERM INCLUDES THE TERRITORIES, THE POSSESSIONS, AND ALL OTHER AREAS SUBJECT TO THE JURISDICTION OF THE UNITED STATES) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED).

Confirmation of your representation: This Base Prospectus is being accessed by you via electronic transmission at your request and by accessing, reading or making any other use of the Base Prospectus, you shall be deemed to have represented to us that:

1. you have understood and agree to the terms set out herein;

2. that the e-mail address to which, pursuant to your request, the attached document has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands;

3. you are a person in Latvia or Lithuania, or a Qualified Investor in the Member Sate of the EEA (other than Latvia and Lithuania) and you are neither a person located in the United States, nor a U.S. person and you are not purchasing any of the securities for, or for the account or benefit of, any such person;

4. you consent to delivery of the Base Prospectus by electronic transmission;

5. you will not transmit the attached Base Prospectus (or any copy of it or part thereof) or disclose,

whether orally or in writing, any of its contents to any other person except with our consent;

6. you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the securities.

You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus to any other person and, in particular, (i) to any U.S. address nor (ii) to any other person who is not a Qualified Investor inside the EEA (except in the case of persons in Latvia or Lithuania). Failure to comply may result in a direct violation of the U.S. Securities Act of 1933, as amended or the applicable laws of another jurisdiction.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Base Prospectus has been provided to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, neither ALTUM, nor any person who controls any of the foregoing, nor any director, officer, employee nor agent of any of the foregoing or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hardcopy version available to you on request from ALTUM.

The distribution of this Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required to inform themselves about, and to observe, any such restrictions.

You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the reply function on your e-mail software, will be ignored and rejected.

Akciju sabiedrība "Attīstības finanšu institūcija Altum"

(incorporated with limited liability and registered in the Republic of Latvia with registration number 50103744891)

First Programme for the Issuance of Notes in the Amount of EUR 30,000,000

Under this First Programme for the Issuance of Notes in the Amount of EUR 30,000,000 (the "Programme") described in this base prospectus (the "Base Prospectus"), Akciju sabiedrība "Attīstības finanšu institūcija Altum", a joint stock company (in Latvian – *akciju sabiedrība*) incorporated in and operating under the laws of the Republic of Latvia, and registered with the Commercial Register of the Republic of Latvia under registration number: 50103744891, legal address: Doma laukums 4, Riga, LV-1050, Latvia, telephone: +371 67774010, e-mail: altum@altum.lv, website: www.altum.lv ("ALTUM"), subject to compliance with all relevant laws and regulations, may issue and offer publicly in Latvia and Lithuania from time to time in one or several series (the "Series") non-convertible unsecured and unguaranteed notes denominated in EUR, having maturity between 5 and 10 years and with fixed interest rate (the "Notes"). Each Series may comprise one or more tranches of Notes (the "Tranches"). The maximum aggregate nominal amount of all Notes from time to time outstanding will not at any time exceed EUR 30,000,000.

References herein to "this Base Prospectus" shall, where applicable, be deemed to be references to this Base Prospectus as supplemented or amended from time to time. To the extent not set forth in this Base Prospectus, the specific terms of any Notes will be included in the relevant final terms (the "Final Terms") (a form of which is contained herein), therefore the prospectus relating to Series issued under the Programme consists of this Base Prospectus and the respective Final Terms.

The nominal amount of each Note shall be specified in the Final Terms and shall be at least EUR 1,000. The Notes will be offered for subscription for a minimum investment amount, which will be specified in the Final Terms. The Notes shall be governed by the laws of the Republic of Latvia.

The offering of Notes will consist of public offering to persons (institutional and retail investors in the Republic of Latvia and Republic of Lithuania) and private placement to persons (institutional investors) located in the Member State of the EEA (other than Latvia and Lithuania), who are qualified investors within the meaning of Article 2(1)(e) of the Directive 2003/71/EC, as amended, (the "Prospectus Directive") in each case pursuant to an exemption under Article 3 of the Prospectus Directive, as implemented by the respective Member States of the EEA.

This Base Prospectus has been registered with and approved as a base prospectus by the Financial and Capital Market Commission of Republic of Latvia (in Latvian - *Finanšu un kapitāla tirgus komisija)* (the "FCMC") in its capacity as the competent authority in Latvia for the purposes of the Prospectus Directive, to the extent implemented in each relevant Member State of the EEA, in accordance with the requirements of the Financial Instruments Market Law of the Republic of Latvia, as amended (the "Financial Instruments Market Law") and Regulation (EC) No 809/2004, as amended (the "Prospectus Regulation"). The FCMC has approved this Base Prospectus, but it is not liable for the correctness of the information presented therein. The FCMC has notified this Base Prospectus to the competent authority in Lithuania (the Bank of Lithuania (in Lithuanian - *Lietuvos Bankas)*) and provided it with a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Directive.

Application will be made to Akciju sabiedrība "Nasdaq Riga", registration number: 40003167049, legal address: Vaļņu 1, Riga, LV- 1050, Latvia ("Nasdaq Riga") for admitting each Tranche to listing and trading on the official bond list (the Baltic Bond List) of Nasdaq Riga according to the requirements of Nasdaq Riga not later than within 3 (three) months after the Issue Date of the respective Tranche. Trading of the respective Tranche on the Baltic Bond List of Nasdaq Riga is expected to commence within 1 (one) month after the above-mentioned application has been made. All dealings in the Notes of the respective Tranche prior to the commencement of unconditional dealings on the Baltic Bond List of Nasdaq Riga may be in the form of private over-the-counter transactions and will be at the sole risk of the parties concerned. Nasdaq Riga is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC as amended ("MiFID"). Unless the context requires otherwise, references in this Base Prospectus to the Notes being "listed" (and all related references) shall mean that such Notes have been listed and admitted to trading on the Baltic Bond List of Nasdaq Riga as may be specified in the applicable Final Terms.

The Notes shall be issued in the bearer dematerialised form and registered with the Latvian Central Depository (in Latvian – *Akciju sabiedrība "Latvijas Centrālais Depozitārijs"*) (following reorganisation - Nasdaq CSD SE), registration number: 40003242879, legal address: Vaļņu 1, Riga, LV-1050, Latvia (the "Depository") in book-entry form. Investors may hold the Notes through participants of the Depository, including credit institutions and investment brokerage firms. See the section entitled *"General Terms and Conditions of the Notes"* for more information.

This Base Prospectus has been drawn up and published by ALTUM in connection with the public offering of the Notes in Latvia and Lithuania and listing of the Notes. Except where specified otherwise, capitalised words and expressions in this Base Prospectus have the meaning given to them in the section entitled *"Definitions"*. This Base Prospectus and any supplement thereto will be published on the website of (a) the FCMC (www.fktk.lv) and (b) ALTUM (www.altum.lv) and copies may be obtained at the registered office of ALTUM during normal business hours on any business day.

Arranger of the Programme and Issuing Agent

AB SEB bankas

The date of this Base Prospectus is 30 August 2017

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IMPORTANT INFORMATION CONCERNING THE BASE PROSPECTUS

General

In this Base Prospectus, any reference to "ALTUM" or the "Issuer" means Akciju sabiedrība "Attīstības finanšu institūcija Altum", and "ALTUM Group" means Akciju sabiedrība "Attīstības finanšu institūcija Altum" together with its consolidated subsidiaries and associates (investments in venture capital funds). In this Base Prospectus the "Arranger of the Programme" and the "Issuing Agent" refers to AB SEB bankas.

In this Base Prospectus, unless otherwise specified, references to a "Member State" are references to a Member State of the European Economic Area, references to "Euro", "euro", "EUR" or "€" are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of the Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended.

This Base Prospectus has been prepared by ALTUM in accordance with the Financial Instruments Market Law and Prospectus Regulation. ALTUM will, as deemed necessary, supplement the Base Prospectus with updated information pursuant to the Financial Instruments Market Law.

This Base Prospectus should be read and construed together with any supplement hereto and with any other documents attached herein and, in relation to any Tranche of Notes, with the Final Terms of the relevant Tranche.

No person has been authorised by ALTUM, the Arranger of the Programme or the Issuing Agent to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any information supplied by ALTUM or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by ALTUM, the Arranger of the Programme or the Issuing Agent.

No representation or warranty, express or implied, is made by the Arranger of the Programme and the Issuing Agent as to the contents of this Base Prospectus, and nothing contained in this Base Prospectus is, or shall be relied upon as, a promise or representation by the Arranger of the Programme or the Issuing Agent in this respect, whether as to the past or the future. The Arranger of the Programme and the Issuing Agent assumes no responsibility for the accuracy or completeness of the information and, accordingly, disclaims to the fullest extent permitted by applicable law, any and all liability which it might otherwise be found to have in respect of this Base Prospectus or any such statement.

The information contained herein is current as of the date of this Base Prospectus. Neither the delivery of this Base Prospectus, nor the offer, sale or delivery of the Notes shall, under any circumstances, create any implication that there have been no adverse changes occurred or events have happened, which may or could result in an adverse effect on ALTUM Group's business, financial condition or results of operations and/or the market price of the Notes.

ALTUM may have included therein its own estimates, assessments, adjustments and judgements in preparing some of the market information contained in this Base Prospectus, which has not been verified by an independent third party. Market information that may be included herein is, therefore, unless otherwise attributed to a third party source, to a certain degree subjective. Whilst ALTUM believes that its own estimates, assessments, adjustments and judgements are reasonable and that the market information prepared by it generally reflects the industry and the markets in which ALTUM operates, there is no assurance that ALTUM's own estimates, assessments, adjustments or judgements are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein. Nothing contained in this Base Prospectus constitutes, or shall be relied upon as, a promise or representation by ALTUM, the Arranger of the Programme or the Issuing Agent as to the future.

Each prospective investor, by accepting delivery of this Base Prospectus and any Final Terms, agrees that this Base Prospectus and any Final Terms are being furnished by ALTUM solely for the purpose of enabling a prospective investor to consider the purchase of the Notes. Any reproduction or distribution of this Base Prospectus and/or any Final Terms, in whole or in part, any disclosure of their contents or use of any information herein for any purpose other than considering an investment in the Notes is prohibited, except to the extent that such information is otherwise publicly available.

This Base Prospectus and any Final Terms are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by ALTUM that any recipient of this Base Prospectus and any Final Terms should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and any Final Terms, and its purchase of Notes should be based upon such investigation, as it deems necessary.

In making an investment decision regarding the Notes, prospective investors must rely on their own examination of ALTUM Group and the terms of the offering of the Notes, including the merits and risks involved, and prospective investors should rely only on the information contained in this Base Prospectus and any Final Terms. ALTUM and ALTUM Group has not authorised any person to provide prospective investors with different information or to give any information or to make any representation not contained in this Base Prospectus and any Final Terms. If anyone provides prospective investors with different or inconsistent information or makes any such representation, prospective investors should not rely on such information and representation. The delivery or display of this Base Prospectus shall not under any circumstances, create any implication that the information contained in the Base Prospectus is correct as of any time subsequent to the date hereof or that the operations of ALTUM have not since changed.

Prospective investors should not consider any information in this Base Prospectus and any Final Terms to be investment, legal or tax advice. Prospective investors should consult their own counsel, accountant and other advisers for legal, tax, business, financial and related advice regarding purchasing and holding of the Notes. None of ALTUM, the Arranger of the Programme and the Issuing Agent, or any of its respective affiliates or advisers, makes any representation to any offeree or purchaser of the Notes regarding the legality of an investment in the Notes by such offeree or purchaser under appropriate investment or similar laws.

The Base Prospectus and any Final Terms do not constitute or form part of an offer to sell, or a solicitation of an offer to buy, any security other than the Notes under this Base Prospectus.

Forward-Looking Statements

Some of the statements in this Base Prospectus, including statements under the sections "*Macroeconomic and Political Risks*", "*Risks Related to Business Operations*" and "*Financial Risks*" are based on views of management board of ALTUM and understanding of ALTUM Group and its operating environment and on the assumptions made based on the factors known to the management board of ALTUM as of the date of this Base Prospectus and thus can be forward-looking statements. Statements which include such words as "believe", "anticipate", "predict", "expect", "will", "would", "could", "consider", "likely", "estimate" or "plan" and variations of such words or any other similar statements identify forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other important factors, as a result of which ALTUM Group's actual results, activities or achievements or the actual results, activities or achievements of a business segment of ALTUM Group may differ materially from the expressly or indirectly presented results, activities or achievements indicated in the forward-looking statements. Such risks, uncertainties and other important factors include, among others, general economic development, ALTUM Group's need for financing, ALTUM Group's indebtedness, ALTUM Group's liquidity, the development of demand in ALTUM Group's products and services, competition, as well as other matters described under the sections "*Macroeconomic and Political Risks*", "*Risks Related to Business Operations*" and "*Financial Risks*" and forward-looking statements described under the section "*Financial and Trend Information*".

The sections "*Macroeconomic and Political Risks*", "*Risks Related to Business Operations*" and "*Financial Risks*" include risks, uncertainties and other important factors, which may affect ALTUM Group's business operations, financial position and/or business results. The risk factors described in the Base Prospectus do not necessarily include all risks and new risks may surface. If one or more of the risk factors described in this Base Prospectus or any other risk factors or uncertainties would materialise or any of the assumptions made would turn out to be erroneous, ALTUM Group's actual business result and/or financial position may differ materially from that anticipated, believed, estimated or expected. It is not ALTUM Group's intention, and it will not accept responsibility for updating any forward-looking statements contained in this Base Prospectus, unless required by applicable legislation.

Figures Presented in the Base Prospectus

The figures set out in the financial statements and other figures presented in the Base Prospectus have mainly been rounded off. As a result, the sum of individual figures set out in the tables contained in this Base Prospectus may not always correspond accurately to the sums presented in these tables. In addition, certain percentages have been calculated based on exact figures and thus do not necessarily correspond to the percentages, which would have been the result, if the calculation would have been based on figures that have been rounded off.

Notice to Investors and Restrictions on Distribution

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain countries is restricted by law. Any person residing outside the Republic of Latvia and the Republic of Lithuania may receive this Base Prospectus only within the limits of applicable special provisions or restrictions. ALTUM requires persons into whose possession this Base Prospectus or any Final Terms comes to inform themselves of and observe all such restrictions. This Base Prospectus and any Final Terms may not be distributed or published in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under Latvian laws, including the United States of America, Australia, Canada, Hong Kong and Japan. Neither this Base Prospectus nor any Final Terms constitute an offer to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. ALTUM, the Arranger of the Programme and the Issuing Agent or their representatives or advisers do not accept any legal responsibility whatsoever for any such violations, whether or not a prospective investor is aware of such restrictions.

The Notes have not been and will not be registered in accordance with the U.S. Securities Act of 1933 (the "Securities Act") or under the securities laws of any state of the United States of America and accordingly, they may not be offered, sold, resold, granted, delivered, allotted, taken up, transferred or renounced, directly or indirectly, in or into the United States of America, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any securities laws of any state of the United States of America.

Unless specifically otherwise stated in this Base Prospectus, the Notes may not be, directly or indirectly, offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under Latvian laws including the United States of America, except for the exceptions to registration obligation allowed by the securities laws of the United States of America and its states, Australia, Canada, Hong Kong and Japan. ALTUM, the Arranger of the Programme and the Issuing Agent requires persons into whose possession this Base Prospectus or any Final Terms comes to inform them of and observe all such restrictions. ALTUM, the Arranger of the Programme and the Issuing Agent reserves the right to, respectively, at its sole discretion reject subscription to the Notes, which ALTUM, the Arranger of the Programme and/or the Issuing Agent believes would cause the violation or breach of any law, rule or regulation for the time being in force.

This Base Prospectus has been prepared on the basis that any offer of Notes (other than the offer of Notes in the Republic of Latvia and the Republic of Lithuania) will be made pursuant to an exemption under Article 3 of the Prospectus Directive, as implemented in Member States of the European Economic Area (the "EEA"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make an offer within the EEA of the Notes which are the subject of an offering contemplated by the relevant Final Terms (other than the offer of Notes in the Republic of Latvia and the Republic of Lithuania) may only do so in circumstances in which no obligation arises for ALTUM or the Issuing Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither ALTUM nor the Issuing Agent have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for ALTUM or the Issuing Agent to publish or supplement a prospectus for such offer.

In relation to each Member State of the EEA (other than the Republic of Latvia and the Republic of Lithuania) that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), an offer to the public of any Notes may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive:

(a) to any legal entity that is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Relevant Member State; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Notes shall require ALTUM or the Issuing Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any Notes being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will be deemed to have represented and agreed that the Notes acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Notes to the public other than their offer or resale in a Relevant Member State to qualified investors who are not financial intermediaries as so defined or in circumstances in which the prior consent of ALTUM has been obtained to each such proposed offer or resale. ALTUM, the Arranger of the Programme and the Issuing Agent will rely upon the truth and accuracy of the foregoing representations, acknowledgements, and agreements. Notwithstanding the above, a person who is not a qualified Investor and who has notified ALTUM of such fact in writing may, with the consent of ALTUM, be permitted to subscribe for or purchase the Notes.

Each person in the Relevant Member State (other than Latvia or Lithuania) who receives any communication in respect of the Notes or who acquires any Notes under the offers contemplated in this Base Prospectus will be deemed to have represented, warranted and agreed to and with ALTUM, the Arranger of the Programme and the Issuing Agent that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive; and in the case of any Notes acquired by it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, warranted and agreed that the Notes acquired by it have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of ALTUM has been given to the offer or resale; or where the Notes have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of these Notes to it is not treated under the Prospective Directive as having been made to such persons. ALTUM, the Arranger of the Programme and the Issuing Agent will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified ALTUM of such fact in writing may, with the consent of ALTUM, be permitted to subscribe for or purchase the Notes.

SUMMARY

This summary is made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A-E (A.1-E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary together with a statement of that the Element is not applicable.

In particular, Elements in italics denote placeholders for completing the issue specific summary relating to a Tranche of Notes for which such issue specific summary is to be prepared.

Words and expressions defined in the section entitled "General Terms and Conditions of the Notes" or elsewhere in this Base Prospectus have the same meanings in this summary.

Section A - Introduction and warnings

A.1	Warning	This summary must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including the documents attached to the Base Prospectus, and the Final Terms of the relevant Notes. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Consent to use the Base Prospectus	Throughout the period of the validity of the Base Prospectus AB SEB bankas (registration number: 112021238, legal address: Gedimino ave. 12, LT-01103 Vilnius, Lithuania) and its sub-agents (as specified in the applicable Final Terms) subsequently reselling or finally placing the Notes issued under the Programme are entitled to use the Base Prospectus: ▪ in the Republic of Latvia and the Republic of Lithuania where the public offering of the Notes to persons (institutional and retail investors) takes place; and ▪ in Member States of the European Economic Area (other than Latvia and Lithuania) where the private placement of the Notes to persons (institutional investors), who are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive, takes place pursuant to an exemption under Article 3 of the Prospectus Directive, as implemented by the respective Member States of the European Economic Area; for the subsequent resale or final placement of the relevant Notes during the respective offer period (as determined in the applicable Final Terms) during which subsequent resale or final placement of the relevant Notes can be made. ALTUM accepts responsibility for the information given in the Base Prospectus also with respect to such subsequent resale or final placement of the relevant Notes.

		Issue specific summary: *Sub-agents of the Issuing Agent: [●]* The Base Prospectus may only be delivered to potential investors together with all supplements (if any) published before such delivery. The Base Prospectus and any supplement to the Base Prospectus are available for viewing in electronic form on the website of ALTUM www.altum.lv. When using the Base Prospectus, AB SEB bankas and its sub-agents must make certain that they comply with all applicable laws and regulations in force in the respective jurisdictions. In the event of an offer being made by AB SEB bankas and/or its sub-agents, AB SEB bankas and/or its sub-agents will provide information to investors on the terms and conditions of the Notes at the time of that offer.

Section B - Issuer

B.1	Legal and commercial name	Akciju sabiedrība "Attīstības finanšu institūcija Altum" ("ALTUM" or the "Issuer").
B.2	The domicile and legal form of the issuer, the legislation under which the issuer operates and its country of incorporation	ALTUM is a joint stock company (in Latvian - *akciju sabiedrība*) incorporated pursuant to the laws of the Republic of Latvia on 27 December 2013. ALTUM is registered with the Commercial Register of the Republic of Latvia under registration number 50103744891 and its legal address is Doma laukums 4, Riga, LV-1050, Latvia, telephone: +371 67774010, e-mail: altum@altum.lv, website: www.altum.lv. ALTUM operates in accordance with the laws of the Republic of Latvia. The main legal acts of the Republic of Latvia which regulate the operations of ALTUM are: ▪ Development Finance Institution Law (in Latvian - *Attīstības finanšu institūcijas likums*); ▪ Law on the Management of Public Persons' Capital Shares and Capital Companies (in Latvian - *Publiskas personas kapitāla daļu un kapitālsabiedrību pārvaldības likums*); and ▪ Commercial Law (in Latvian - *Komerclikums*).
B.4b	A description of any known trends affecting the issuer and the industries in which it operates	As of the date of this Base Prospectus there are no information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on ALTUM's or ALTUM Group's prospects and the industries in which ALTUM or ALTUM Group operates in the financial year of 2017.
B.5, B14	If the issuer is part of a group, a description of the group and the issuer's position within the group If the issuer is dependent upon other entities within the group, this must be clearly stated	ALTUM is a parent company of ALTUM Group. As of the date of this Base Prospectus ALTUM Group includes ALTUM and two closed investment funds (in Latvian – *slēgtie ieguldījuma fondi*) Hipo Latvia Real Estate Fund I and Hipo Real Estate Fund II in which ALTUM is a sole investor, as well as the following associates in which ALTUM has significant influence (investments in venture capital funds): ▪ KS "Otrais Eko fonds" (33 per cent investment in capital); ▪ KS "ZGI fonds" (65 per cent investment in capital); ▪ KS "BaltCap Latvia Venture Capital Fund" (67 per cent investment in capital); ▪ KS "AIF Imprimatur Capital Technology Venture Fund" (67 per cent investment in capital);

- KS “AIF Imprimatur Capital Seed Fund” (100 per cent investment in capital);
- KS “ZGI-3” (95 per cent investment in capital);
- KS “FlyCap Investment Fund I AIF” (95 per cent investment in capital);
- KS “Expansion Capital Fund AIF” (95 per cent investment in capital);
- “Baltic Innovation Fund” (20 per cent investment in capital).

B.9	Where a profit forecast or estimate is made, state the figure	Not applicable. ALTUM has not made any profit forecast or profit estimate in this Base Prospectus.
B.10	A description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. None of the audit reports on ALTUM Group’s audited consolidated annual reports for the years ended 31 December 2015 and 2016 includes any qualifications.

B.12 Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year end balance sheet information

A statement that there has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements or a description of any material adverse change

A description of significant changes in the financial or trading position subsequent to the period covered by the historical financial information

The following summary of ALTUM Group’s consolidated financial performance and key performance indicators for the two financial years ended 31 December 2015 and 2016 and two interim periods ended 30 June 2016 and 30 June 2017, respectively, has been extracted, without any material adjustment, from ALTUM Group’s consolidated financial statements in respect of those dates and periods.

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016	2017
	(Audited)		*(Unaudited)*	
Key financial data (ALTUM Group)				
Net income from interest, fees and commissions (tEUR)[1)]	16,419	11,024	6,658	6,639
Profit (period) (tEUR)	4,924	2,170	832	5,414
Cost to income ratio[2)]	55,8%	88,4%	82,7%	43,1%
Employees	282	242	252	228

	Year ended 31 December		Six months ended 30 June
	2015	2016	2017
	(Audited)		*(Unaudited)*
Key financial data (ALTUM Group)			
Total assets (tEUR)	406,918	443,126	438,889
Tangible common equity (TCE)/tangible managed assets (TMA)[3)]	37,3%	35,2%	35,5%
Capital and reserves (tEUR)	199,610	210,094	216,596
Risk coverage, total:[4)] (tEUR)	41,021	67,705	63,162
Risk coverage reserve	40,662	64,833	60,788
Risk coverage reserve used for provisions	-1,276	-4,323	-4,821
Portfolio loss reserve (specific reserve capital)	1,635	7,195	7,195
Liquidity ratio 180 days[5)]	351,9%	449,3%	567,9%

	Year ended 31 December 2015 (Audited)	2016	Six months ended 30 June 2016 (Unaudited)	2017
Financial instruments (gross value)				
Outstanding (tEUR) (by financial instrument)				
Loans	218,562	217,429	221,330	209,364
Guarantees	131,120	147,175	134,291	165,941
Venture capital	39,929	58,541	50,765	56,974
Total	389,611	423,145	406,386	432,279
Number of contracts	8 901	11 449	10 058	13 005
Volumes granted (tEUR) (by financial instrument)				
Loans	52,329	59,465	33,693	25,366
Guarantees	50,065	56,109	21,244	34,422
Venture capital	18,798	21,356	6,309	1,219
Total	121,192	136,929	61,246	61,007
Number of contracts	2 819	4 461	2 240	2 314
Leverage for raised private funding[6)]	104%	162%	158%	181%

1) Net income from interest, fees and commissions consists of the following Income statement items: Net interest income and Net income from fees and commissions. Indicator reflects ALTUM Group's operating income.
2) Cost to income ratio (CIR) is calculated as Staff costs plus Administrative expense plus Amortisation of intangible assets and depreciation of property, plant and equipment divided by Operating income before operating expenses, items presented in Income statement. CIR is a measurement of operational efficiency.
3) Tangible common equity (TCE)/Tangible managed assets (TMA) (TCE/TMA).
   Tangible Common Equity (TCE) is calculated as Total capital less Available for sale reserve.
   Tangible managed assets (TMA) includes ALTUM Group's total assets plus off-balance sheet amount of guarantee, net of provisons for guarantees, less Deffered expense, Accrued income, Property, plant and equipment, Intangible assets, Other assets and Assets held for sale.
   Data for the calculation of both ratios (TCE, TMA) are obtained from ALTUM Group's Financial statements: Statement of financial position and Statement of changes in equity, notes - Off balance sheet items and contingent liabilities and Provisions. TCE/TMA is used to evaluate ALTUM Group's capital position adequacy.
4) Risk coverage, total is net funding available for coverage of expected credit losses of development programmes implemented by ALTUM. Risk coverage, total is sum of Risk coverage reserve and Portfolio loss reserve (specific reserve capital) deducted by Risk coverage reserve used for provisons. Expected losses are estimated prior to implementation of particular develoment programme and part of the public funding recieved under respective development programme for coverage of expected losses on credit risk is transferred either to "Portfolio loss reserve" as ALTUM Group's specific reserve capital or accounted separately as provisions for risk coverage "Risk coverage reserve" classified within liabilities. Portfolio loss reserve (specific reserve capital) is disclosed in note to ALTUM Group's Financial statements. Reserves and Risk coverage reserve is disclosed in note to ALTUM Group's Financial statements "Support programme funding and state aid". Risk coverage reserve used for provisions represents amount of Risk coverage reserve allocated to allowance for impairment loss on loan portfolio and guarantee portfolio, disclosed in respective notes to ALTUM Group's Financial statements "Loans" and "Provisions".
   Risk coverage, total is key indicator to be used for assessment of ALTUM's risk coverage on implemented programmes and long-term financial stability.
5) Liquidity ratio 180 days is calculated as Due from other credit institutions and Treasury with maturity up to 1 month plus Investment securities - available for sale divided by Liabilities with the contractual maturity dates up to 6 months plus Financial commitments with the contractual maturity dates up to 6 months (off balance sheet item). Data for the calculation of Liquidity ratio 180 days are obtained from ALTUM Group's Financial statements: Statement of financial position, notes - Off balance sheet items and contingent liabilities and Maturity analysis of assets and liabilities. The

		liquidity ratio 180 days shows ALTUM Group's ability to meet its liabilities within a specified time frame with currently available liquid assets. Since data for 2015 are presented in different groupings in the note disclosures, then this ratio for 2015 cannot be calculated straight from the information disclosed in respective ALTUM Group's Financial statements. However, the presented Liquidity ratio 180 days for 2015 has been calculated following the consequent calculation methodology. Part of information (Financial commitments with the contractual maturity dates up to 6 months (off balance sheet item)) relevant for calculation of the ratio for 2016, is disclosed as comparatives information in ALTUM Group's Financial statements as at 30 June 2017. 6) Leverage for raised private funding indicates the amount of additional private funds invested in a project in addition to ALTUM's financing. Leverage is determined considering the financing invested by a private co-financier and a project's implementer, which, on average, makes up to 50 per cent for loans, up to 70 per cent for guarantees and venture capital (except for housing loan guarantees' programme for the first instalment with a ratio of 795 per cent) in addition to ALTUM's funding. There has been no material adverse change in the prospects of ALTUM or ALTUM Group since the date of the audited consolidated annual report of ALTUM Group for 2016. There has been no material adverse change in ALTUM's or ALTUM Group's financial or trading position since 30 June 2017.
B.13	A description of any recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency	Not applicable. There have been no recent events particular to ALTUM which are to a material extent relevant to the evaluation of ALTUM's solvency since the date of its last published audited or unaudited financial statements.
B.15	A description of the issuer's principal activities	ALTUM is a development finance institution providing public financial support to businesses and specific groups of population in Latvia. ALTUM implements its mandate by ensuring access to financing to small and medium-sized enterprises through a range of financial instruments (mainly loans and guarantees) and venture capital funds. ALTUM also offers technical support, by providing counselling and training in various areas, such as renovation and energy efficiency of buildings, or agricultural business development.
B.16	To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control	ALTUM is incorporated as a joint stock company (in Latvian - *akciju sabiedrība*) under the laws of the Republic of Latvia. The Republic of Latvia is the sole shareholder of ALTUM. The Ministry of Finance of the Republic of Latvia holds 40 per cent, while the Ministry of Economics of the Republic of Latvia and the Ministry of Agriculture of the Republic of Latvia each holds 30 per cent of share capital of and voting rights in ALTUM.
B.17	Credit ratings assigned to the issuer or its debt securities at the request or with co-operation of the issuer in rating process	ALTUM is rated Baa1 with stable outlook by Moody's Investors Service. The rating was assigned on 15 June 2017. The Series of Notes issued under the Programme may be rated or unrated. If rated, such ratings will not necessarily be the same as the rating assigned to ALTUM. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. *Issue specific summary:* *The Notes to be issued [are not/have been/are expected to be] rated [by:[●]]*

Section C - Securities

C.1	A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number	Non-convertible unsecured and unguaranteed Notes with an aggregate nominal value of up to EUR 30,000,000. The Notes are dematerialized debt securities in bearer form. The Notes will be issued in one or several Series. Each Series may comprise one or more Tranches. The Notes of each Tranche will all be subject to identical terms, except that the issue dates and the issue prices thereof may be different in respect of different Tranches. In order to identify each Series and Tranches, the Final Terms shall stipulate a serial number of a respective Series and a serial number of a respective Tranche. *Issue specific summary:* *Series Number: [●]* *Tranche Number: [●]* Before commencement of the offering of the Notes of the first Tranche of each Series, an ISIN code will be assigned to the respective Series. Where a further Tranche is issued which is intended to form a single Series with an existing Tranche at a point after the Issue Date of the existing Tranche, the Notes of such further Tranche shall be assigned a temporary ISIN code which is different from the ISIN code assigned to the relevant Series until such time as the Tranches are consolidated and form a single Series. *Issue specific summary:* *ISIN Code: [[●]]/[Temporary ISIN Code: [●]. Upon admission of the Notes to the regulated market the Notes will be consolidated and form a single series with [●] and will have a common ISIN code [●]]*
C.2	Currency of the securities issue	EUR
C.5	A description of any restrictions on the free transferability of the securities	The Notes are freely transferable securities and can be pledged. However, the Notes cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under the laws of the Republic of Latvia, including the United States of America, Australia, Canada, Hong Kong and Japan. In addition, the Noteholders are prohibited to resell, transfer or deliver the Notes to any person in a manner that would constitute a public offer of securities.
C.8, C.9	A description of the rights attached to the securities including • ranking • limitations to those rights • the nominal interest rate • the date from which interest becomes payable and the due dates for interest • where the rate is not fixed, description of	Ranking The Notes constitute direct, unsecured and unguaranteed obligations of the Issuer, ranking *pari passu* without any preference among each other and with all unsecured, unguaranteed and unsubordinated indebtedness of the Issuer, save for such obligations as may be preferred by mandatory provisions of the law. Issue Price The Notes may be issued at their nominal amount or at a discount or a premium to their nominal amount. Interest rate The Notes shall bear interest at Annual Interest Rate. The interest on the Notes will be paid annually on the dates specified in the Final Terms. Interest shall

	the underlying on which it is based • maturity date and arrangements for the amortisation of the loan, including the repayment procedures • an indication of yield • name of representative of debt security holders	accrue for each interest period from and including the first day of the interest period to (but excluding) the last day of the interest period on the principal amount of the Notes outstanding from time to time. The first interest period commences on the Issue Date and ends on a day preceding the first interest payment date. Each consecutive interest period begins on the previous interest payment date and ends on a day preceding the following interest payment date. The last interest period ends on the Maturity Date. Interest in respect of the Notes will be calculated on the basis of the actual number of days elapsed in the relevant interest period divided by 365 (or, in the case of a leap year, 366), i.e. a day count convention Act/Act (ICMA) will be used. *Issue specific summary:* *Interest payment date: [●] each year* Indication of Yield An expected Yield to Maturity Range for the Notes being offered shall be determined by the Issuer before the beginning of the Placement Period of the Notes by publishing a respective announcement on the Issuer's website www.altum.lv. However, during the Placement Period of the Notes the Issuer has a right to update the Yield to Maturity Range. Determination of the Final Yield to Maturity, Annual Interest Rate and Issue Price The Final Yield to Maturity will be determined after the Placement Period on the basis of submitted purchase orders of the investors. The Final Yield to Maturity shall be the same for all investors acquiring the Notes of the respective Tranche during the offering. The established Final Yield to Maturity shall be specified in the Final Terms, which will be published after allotment of the Notes to the investors. *Issue specific summary:* *Final yield to Maturity: [●]* The Annual Interest Rate (the coupon) shall be set by rounding down the Final Yield to Maturity to the nearest tenth of the rounded digit (which itself is set in percentage terms). The established Annual Interest Rate shall be specified in the updated Final Terms, which will be published after allotment of the Notes to the investors. *Issue specific summary:* *Annual Interest Rate: [●]* The Issue Price of the Notes shall be established according to formula provided in the Final Terms of the relevant Tranche and shall be rounded to the nearest thousand of the rounded digit under arithmetic rounding rules. The established Issue Price shall be specified in the updated Final Terms, which will be published after allotment of the Notes to the investors. *Issue specific summary:* *Formula for calculation of the Issue Price: [●]* *Issue specific summary:* *Issue Price: [●]* Final Terms containing information about the established Final Yield to Maturity, Annual Interest Rate, Issue Price, the aggregate principal amount of the respective Tranche and definitive amount of the Notes to be issued will

		be published on the Issuer's website www.altum.lv and submitted to the Financial and Capital Market Commission after allotment of the Notes to the investors. Maturities Each Series of Notes may have a maturity between 5 (five) and 10 (ten) years. *Issue specific summary:* *Maturity Date: [●]* Redemption The Notes shall be repaid in full at their nominal amount at the Maturity Date. The Issuer does not have a right to redeem the Notes prior to the Maturity Date, unless the Issuer has prepaid the Notes in case of Change of Control or an Event of Default or in case the Noteholders' Meeting, upon proposal of the Issuer, has decided that the Notes shall be redeemed prior to the Maturity Date. Representative of debt security holders The rights of the Noteholders to establish and/or authorize an organization/person to represent interests of all or a part of the Noteholders are not contemplated, but, on the other hand, these are not restricted. The Noteholders should cover all costs/fees of such representative(s) by themselves.
C.10	If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident	Not applicable. The Notes have no derivative component in the interest payment.
C.11	Indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question	The Issuer will submit an application regarding inclusion of each Tranche in the official bond list (Baltic Bond List) of Nasdaq Riga. An application will be prepared according to the requirements of Nasdaq Riga and will be submitted to Nasdaq Riga within 3 (three) months after the Issue Date of the respective Tranche.

Section D - Risks

D.2	Key information on the key risks that are specific to the	Macroeconomic and Political Risks ▪ Such factors as the level of unemployment in Latvia, migration trends,

	issuer	consumer purchasing power and price level dynamics, changes in the Eurozone's monetary environment, as well as overall political stability in the EU creates growing exposure of ALTUM Group's business and financial results to domestic, regional and international macroeconomic developments. ▪ Large-scale downturn in the Latvian economy, steep economic slowdown in Latvia's main export markets, material deterioration of Latvia's fiscal stance or emergence of macroeconomic imbalances that could adversely affect Latvia's economic stability may have a material adverse effect on ALTUM Group. ▪ Given that ALTUM is a state-owned financial institution, it cannot be excluded that political and social decisions made by the Latvian government may have an adverse effect on business operations and financial position of ALTUM Group. Risks Related to Business Operations ▪ The Cabinet of the Ministers of the Republic of Latvia is channelling the public funding reflows towards continuation of ALTUM's financial instruments' programmes and implementation of new programmes. There is a risk that the Cabinet of Ministers of the Republic of Latvia may decide to halt the reinvestment of reflows into new operations, as a result of which ALTUM may receive less funding. This may have adverse effect on the liquidity of ALTUM Group and may increase the costs of services provided by ALTUM Group. ▪ ALTUM's total funding is highly dependent on the funds received from the European Regional Development Fund. To ensure operational continuity of ALTUM's programmes, ALTUM seeks for other funding sources. In the event other funding sources than public funding are not available and the funding provided by the European Regional Development Fund is decreased, it is possible that the scope of ALTUM's programmes will be reduced, with larger portion of programmes' reflows consumed by administrative costs, and part of the new programmes discarded. This may have an adverse effect on the business operations and financial position of ALTUM Group. ▪ The programmes financed from the funding of the 2014-2020 programming period of the EU funds stipulate that ALTUM has to achieve progress monitoring indicators and specific financial volumes by 2023, as well as interim financial indicators by the end of 2018. Since the launching of several state aid programmes was delayed due to various reasons of mainly administrative nature, there is a risk that the interim financial indicators will not be achieved by 2018. If ALTUM fails to reach the planned financial volumes by 2018, the funding available to the financial instruments could be reduced. This may have a material adverse effect on the business operations and financial position of ALTUM Group. ▪ The venture capital funds supported by the EU funds of the 2014-2020 programming period allow different portion of private co-funding depending on the maturity stage of the foreseen underlying investments. The pace of investments in the programme depends on the ability of the fund managers to attract private co-funding. Should the managers of venture capital funds selected by ALTUM be unable to attract private co-funding in adequate amounts, the necessary volume of ALTUM's investments in venture capital funds within the eligibility period set by the EU fund rules may not be reached. This may have an adverse effect on the business operations and financial

		position of ALTUM Group. ▪ There is a risk that in the long-term ALTUM's operational niches could shrink as a result of improved capacity of ALTUM's customers to gain access to financial instruments offered by private funding providers and/or the products offered by ALTUM becoming outdated due to changing business environment in the particular market gap niche operated by ALTUM. Therefore, deterioration of ALTUM's competitive position and/or loss of a considerable share of the client base may have an adverse effect on the business operations and financial position of ALTUM Group. ▪ According to the Development Finance Institution Law, the Latvian government is accountable for the guarantees issued by ALTUM in the amount specified each year by the Law on the State Budget. There is a risk that the maximum total guarantee exposure having the status of state-backed guarantees could possibly be reduced or even revoked, as a result of which ALTUM would be forced to lower the volume of the issued guarantees and/or to increase ALTUM's commissions for issuance of guarantees, in which case ALTUM's services would become more expensive. Furthermore, in the event ALTUM lacks sufficient risk coverage for guarantee activities, the Ministry of Finance of the Republic of Latvia may take decision to cease the issuance of new guarantees. This may have an adverse effect on business operations and financial position of ALTUM Group. ▪ The European Commission has granted approval for ALTUM's business operations until 31 December 2022. The approval may be prolonged, following a reassessment by the European Commission. There is a risk that as of 1 January 2023 the scope of ALTUM's business operations may be limited, the current business operations may be terminated and/or replaced with new business operations. This may have an adverse effect on the business operations and financial position of ALTUM Group. ▪ Since the implementation of state aid programmes requires compliance with the EU regulatory framework, there is a risk that ALTUM and its cooperation partners (financial intermediaries) may interpret and apply the EU law differently than the supervisory authorities during their inspections. ALTUM has established a risk management system to ensure pro-active risk management, as well as timely introduction of corrective measures for mitigation or elimination of the compliance risks. Notwithstanding ALTUM's efforts, a non-compliance with regulations in respect of implementation of programmes may have an adverse effect on the financial position and reputation of ALTUM Group. ▪ ALTUM Group takes all the measures necessary to reduce the probability of conducting business with clients involved in or allegedly involved in money laundering and terrorism financing by adhering to all the legal requirements and implementing the "know your client" principles in its business operations. There is a risk that the measures adopted by ALTUM Group may be insufficient for prevention of money laundering and terrorism financing, as a result of which ALTUM Group may incur losses, be subjected to legal sanctions, or its reputation may deteriorate. This may have an adverse effect on the financial position and reputation of ALTUM Group. Financial Risks ▪ ALTUM implements a number of state aid programmes where it does

		not exercise full control over the funds' expenditure. There is a risk that the Central Finance and Contracting Agency of the Republic of Latvia may regard part of the expenditure as not eligible for funding. In such case, ALTUM would have to cover the costs from its own funds and seek recovery of funds from the debtor by enforced collection. This further entails is a risk that recuperation on funds will not be possible or feasible and these expenses will have a negative impact on ALTUM's financial indicators. ▪ In determining the amount of compensation payments, the terms and conditions of ALTUM's programmes (as approved by the Cabinet of Ministers of the Republic of Latvia) provide that the difference between the limit established by the applicable EU regulations and the amount estimated in the business plan is covered from the EU's structural fund and national budget funding repayments. There is a risk that national and EU regulatory changes covering these issues may have an adverse effect on ALTUM's financial position, if additional limitations on compensation payments are imposed. ▪ There is a risk to incur losses in the event ALTUM's clients or business partners are not able or refuse to comply with their liabilities towards ALTUM pursuant to the terms and conditions of the concluded agreements. The exposure to credit risk is mitigated by obtaining pledges relevant to the transaction at risk or other types of collateral, as well as by securing a coverage of expected losses arising from higher level of credit risk while implementing state aid and promotional programmes from public funding. ▪ There is a risk to incur losses in case ALTUM is unable to satisfy legally valid claims of its creditors in a timely manner, or, in case of contingency, such as, for instance, unexpected reduction in the volume of cash flows from the loan portfolio and other assets, resulting in a material shortage of liquid assets at ALTUM's disposal. ▪ There is a risk to incur losses from revaluation of balance and off-balance items denominated in the foreign currencies due to exchange rate fluctuations. ▪ There is a risk to incur losses due to changes in interest rates applicable to ALTUM's income and/or expense and its economic value.
D.3	Key information on the key risks that are specific to the securities	▪ The Notes may not be a suitable investment for all investors. Thus, each potential investor in the Notes must assess the suitability of that investment in light of its own circumstances, including the effects on the value of such Notes and the impact this investment will have on its overall investment portfolio. ▪ The Notes, if issued to finance projects eligible under ALTUM's Green Bond Framework, may not be a suitable investment for all investors seeking exposure to green assets. In connection with the issuance of the Notes, with the purpose to finance projects eligible under ALTUM's Green Bond Framework, the Center for International Climate and Environmental Research - Oslo, a Norwegian independent institute for interdisciplinary climate research, is expected to issue a second-party opinion regarding the suitability of the Notes as an investment in connection with certain environmental and sustainability criteria and such second-party opinion is not incorporated into and does not form a part of the Base Prospectus. No representation is made as to the suitability of such opinion or the Notes to fulfil environmental and sustainability criteria. Such opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors

		and other factors that may affect the value of the Notes, it is not a recommendation to buy, sell or hold securities. It will not be an event of default under the General Terms and Conditions of the Notes if ALTUM fails to comply with certain reporting obligations and use of proceeds in connection with such opinion. A withdrawal of the opinion may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets. ▪ The investors may forfeit the interest and principle amount invested, in case ALTUM becomes insolvent or legal protection proceedings or out-of-court legal protection proceedings of ALTUM are initiated. ▪ The Notes will be unsecured obligations of ALTUM, without any additional guarantees and securities; in case of ALTUM's insolvency, the Noteholders will become unsecured creditors. As of 30 June 2017, the secured creditors of ALTUM are the Treasury of the Republic of Latvia (in the amount of 32,201 million EUR) and the European Investment Bank (in the amount of 51,283 million EUR). In the event of insolvency, ALTUM's assets will be used for settling the Noteholders' claims only after the claims by the Treasury of the Republic of Latvia, the European Investment Bank and other preferential creditors are satisfied. ▪ The Notes do not contain covenants governing ALTUM's operations and do not limit its ability to merge or otherwise affect significant transactions that may have a material adverse effect on the Notes and the Noteholders. Thus, in the event that ALTUM enters into such transaction, Noteholders may be materially adversely affected. Furthermore, subject to the relevant amendments to the law, the current shareholder of ALTUM, namely, the Republic of Latvia, may dispose any or all of its shareholding. ▪ Any adverse change in the financial condition or prospects of ALTUM may have a material adverse effect on the liquidity of the Notes, and may result in a material decline in their market price, and thus may result in a reduced probability that the Noteholders will be fully repaid on time. ▪ ALTUM is not prohibited from issuing further debt. This, accordingly, may increase the number of claims that would be equally entitled to receive the proceeds, including those related to ALTUM's possible insolvency. Further, any provision which confers, purports to confer, or waives a right to create security interest in favour of third parties, such as a negative pledge, is ineffective against third parties. Thus, such security interest in favour of a third party, even if created in breach of ALTUM's obligations and undertakings herein, would be a valid and enforceable security interest over the pledged asset. ▪ ALTUM's ability to successfully refinance its debts depends on the conditions of debt capital markets and its own financial condition. ALTUM's inability to refinance its debt obligations on favourable terms, or at all, could have a negative impact on ALTUM Group's operations, financial condition, earnings and on the Noteholders' recovery under the Notes. ▪ The Notes constitute a new issue of securities by ALTUM, thus it is possible that an active market for the Notes may not develop or may not be maintained, as well as it may be affected by the changes in market and economic conditions, financial conditions and prospects of ALTUM, which accordingly may have an impact on the liquidity and

		market price of the Notes. ▪ The Notes will bear interest at a fixed interest rate, which accordingly exposes a risk that a price of such security may be affected by the changes in the market interest rate. Also, inflation may result in a decline of the market price of the Notes, as it decreases the purchasing power of a currency unit and respectively the received interest. ▪ The payments on the Notes will be made in EUR, accordingly the fluctuations in exchange rates and interest rates may adversely affect the value of the Notes, if the investor's financial activities are denominated principally in another currency unit. ▪ In case the Notes are rated by independent credit rating agencies, such ratings may not reflect the potential impact of all risks related to the Notes, as well as it may be revised or withdrawn by the rating agency at any time. In addition, any adverse change in an applicable credit rating of ALTUM could also adversely affect the trading price of the Notes. ▪ The Notes are governed by the laws of the Republic of Latvia, which may change during the life of the Notes, thus no assurance can be given as to the impact of any of such possible changes of laws or regulations. Hence, such changes may have a material adverse effect on ALTUM, as well as the Notes. ▪ The investment activities of certain investors are subject to legal investment laws and regulations, or reviews or regulations by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent the Notes constitute a legal investment from the part of the investor, can the Notes be used as a collateral, and whether other restrictions apply to the purchase or pledge of the Notes. ▪ There is a risk that the market value of the Notes is higher than the early redemption amount following a Change of Control and that it may not be possible for Noteholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Notes and may only be able to do so at a significantly lower rate. It is further possible that ALTUM will not have sufficient funds at the time of the mandatory prepayment to make the required redemption of Notes. ▪ Only the shareholders of ALTUM have voting rights in the shareholders' meetings of ALTUM. The Notes carry no such voting rights. Consequently, the Noteholders cannot influence any decisions by ALTUM's shareholders concerning, for instance, the capital structure of ALTUM. ▪ The decisions of the Noteholders (including amendments to the General Terms and Conditions of the Notes) will be binding to all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority. ▪ The Issuing Agent has engaged in, and may in the future engage in, investment banking and/or commercial banking or other services provided to ALTUM Group in the ordinary course of business. Therefore, conflicts of interest may exist or may arise as a result of the Issuing Agent's current or future engagement in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests.

		▪ The Notes will be affiliated to the Latvian Central Depository's account-based system, and no physical notes will be issued. Clearing and settlement relating to the Notes will be carried out within the Latvian Central Depository's book-entry system as well as payment of interest and repayment of the principal. Investors are therefore dependent on the functionality of the Latvian Central Depository's account-based system. ▪ The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any U.S. state securities laws. Subject to certain exemptions, a holder of the Notes may not offer or sell the Notes in the United States. ALTUM has not undertaken to register the Notes under the U.S. Securities Act or any U.S. state securities laws or to effect any exchange offer for the Notes in the future. Furthermore, ALTUM has not registered the Notes under any other country's securities laws, other than laws of the Republic of Latvia. Each potential investor should be aware of the transfer restrictions that apply to the Notes. It is the Noteholder's obligation to ensure that the offers and sales of the Notes comply with all applicable securities laws.

Section E - Offer

E.2b	Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks	The net proceeds of the issue of Notes will be used by ALTUM for its general corporate purposes. If in respect of any particular Series of Notes, there is a particular identified use of net proceeds, this will be stated in the relevant Final Terms. *Issue specific summary*: *[The net proceeds of the issue of each Tranche will be used by ALTUM for its general corporate purposes]/[The net proceeds of the issue of each Tranche will be used by ALTUM for [●]].*
E.3	A description of the terms and conditions of the offer	The Arranger of the Programme and the Issuing Agent The Arranger of the Programme and the Issuing Agent is AB SEB bankas (registration number: 112021238, legal address: Gedimino ave. 12, LT-01103 Vilnius, Lithuania). Issue Date The Issue Date of the Notes will be specified in the Final Terms of the respective Tranche. *Issue specific summary:* *Issue Date: [●]* Aggregate principal amount The aggregate principal amount of each Tranche shall be initially specified in the Final Terms. The Issuer may increase or decrease the aggregate principal amount of a Tranche as initially set out in the Final Terms during the Placement Period of that Tranche. *Issue specific summary:* *Aggregate principal amount: [EUR [●] [in addition to [●]]]* Nominal amount of the Note The nominal amount of each Note will be at least EUR 1,000.

		Issue specific summary: *Nominal amount of the Note: [●]* Minimum Investment Amount The Notes will be offered for subscription in a Minimum Investment Amount which will be specified in the Final Terms. *Issue specific summary:* *Minimum Investment Amount: [●]* Placement Period Placement Period for each Tranche will be specified in the Final Terms. *Issue specific summary:* *Placement Period: [●]* Covenants Change of Control, Negative Pledge, Cross Default and others. Depository The Notes will be book-entered within Latvian Central Depository (in Latvian – *Akciju sabiedrība "Latvijas Centrālais depozitārijs"*) (following reorganisation - Nasdaq CSD SE). Governing law Latvian law
E.4	A description of any interest that is material to the issue/offer including conflicting interests	Save for commissions to be paid to the Arranger of the Programme and the Issuing Agent, so far as ALTUM is aware, no person involved in the offer of the Notes has an interest material to the issue/offer, nor any conflicting interests.
E.7	Estimated expenses charged to the investor by the issuer or offeror	No expenses or taxes will be charged to the investors by ALTUM in respect to the issue of the Notes. However, the investors may be obliged to cover expenses which are related to the opening of the securities accounts with credit institutions or investment brokerage firms, as well as commissions which are charged by the credit institutions or investment brokerage firms in relation to the execution of the investor's purchase or selling orders of the Notes, the holding of the Notes or any other operations in relation to the Notes. Neither ALTUM, nor the Arranger of the Programme or the Issuing Agent will compensate the Noteholders for any such expenses.

KOPSAVILKUMS

Šis kopsavilkums ir sagatavots, pamatojoties uz informācijas prasībām, kas apzīmētas kā “Elementi”. Šie Elementi ir sagrupēti sadaļās A-E (A.1 – E.7). Šis kopsavilkums ietver visus Elementus, kas jāiekļauj kopsavilkumā par šāda veida vērtspapīriem un emitentu. Tā kā atsevišķus Elementus nav nepieciešams ietvert kopsavilkumā, ir iespējamas atkāpes Elementu numerācijas kārtībā. Pat ja kāda Elementa ietveršanu kopsavilkumā paredz vērtspapīru un emitenta veids, pastāv iespēja, ka attiecīgo informāciju par konkrēto Elementu nav iespējams sniegt. Šādā gadījumā kopsavilkumā tiek ietverts īss Elementa apraksts kopā ar norādi, ka Elements nav piemērojams.

Atsevišķos Elementos kursīvā norādītas vietas, kuras tiks papildinātas ar konkrētās emisijas kopsavilkumu par Obligāciju Laidienu, par kuru ir paredzēts sagatavot šādu konkrētās emisijas kopsavilkumu.

Vārdiem un izteicieniem, kas definēti Obligāciju Vispārīgo noteikumu sadaļā vai citur šajā Pamatprospektā, ir tāda pati nozīme šajā kopsavilkumā.

A daļa - Ievads un brīdinājumi

A.1	Brīdinājums	Šis kopsavilkums ir jāskata kā Pamatprospekta ievads un, pieņemot ikvienu lēmumu veikt ieguldījumu Obligācijās, ieguldītājam jāapsver Pamatprospekts kopumā, ieskaitot tam pievienotos dokumentus un konkrēto Obligāciju Galīgos noteikumus. Gadījumā, ja kādas dalībvalsts tiesā tiek iesniegta prasība saistībā ar Pamatprospektā ietverto informāciju, prasītājam, atbilstoši attiecīgās dalībvalsts, kurā iesniegta prasība, tiesību aktiem, var tikt pieprasīts segt Pamatprospekta tulkošanas izmaksas pirms šādas tiesvedības uzsākšanas. Civiltiesiskā atbildība tiek piemērota tikai tām personām, kuras iesniegušas kopsavilkumu kopā ar tā tulkojumu, bet tikai tādos gadījumos, kad kopsavilkums ir maldinošs, neprecīzs vai nekonsekvents, ja to skata kopā ar citām Pamatprospekta daļām, vai, ja to skatot kopā ar citām Pamatprospekta daļām, tas nesniedz būtiskāko informāciju, kas palīdzētu ieguldītājam pieņemt lēmumu veikt ieguldījumu šādos vērtspapīros.
A.2	Piekrišana Pamatprospekta izmantošanai	Visā Pamatprospekta derīguma termiņā AB SEB bankas (reģistrācijas numurs: 112021238, juridiskā adrese: Gedimino ave.12, LT-01103, Viļņa, Lietuva) un tās piesaistītie aģenti (kā norādīts attiecīgajos Galīgajos noteikumos), kas veic Programmas ietvaros emitēto Obligāciju tālākpārdošanu vai galīgo izvietošanu, ir tiesīgi izmantot šo Pamatprospektu: ▪ Latvijas Republikā un Lietuvas Republikā, kur tiek veikts Obligāciju publiskais piedāvājums personām (institucionālajiem un privātajiem ieguldītajiem); un ▪ Eiropas Ekonomikas zonas (EEZ) dalībvalstīs (izņemot Latvijā un Lietuvā), kurās tiek veikta Obligāciju privāta izvietošana personām (institucionālajiem ieguldītājiem), kas ir kvalificēti ieguldītāji saskaņā ar Prospektu direktīvas 2. panta pirmās daļas (e) punktu, atbilstoši Prospektu direktīvas 3. pantā paredzētajiem izņēmumiem, kā tos ir ieviesušas attiecīgās EEZ dalībvalstis, saistībā ar Obligāciju tālākpārdošanu vai galīgo izvietošanu attiecīgā piedāvājuma termiņā (kā noteikts attiecīgajos Galīgajos noteikumos), kurā ir iespējama Obligāciju turpmākā tālākpārdošana vai galīgā izvietošana. ALTUM uzņemas atbildību par Pamatprospektā ietverto informāciju arī attiecībā uz Obligāciju turpmāko tālākpārdošanu vai galīgo izvietošanu.

		Konkrētās emisijas kopsavilkums: *Emisijas Aģenta piesaistītie aģenti [●]* Pamatprospekts var tikt iesniegts potenciālajiem ieguldītājiem tikai kopā ar visiem Pamatprospekta papildinājumiem (ja piemērojams), kas ir publicēti pirms šādas iesniegšanas. Pamatprospekts un visi tā papildinājumi ir publicēti ALTUM interneta vietnē www.altum.lv. Izmantojot Pamatprospektu, AB SEB bankas un tās piesaistītiem aģentiem ir jāpārliecinās, ka to darbības atbilst visām attiecīgajā jurisdikcijā spēkā esošo piemērojamo tiesību aktu un noteikumu prasībām. Ja piedāvājumu izsaka AB SEB bankas un/vai tās piesaistītie aģenti, tad AB SEB bankas un/vai tās piesaistītie aģenti piedāvājuma izdarīšanas brīdī iesniegs ieguldītājiem informāciju par Obligāciju piedāvājuma noteikumiem.

B daļa - Emitents

B.1	Juridiskais nosaukums un komercnosaukums	Akciju sabiedrība "Attīstības finanšu institūcija Altum" ("ALTUM" vai "Emitents").
B.2	Emitenta juridiskā adrese, juridiskā forma, tiesību akti, pēc kuriem emitents veic darbību, dibināšanas valsts	ALTUM ir akciju sabiedrība, kas dibināta saskaņā ar Latvijas Republikas tiesību aktiem 2013. gada 27. decembrī. ALTUM ir reģistrēta Latvijas Republikas Komercreģistrā ar reģistrācijas numuru 50103744891 un tās juridiskā adrese ir: Doma laukums 4, Rīga, LV-1050, Latvija, tālrunis: +371 67774010, e-pasts altum@altum.lv, interneta vietne: www.altum.lv. ALTUM īsteno savu darbību atbilstoši Latvijas Republikas tiesību aktiem. Galvenie Latvijas Republikas tiesību akti, kuri regulē ALTUM darbību, ir: ▪ Attīstības finanšu institūcijas likums; ▪ Publiskas personas kapitāla daļu un kapitālsabiedrību pārvaldības likums; ▪ Komerclikums.
B.4b	Emitentu un nozaru, kurā tas darbojas, ietekmējošo identificēto tendenču apraksts	Šī Pamatprospekta sagatavošanas dienā nav informācijas par jebkādām identificētām tendencēm, neskaidrībām, prasījumiem, saistībām vai notikumiem, kas 2017. finanšu gadā potenciāli varētu būtiski ietekmēt ALTUM vai ALTUM koncerna nākotnes perspektīvas vai arī nozares, kurās ALTUM vai ALTUM koncerns īsteno darbību.
B.5, B14	Gadījumā, ja emitents ir koncerna dalībnieks – koncerna apraksts un emitenta stāvoklis koncernā. Informācija par to vai emitents ir atkarīgs no juridiskām personām koncernā.	ALTUM ir ALTUM koncerna mātes uzņēmums. Šī Pamatprospekta sagatavošanas dienā ALTUM koncerns ietver ALTUM un divus slēgtos ieguldījumu fondus – "Hipo Latvijas nekustamā īpašuma fonds I" un "Hipo Latvijas nekustamā īpašuma fonds II", kuru vienīgais ieguldītājs ir ALTUM, kā arī šādi asociētie uzņēmumi, kuros ALTUM ir būtiska ietekme (ieguldījumi riska kapitāla fondos): ▪ KS "Otrais Eko fonds" (33% ieguldījums kapitālā); ▪ KS "ZGI fonds" (65% ieguldījums kapitālā); ▪ KS "BaltCap Latvia Venture Capital Fund" (67% ieguldījums kapitālā); ▪ KS "AIF Imprimatur Capital Technology Venture Fund" (67% ieguldījumi kapitālā); ▪ KS "AIF Imprimatur Capital Seed Fund" (100% ieguldījums kapitālā); ▪ KS "ZGI-3" (95% ieguldījums kapitālā);

		▪ KS "FlyCap Investment Fund I AIF" (95% ieguldījumi kapitālā); ▪ KS "Expansion Capital Fund AIF" (95% ieguldījumi kapitālā); ▪ "Baltic Innovation Fund" (20% ieguldījumi kapitālā).
B.9	Gadījumā, ja ir ietvertas peļņas prognozes vai novērtējums, norādiet apjomu	Nav piemērojams. Šajā Pamatprospektā ALTUM nav ietvēris peļņas prognozi vai plānotās peļņas apmēru.
B.10	Revidentu ziņojumā ietverto atrunu iepriekšējās finanšu informācijas sakarā apraksts	Nav piemērojams. Nevienā no revidentu ziņojumiem par ALTUM koncerna auditētajiem konsolidētajiem gada pārskatiem par finanšu gadiem, kas noslēdzās 2015. gada 31. decembrī un 2016. gada 31. decembrī, nav ietvertas nekādas atrunas.
B.12	Selektīva būtiska iepriekšējā finanšu informācija par emitentu par katru iepriekšējās finanšu informācijas apskata periodā ietverto finanšu gadu un ikvienu sekojošo starpperiodu finanšu pārskatu, pievienojot salīdzinošos datus par to pašu periodu iepriekšējā finanšu gadā, izņemot gadījumus, kad salīdzinošās bilances informācijas prasība tikusi izpildīta, sniedzot gada noslēguma bilances informāciju Apliecinājums, ka kopš pēdējā revidētā finanšu pārskata publikācijas datuma nav notikušas jebkādas būtiski nelabvēlīgas izmaiņas emitenta nākotnes perspektīvās, vai arī šādu būtiski nelabvēlīgu izmaiņu apraksts Būtisku izmaiņu finanšu stāvoklī vai tirgus pozīcijā, kas notikušas pēc iepriekšējās finanšu informācijas aptvertā perioda, apraksts	Sekojošais ALTUM koncerna konsolidēto finanšu rādītāju un galveno darbības rezultātu kopsavilkums par diviem finanšu gadiem, kas noslēdzās 2015. gada 31. decembrī un 2016. gada 31. decembrī, kā arī par katru no sešu mēnešu periodiem, kas noslēdzās 2016. gada 30. jūnijā un 2017. gada 30. jūnijā, ir izvilkums no ALTUM koncerna konsolidētajiem finanšu pārskatiem, kas sagatavoti par minētajiem periodiem un uz konkrētajiem datumiem, neveicot nekādas būtiskas korekcijas.

	Gads, kas noslēdzās 31. decembrī		Seši mēneši, kas noslēgušies 30. jūnijā	
	2015	2016	2016	2017
	(Revidēts)		*(Nerevidēts)*	
Galvenie finanšu dati (ALTUM koncerns)				
Neto procentu un komisijas naudas ieņēmumi (tEUR)[1)]	16,419	11,024	6,658	6,639
Peļņa (pārskata periodā) (tEUR)	4,924	2,170	832	5,414
Izdevumu un ieņēmumu attiecība (IIA) [2)]	55,8%	88,4%	82,7%	43,1%
Darbinieku skaits	282	242	252	228

	Gads, kas noslēdzās 31. decembrī		Seši mēneši, kas noslēgušies 30. jūnijā
	2015	2016	2017
	(Revidēts)		*(Nerevidēts)*
Galvenie finanšu dati (ALTUM koncerns)			
Kopā aktīvi (tEUR)	406,918	443,126	438,889
Kapitāls bez pārvērtēšanas rezerves (KBPR) / Kopējie pārvaldītie aktīvi (KPA)[3)]	37,3%	35,2%	35,5%
Kapitāls un rezerves (tEUR)	199,610	210,094	216,596
Riska segums, kopā: [4)] (tEUR)	41,021	67,705	63,162
Riska seguma rezerve	40,662	64,833	60,788
Riska seguma rezerve, kas izmantota uzkrājumiem	-1,276	-4,323	-4,821
Portfeļa zaudējumu rezerve (speciālais rezerves kapitāls)	1,635	7,195	7,195
Likviditātes rādītājs 180 dienām[5)]	351,9%	449,3%	567,9%

	Gads, kas noslēdzās 31. decembrī		Seši mēneši, kas noslēgušies 30. jūnijā	
	2015	2016	2016	2017
	(Revidēts)		*(Nerevidēts)*	
Finanšu instrumenti (bruto vērtībā)				
Portfelis (tEUR) (pa finanšu instrumentiem)				
Kredīti	218,562	217,429	221,330	209,364
Garantijas	131,120	147,175	134,291	165,941
Riska kapitāls	39,929	58,541	50,765	56,974
Kopā	389,611	423,145	406,386	432,279
Līgumu skaits	8,901	11,449	10 058	13 005
Piešķirtie apjomi (tEUR) (pa finanšu instrumentiem)				
Kredīti	52,329	59,465	33,693	25,366
Garantijas	50,065	56,109	21,244	34,422
Riska kapitāls	18,798	21,356	6,309	1,219
Kopā	121,192	136,929	61,246	61,007
Līgumu skaits	2,819	4,461	2 240	2 314
Piesaistītā privātā finansējuma sviras koeficients [6)]	104%	162%	158%	181%

1) Neto procentu un komisijas naudas ieņēmumus veido sekojoši Ienākuma pārskata posteņi: Neto procentu ieņēmumi un Tīrie komisijas ieņēmumi. Rādītājs atspoguļo ALTUM Koncerna pamatdarbības ienākumus.
2) Izdevumu un ieņēmumu attiecība (IIA) tiek aprēķināta, Personāla izmaksu, Administratīvo izdevumu un Nemateriālo aktīvu un pamatlīdzekļu nolietojuma summu dalot ar Pamatdarbības ienākumiem pirms pamatdarbības izdevumiem, kas atspoguļoti Ienākumu pārskatā. IIA ir pamatdarbības efektivitātes rādītājs.
3) Kapitāls bez pārvērtēšanas rezerves (KBPR)/Kopējie pārvaldītie aktīvi (KPA) (KBPR/KPA). Kapitāls bez pārvērtēšanas rezerves (KBPR) tiek aprēķināts no Kopā kapitāls atskaitot Pārdošanai pieejamo ieguldījumu pārvērtēšanas rezervi.
Kopējie pārvaldītie aktīvi (KPA) iekļauj ALTUM Koncerna kopējos aktīvus, pieskaitot ārpusbilancē uzskaitīto garantiju apjomu, ņemot vērā uzkrājumus garantijām, no kura atņemti Nākamo periodu izdevumi, Uzkrātie ieņēmumi, Pamatlīdzekļi, Nemateriālie aktīvi, Pārējie aktīvi un Pārdošanai pieejamie aktīvi.
Abu rādītāju (KBPR, KPA) aprēķinā izmantotie posteņi atspoguļoti ALTUM Koncerna Finanšu pārskatos: Pārskatā par finanšu stāvokli un Kapitāla uz rezervju izmaiņu pārskatā, pielikumos – Ārpusbilances posteņi un iespējamās saistības un Uzkrājumi. KBPR/KPA tiek izmantots, lai novērtētu Koncerna kapitāla pietiekamību.
4) Riska segums, kopā ir tīrais finansējums, kas pieejams ALTUM ieviesto atbalsta programmu sagaidāmo kredītzaudējumu segumam. Riska segums, kopā ir Riska seguma rezerves un Portfeļa zaudējumu rezerves (speciālais rezerves kapitāls) kopsumma, no kuras atskaitīta Riska seguma rezerve, kas izmantota uzkrājumiem. Sagaidāmie zaudējumi tiek aplēsti pirms attiecīgās atbalsta programmas ieviešanas un daļa no publiskā finansejuma, kas tiek saņemts attiecīgās atbalsta programmas ietvaros sagaidāmo kredītriska zaudējumu segumam tiek novirzīts vai nu "Portfeļa zaudējumu rezervē", kas ir Koncerna speciālais rezerves kapitāls, vai uzskaitīts atsevišķi kā uzkrājumi riska segumam "Riska seguma rezervē" saistībās. Portfeļa zaudējumu rezerve (speciālais rezerves kapitāls) ir atspoguļots ALTUM Koncerna Finanšu pārskatu pielikumā Rezerves, savukārt Riska seguma rezerve ir atspoguļota ALTUM Koncerna Finanšu pārskatu pielikumā Atbalsta programmu finansējums un valsts atbalsts. Riska seguma rezerve, kas izmantota uzkrājumiem ir Riska seguma rezerves apjoms, kas alocēts un izmantots uzkrājumiem aizdevumu portfeļa vērtības samazinājumam un uzkrājumiem garantijām, un tā attiecīgi atspoguļota ALTUM Koncerna Finanšu pārskatu pielikumos "Kredīti" un "Uzkrājumi".
Riska segums, kopā ir pamatrādītājs, novērtējot riska segumu ALTUM ieviestajās atbalsta programmās, kā arī vērtējot Koncerna ilgtermiņa finanšu stabilitāti.
5) Likviditātes rādītājs 180 dienām tiek aprēķināts, Prasību pret citām kredītiestādēm un Valsts kasi ar termiņu līdz 1 mēnesim un Ieguldījumu vērtspapīru – pieejami pārdošanai summu dalot ar Kopējo saistību ar maksājuma termiņu līdz 6 mēnešiem un Kopējo finansiālo saistību ar maksājuma termiņu līdz 6 mēnešiem (ārpusbilances postenis) summu. Likviditātes rādītāja 180 dienas aprēķinam nepieciešamie dati ir atspīguļoti

		ALTUM Koncerna Finanšu pārskatos: Pārskatā par finanšu stāvokli un sekojošos pielikumos – Ārpusbilances posteņi un iespējamās saistības un Aktīvu un saistību sadalījums pēc to atlikušā atmaksas un dzēšanas termiņa. Likviditates rādītājs 180 dienas atspoguļo ALTUM Koncerna spēju ievērot savas saistības noteiktā termiņā ar pašreiz pieejamiem likvīdajiem aktīviem. Tā kā dati par 2015. gadu finanšu pārskatu pielikumos ir atspoguļoti citādākā griezumā, tad no ALTUM Koncerna finanšu pārskatā esošās informācijas šo rādītāju par 2015. gadu nevar aprēķināt. Taču, aprēķinot Likviditātes rādītāju 180 dienas par 2015. gadu, ir piemērota konsekvence attiecībā uz aprēķina metodiku. Daļa no informācijas (Kopējās finansiālās saistības ar maksājuma termiņu līdz 6 mēnešiem (ārpusbilances postenis)), kas nepieciešama, aprēķinot rādītāju par 2016. gadu, ir atspoguļota kā salīdzinošā informācija ALTUM Koncerna finanšu pārskatos uz 2017. gada 30. jūniju. 6) Piesaistītā privātā finansējuma sviras koeficients parāda projektā papildus ALTUM finansējumam ieguldītā privātā finansējuma apjomu. Sviras koeficients tiek noteikts, ņemot vērā finansējumu, kuru papildus ALTUM finansējumam ir ieguldījis privātais līdzfinansētājs un projekta īstenotājs, kas vidēji aizdevumiem ir līdz pat 50 procentiem, garantijām un riska kapitālam līdz pat 70 procentiem (izņemot mājokļu aizdevumu garantijas programmas pirmajai iemaksai, kur šis koeficients ir 795 procenti). Kopš ALTUM koncerna revidētā konsolidētā finanšu pārskata par 2016. gadu apstiprināšanas dienas nav notikušas būtiskas negatīvas izmaiņas ALTUM vai ALTUM koncerna nākotnes perspektīvās. Kopš 2017. gada 30. jūnija nav notikušas būtiskas negatīvas izmaiņas ALTUM vai ALTUM koncerna finanšu stāvoklī un tirgus pozīcijās.
B.13	Aktuālu, emitentu ietekmējošu notikumu apraksts, kas ir būtiski emitenta maksātspējas novērtēšanai	Nav piemērojams. Kopš pēdējo revidēto vai nerevidēto finanšu pārskatu publicēšanas datuma nav iestājušies nekādi būtiski apstākļi, kas varētu būt nozīmīgi ALTUM maksātspējas novērtēšanai.
B.15	Emitenta galveno darbības jomu apraksts	ALTUM ir attīstības finanšu institūcija, kas sniedz valsts finansiālo atbalstu uzņēmējdarbībai un noteiktām iedzīvotāju grupām Latvijā. ALTUM veic šo uzdevumu un nodrošina mazajiem un vidējiem uzņēmumiem pieeju finansējumam, izmantojot virkni finanšu instrumentu (galvenokārt aizdevumus un garantijas) un riska kapitāla fondus. ALTUM piedāvā arī tehnisko atbalstu – konsultācijas un apmācības vairākās jomās, piemēram, par ēku atjaunošanu un energoefektivitāti vai lauksaimniecības uzņēmējdarbības attīstību.
B.16	Apmērā, kādā šāda informācija ir emitenta rīcībā, norādīt vai emitentu tieši vai netieši pārvalda vai kontrolē kāda persona (norādīt), sniegt šādas kontroles aprakstu	ALTUM ir reģistrēta atbilstoši Latvijas Republikas tiesību aktiem kā akciju sabiedrība. ALTUM vienīgais akcionārs ir Latvijas Republika. ALTUM 40% akciju un balsstiesību turētājs ir Latvijas Republikas Finanšu ministrija, 30% – Latvijas Republikas Ekonomikas ministrija un 30% – Latvijas Republikas Zemkopības ministrija.
B.17	Emitentam vai tā parāda vērtspapīriem, pēc emitenta pieprasījuma vai emitentam sadarbojoties vērtēšanas procesā, piešķirtais kredītreitings	Moody's Investors Service ir piešķīrusi ALTUM reitingu Baa1 ar stabilu attīstības prognozi. Reitings tika piešķirts 2017. gada 15. jūnijā. Programmas ietvaros emitēto Obligāciju Sērijām var tikt piešķirts kredītreitings, kā arī tās var būt bez reitinga. Ja tiktu piešķirts reitings, tad šāds reitings var atšķirties no ALTUM piešķirtā reitinga. Kredītreitings nav uzskatāms par rekomendāciju pirkt, pārdot vai turēt kādus vērtspapīrus un reitingu aģentūra, kas piešķīrusi konkrēto reitingu, var to apturēt, samazināt vai atcelt jebkurā brīdī. *Konkrētās emisijas kopsavilkums:* *Reitings emitētajām Obligācijām [netiks piešķirts/ir piešķirts/paredzams, ka to piešķirs] aģentūra [●]]*

C daļa - Vērtspapīri

C.1	Piedāvāto un/vai tirgū iekļauto vērtspapīru veids un kategorija, ieskaitot vērtspapīru identifikācijas numurs	Nekonvertējamas, nenodrošinātas un bezgarantiju Obligācijas ar kopējo nominālvērtību līdz 30,000,000 EUR. Obligācijas ir dematerializēti uzrādītāja parāda vērtspapīri. Obligācijas tiks emitētas vienā vai vairākās Sērijās. Katra Obligāciju emisijas Sērija var sastāvēt no viena vai vairākiem Laidieniem. Viena Laidiena Obligācijas ir pakļautas identiskiem noteikumiem, izņemot atšķirības dažādu Laidienu emisijas datumos un emisijas cenās. Katras Sērijas un Laidiena identifikācijas mērķim Galīgajos noteikumos tiek norādīts katras Sērijas un katra Laidiena kārtas numurs. *Konkrētās emisijas kopsavilkums:* *Obligāciju Sērijas numurs: [●]* *Laidiena numurs: [●]* Pirms katras Sērijas pirmā Laidiena piedāvājuma uzsākšanas, attiecīgajai Sērijai tiek piešķirts ISIN kods. Gadījumā, ja tiek emitēts vēl kāds Laidiens, kas kopā ar jau emitēto Laidienu noteiktā datumā pēc jau emitētā Laidiena Emisijas datuma veidos vienu Sēriju, tad šādām nākamā Laidiena Obligācijām tiek piešķirts pagaidu ISIN kods, kas atšķiras no attiecīgajai Sērijai piešķirtā ISIN koda, un tiek izmantots līdz brīdim, kad Laidieni tiek apvienoti vienā Sērijā. *Konkrētās emisijas kopsavilkums:* *ISIN kods: [[●]/[Pagaidu ISIN kods: [●]. Pēc Obligāciju iekļaušanas regulētajā tirgū, Obligācijas tiek apvienotas vienā Sērijā ar [●], izmantojot vienotu ISIN kodu [●]].*
C.2	Vērtspapīru emisijas valūta	EUR
C.5	Vērtspapīru brīvas pārvedamības ierobežojumu apraksts	Obligācijas ir brīvi pārvedami vērtspapīri. Tomēr Obligācijas nevar tikt piedāvātas, pārdotas, tālākpārdotas, pārvestas vai nodotas tādās valstīs vai jurisdikcijās vai citādi, tādos apstākļos, kur šādu pasākumu īstenošana ir pretlikumīga vai paredz tādu papildu pasākumu īstenošanu, kādi netiek paredzēti Latvijas Republikas tiesību aktos, ieskaitot Amerikas Savienotās Valstis, Austrāliju, Kanādu, Honkongu un Japānu. Turklāt Obligacionāri nedrīkst Obligācijas tālākpārdot, pārvest vai nodot nevienai personai tādā veidā, kas varētu tikt uzskatīts par vērtspapīru publisku piedāvājumu.
C.8, C.9	No obligācijām izrietošo tiesību apraksts, ieskaitot • dalījumu kategorijās • tiesību ierobežojumus • nominālo procentu likmi • dienu, no kuras jāveic procentu maksājumi • procentu maksājumu datumus • ja likme nav fiksēta, pamata instrumenta, kas pamato likmi,	Dalījums kategorijās Obligācijas veido tiešas, nenodrošinātas un bezgarantiju Emitenta saistības, kas kategorizējamas *pari passu* bez jebkādām priekšrocībām vienām pret otru, kā arī attiecībā pret visām Emitenta nenodrošinātām, bezgarantiju un nesubordinētām parādsaistībām, izņemot saistības, kas atbilstoši obligāto tiesību aktu prasībām uzskatāmas par prioritārām. Emisijas cena Obligācijas var tikt emitētas to nominālvērtībā vai arī piemērojot emisijas atlaidi vai emisijas uzcenojumu. Procentu likme Obligācijām tiek noteikta fiksēta Gada procentu likme. Procentu maksājumi veicami reizi gadā Galīgajos noteikumos noteiktajos procentu samaksas datumos. Procenti tiek uzkrāti par konkrētajā brīdī neatmaksāto Obligāciju pamatsummu par katru procentu periodu no procentu perioda pirmās

	apraksts • atmaksāšanas termiņu • aizņēmuma amortizācijas noteikumus, ieskaitot atmaksāšanas kārtību • ienesīguma prognozes • parāda vērtspapīru turētāju pārstāvja nosaukumu/ vārdu un uzvārdu	dienas (ieskaitot) līdz procentu perioda pēdējai dienai (neieskaitot). Pirmais procentu periods sākas Emisijas datumā un noslēdzas iepriekšējā dienā pirms pirmā procentu samaksas datuma. Katrs nākamais procentu periods sākas iepriekšējā procentu samaksas datumā un noslēdzas iepriekšējā dienā pirms nākamajā procentu samaksas datuma. Pēdējais procentu periods noslēdzas Dzēšanas datumā. Procenti par Obligācijām tiek aprēķināti, konkrētajā procentu periodā pagājušo dienu skaitu dalot ar 365 (vai t.s. garā gada gadījumā – ar 366), t.i., tiks izmantots dienu aprēķina princips *Act/Act* (ICMA). *Konkrētās emisijas kopsavilkums:* *Procentu Samaksas datums: katra gada [●]* Ienesīguma norādīšana Emitents norāda piedāvāto Obligāciju paredzamā Ienesīguma līdz dzēšanai (*Yield to Maturity*) diapazonu pirms Obligāciju Izvietošanas perioda sākuma, publicējot attiecīgu paziņojumu Emitenta interneta vietnē www.altum.lv. Tomēr Obligāciju Izvietošanas periodā Emitents ir tiesīgs mainīt paredzēto Ienesīguma līdz dzēšanai diapazonu. Galīgā ienesīguma līdz dzēšanai, Gada procentu likmes un Emisijas cenas noteikšana Galīgais ienesīgums līdz dzēšanai tiks noteikts pēc Izvietošanas perioda, balstoties uz ieguldītāju iesniegtajiem pirkuma pieteikumiem. Galīgais ienesīgums līdz dzēšanai būs vienāds visiem ieguldītājiem, kas attiecīgā piedāvājuma ietvaros iegādāsies attiecīgā Laidiena Obligācijas. Noteiktais Galīgais ienesīgums līdz dzēšanai tiks iekļauts Galīgajos noteikumos, kas tiks publicēti pēc Obligāciju izvietošanas ieguldītājiem. *Konkrētās emisijas kopsavilkums:* *Galīgais ienesīgums līdz dzēšanai: [●]* Gada procentu likme (kupons) tiks noteikta, noapaļojot Galīgo ienesīgumu līdz dzēšanai uz leju līdz noapaļotā skaitļa tuvākajai desmitdaļai (kas ir procentos izteikts lielums). Noteiktā Gada procentu likme tiks iekļauta Galīgajos noteikumos, kas tiks publicēti pēc Obligāciju izvietošanas ieguldītājiem. *Konkrētās emisijas kopsavilkums:* *Gada procentu likme*: *[●]* Obligāciju Emisijas cena tiek noteikta saskaņā ar Galīgajos noteikumos ietverto formulu attiecībā uz konkrēto Laidienu, noapaļojot summu līdz tuvākajai tūkstošdaļai atbilstoši aritmētikas likumiem par skaitļu noapaļošanu. Noteiktā Emisijas cena tiks iekļauta Galīgajos noteikumos, kas tiks publicēti pēc Obligāciju piešķiršanas ieguldītājiem. *Konkrētās emisijas kopsavilkums:* *Emisijas cenas aprēķināšanas formula: [●]* *Konkrētās emisijas kopsavilkums:* *Emisijas cena: [●]* Galīgie noteikumi, kas ietvers informāciju par apstiprināto Galīgo ienesīgumu līdz dzēšanai, Gada procentu likmi, Emisijas cenu, konkrētā Laidiena kopējo pamatsummu un emitējamo Obligāciju skaitu tiks publicēti Emitenta interneta vietnē www.altum.lv un pēc Obligāciju piešķiršanas ieguldītājiem tiks

		iesniegta Finanšu un kapitāla tirgus komisijai. Dzēšanas termiņš Obligāciju sērijas dzēšanas termiņš var būt robežās no 5 (pieciem) līdz 10 (desmit) gadiem. *Konkrētās emisijas kopsavilkums:* *Dzēšanas termiņš: [●]* Atpirkšana Obligācijas tiek atmaksātas to nominālvērtības pilnā apmērā Dzēšanas datumā. Emitentam nav tiesību atpirkt Obligācijas pirms Dzēšanas datuma, izņemot gadījumus, kad Emitents ir veicis Obligāciju pirmstermiņa atmaksu Emitenta Akcionāru maiņas gadījumā vai, iestājoties kādam Saistību neizpildes gadījumam, vai arī gadījumā, ja Obligacionāru sapulce, pamatojoties uz Emitenta ierosinājumu, pieņem lēmumu par Obligāciju atpirkšanu pirms noteiktā Dzēšanas datuma. Obligacionāru pārstāvis Obligacionāru tiesības izveidot un/vai pilnvarot kādu fizisku vai juridisku personu pārstāvēt visu Obligacionāru vai kādas to daļas intereses netiek noteiktas, taču nav paredzēti arī šādu tiesību ierobežojumi. Obligacionāriem ir pienākums pašiem segt visas izmaksas/izdevumus, kas ir saistīti ar šādas pārstāvniecības nodrošināšanu.
C.10	Ja procentu maksājums par vērtspapīru ir balstīts uz atvasinātu instrumentu, sniedziet skaidru un izsmeļošu skaidrojumu, lai palīdzētu ieguldītājiem izprast, kā to ieguldījumu vērtību ietekmē šāda (-u) instrumenta (-u) vērtība, jo īpaši izteikta riska apstākļos	Nav piemērojams. Obligāciju procentu maksājumi nav balstīti uz atvasinātajiem instrumentiem.
C.11	Informācija par to vai par piedāvātajiem vērtspapīriem ir/ tiks iesniegts pieprasījums par iekļaušanu tirgū to izplatīšanai regulētā tirgū vai kādā citā līdzvērtīgā tirgū, norādot attiecīgos tirgus	Emitents iesniedz pieteikumu par katra Laidiena iekļaušanu Nasdaq Riga oficiālajā parāda vērtspapīru sarakstā (Baltijas parāda vērtspapīru sarakstā). Šāds pieteikums tiek sagatavots atbilstoši Nasdaq Riga prasībām un tiek iesniegts Nasdaq Riga 3 (trīs) mēnešu laikā pēc attiecīgā Laidiena Emisijas datuma.

D daļa - Riski

D.2	Būtiska informācija par emitentam raksturīgiem būtiskiem riskiem	Makroekonomiskie un politiskie riski ▪ Tādi faktori kā bezdarba līmenis Latvijā, migrācijas tendences, patērētāju pirktspēja un cenu līmeņa dinamika, izmaiņas Eirozonas monetārajā vidē, kā arī ES vispārējā politiskā stabilitāte rada ALTUM koncerna saimnieciskās darbības un finanšu rezultātu pieaugošu

		atkarību no iekšzemes, reģionālo un starptautisko makroekonomisko notikumu attīstības tendencēm. ▪ Ievērojama Latvijas ekonomikas lejupslīde, strauja Latvijas galveno eksporta tirgu attīstības tempu samazināšanās, Latvijas fiskālā stāvokļa būtiska pasliktināšanās vai makroekonomiskās nelīdzsvarotības rašanās, kas varētu nelabvēlīgi ietekmēt Latvijas ekonomisko stabilitāti, var būtiski nelabvēlīgi ietekmēt ALTUM koncernu. ▪ Tā kā ALTUM ir valstij piederoša finanšu institūcija, nevar izslēgt iespēju, ka Latvijas Republikas valdības pieņemtie politiskie un sociālie lēmumi var nelabvēlīgi ietekmēt ALTUM koncerna saimniecisko darbību un finanšu stāvokli. Ar saimniecisko darbību saistītie riski ▪ Latvijas Republikas Ministru kabinets novirza atmaksātos līdzekļus no publiskā finansējuma ALTUM finanšu instrumentu programmu turpināšanai un jaunu programmu īstenošanai. Pastāv risks, ka Latvijas Republikas Ministru kabinets var nolemt apturēt atmaksāto līdzekļu atkārtotu ieguldīšanu jaunās aktivitātēs, kā rezultātā ALTUM saņems mazāku finansējumu. Tas palielinātu finansējuma izmaksas, kas nelabvēlīgi ietekmētu ALTUM koncerna likviditāti, saimniecisko darbību un finanšu stāvokli. ▪ ALTUM kopējais finansējums ir lielā mērā atkarīgs no līdzekļiem, kas tiek saņemti no Eiropas Reģionālā attīstības fonda. Lai nodrošinātu ALTUM programmu darbības nepārtrauktību, ALTUM meklē citus finansējuma avotus. Ja papildus publiskajam finansējumam citi finansējuma avoti nebūtu pieejami un Eiropas Reģionālā attīstības fonda sniegtais finansējums tiktu samazināts, pastāv iespēja, ka ALTUM programmu apjoms tiks samazināts, novedot pie tā, ka lielāko daļu no programmās atmaksātajiem līdzekļiem patērētu administratīvās izmaksas un daļa no jaunajām programmām tiktu slēgtas. Tas var nelabvēlīgi ietekmēt ALTUM koncerna saimniecisko darbību un finanšu stāvokli. ▪ Programmās, kas tiek finansētas no ES fondu 2014.-2020. gada plānošanas perioda finansējuma, noteikts, ka Altum jāsasniedz progress, ko apliecina uzraudzības rādītāji, un noteikti finanšu apjomi līdz 2023. gadam, kā arī jāuzrāda noteikti starpposma finanšu rādītāji līdz 2018. gada beigām. Tā kā vairāku valsts atbalsta programmu uzsākšana tika aizkavēta, galvenokārt, administratīvu šķēršļu dēļ, pastāv risks, ka plānotie starpposma finanšu rādītāji netiks sasniegti līdz 2018. gadam. Ja Altum nesasniegs plānotos finanšu apjomus līdz 2018. gadam, finanšu instrumentiem pieejamais finansējums var tikt samazināts. Tas var būtiski nelabvēlīgi ietekmēt ALTUM koncerna saimniecisko darbību un finanšu stāvokli. ▪ ES fondu 2014.-2020. gada plānošanas periodā atbalstītie riska kapitāla fondi pieļauj atšķirīgu privātā līdzfinansējuma apjoma piesaisti atkarībā no uzņēmuma, kurā fonds veiks investīcijas, attīstības stadijas. Temps, kādā tiek veikti ieguldījumi programmā, ir atkarīgs no fonda pārvaldnieku spējas piesaistīt privāto līdzfinansējumu. Ja ALTUM izvēlētie riska kapitāla fondu pārvaldnieki nespētu piesaistīt privāto līdzfinansējumu atbilstošos apjomos, nepieciešamais ALTUM ieguldījumu apjoms riska kapitāla fondos var netikt sasniegts ES fondu noteikumu definētajā izmaksu attiecināmības periodā. Tas var nelabvēlīgi ietekmēt ALTUM koncerna saimniecisko darbību un finanšu stāvokli. ▪ Pastāv risks, ka ALTUM darbības jomas ilgtermiņā varētu sarukt, ņemot

vērā ALTUM klientu pieaugošo iespēju piekļūt privātā finansējuma sniedzēju piedāvātajiem finanšu instrumentiem un/vai ALTUM piedāvāto produktu neaktualitātes dēļ, ko izraisījušas pārmaiņas uzņēmējdarbības vidē ALTUM apkalpotajā tirgus nišā. Līdz ar to ALTUM konkurējošās pozīcijas pasliktināšanās un/vai ievērojamas daļas klientu bāzes zaudējums var nelabvēlīgi ietekmēt ALTUM koncerna saimniecisko darbību un finanšu stāvokli.

- Saskaņā ar Attīstības finanšu institūcijas likumu Latvijas valsts ir atbildīga par ALTUM izsniegtajām garantijām tādā apmērā, kā katru gadu noteikts likumā "Par valsts budžetu". Pastāv risks, ka kopējais maksimālais garantiju riska apmērs, kam ir piešķirts valsts nodrošinātu garantiju statuss, varētu tikt samazināts vai pat nenodrošināts, kā rezultātā ALTUM būtu spiesta samazināt izsniegto garantiju apjomus un/vai palielināt ALTUM komisijas par garantiju izsniegšanu, kas sadārdzinātu ALTUM pakalpojumus. Turklāt, ja ALTUM trūks atbilstoša riska seguma garantiju aktivitātēm, Latvijas Republikas Finanšu ministrija var pieņemt lēmumu pārtraukt jaunu garantiju izsniegšanu. Tas var nelabvēlīgi ietekmēt ALTUM koncerna saimniecisko darbību un finanšu stāvokli.
- Eiropas Komisija ir atļāvusi ALTUM veikt saimniecisko darbību līdz 2022. gada 31. decembrim. Eiropas Komisija var pagarināt atļauju pēc atkārtota izvērtējuma sagatavošanas. Pastāv risks, ka, sākot ar 2023. gada 1. janvāri, ALTUM saimnieciskās darbības apjoms var tikt samazināts, pašreizējā saimnieciskās darbības aktivitātes var tikt pārtrauktas un/vai aizstātas ar jaunām saimnieciskās darbības aktivitātēm. Tas var nelabvēlīgi ietekmēt ALTUM koncerna saimniecisko darbību un finanšu stāvokli.
- Ņemot vērā, ka valsts atbalsta programmas tiek īstenotas saskaņā ar ES tiesisko regulējumu, pastāv risks, ka ALTUM un tās sadarbības partneri (finanšu starpnieki) var iztulkot un piemērot ES tiesību aktus citādi nekā uzraudzības iestādes, veicot pārbaudes. Lai nodrošinātu preventīvu risku pārvaldību, kā arī savlaicīgu koriģējošu pasākumu ieviešanu atbilstības risku mazināšanai vai novēršanai, ALTUM ir izveidojis risku pārvaldības sistēmu. Neraugoties uz ALTUM pūlēm, neatbilstība noteikumiem, kas regulē programmu īstenošanu, var nelabvēlīgi ietekmēt ALTUM koncerna saimniecisko darbību un finanšu stāvokli.
- ALTUM koncerns veic visas nepieciešamās darbības, lai samazinātu iespējamību, ka saimnieciskā darbība tiek veikta ar klientiem, kas ir iesaistīti vai varētu būt iesaistīti noziedzīgi iegūtu līdzekļu legalizācijā vai terorisma finansēšanā, ievērojot visas tiesību aktos noteiktās prasības un savā saimnieciskajā darbībā ievērojot "zini savu klientu" principus. Pastāv risks, ka ALTUM koncerna veiktās darbības var būt nepietiekamas, lai novērstu noziedzīgi iegūtu līdzekļu legalizāciju vai terorisma finansēšanu, kā rezultātā ALTUM koncerns varētu ciest zaudējumus, tikt pakļauts juridiskām sankcijām vai tā reputācija varētu pasliktināties. Tas var nelabvēlīgi ietekmēt ALTUM koncerna saimniecisko darbību un finanšu stāvokli.

Finanšu riski

- ALTUM īsteno virkni valsts atbalsta programmu, kurās tai nav pilnas kontroles pār līdzekļu izlietojumu. Pastāv risks, ka Latvijas Republikas Centrālā finanšu un līgumu aģentūra varētu atzīt daļu no izdevumiem par tādiem, kas nav tiesīgi saņemt finansējumu. Šādā gadījumā ALTUM būtu jāsedz izmaksas no saviem līdzekļiem un ar piedziņas palīdzību

		jācenšas tos atgūt no parādniekiem. Savukārt tas ietver risku, ka līdzekļu atgūšana nebūs iespējama vai ir maz ticama un izdevumiem būs nelabvēlīga ietekme uz ALTUM finanšu rādītājiem. ▪ Nosakot kompensācijas maksājumu apjomu, ALTUM programmu noteikumi un nosacījumi, kurus apstiprinājis Latvijas Republikas Ministru kabinets, paredz, ka starpību starp piemērojamo ES regulu noteikto limitu un biznesa plānā paredzēto summu sedz no ES struktūrfonda un valsts budžeta finansējuma atmaksām. Pastāv risks, ka izmaiņas šos jautājumus regulējošos valsts un ES noteikumos nelabvēlīgi ietekmēs ALTUM finanšu stāvokli, ja tiks noteikti papildus ierobežojumi kompensācijas maksājumiem. ▪ Pastāv risks ciest zaudējumus, ja ALTUM klienti vai sadarbības partneri nespēj vai atsakās izpildīt savas saistības pret ALTUM saskaņā ar noslēgto līgumu noteikumiem un nosacījumiem. Pakļautība kredītriskam tiek mazināta, nodrošinot riska darījumam atbilstošas ķīlas vai cita veida nodrošinājumus, kā arī nodrošinot segumu sagaidāmajiem zaudējumiem, kas rodas dēļ lielāka kredītriska līmeņa valsts atbalsta un attīstības programmu īstenošanā. ▪ Pastāv risks ciest zaudējumus, ja ALTUM nespēs savlaicīgi izpildīt savu kreditoru tiesiski pamatotus prasījumus, vai, ja iestājas noteikti apstākļi, piemēram, neparedzēts aizdevuma portfeļa un citu aktīvu naudas plūsmu apjomu samazinājums, kas novestu pie būtiska ALTUM rīcībā esošo likvīdo aktīvu iztrūkuma. ▪ Pastāv risks ciest zaudējumus saistībā ar valūtas maiņas likmes svārstībām no ārvalstu valūtās denominēto bilances un ārpusbilances posteņu pārvērtēšanas. ▪ Pastāv risks ciest zaudējumu saistībā ar izmaiņām ALTUM ieņēmumiem un/vai izdevumiem piemērojamajās procentu likmēs un tās ekonomiskajā vērtībā.
D.3	Nozīmīga informācija par būtiskākajiem riskiem, kas ir raksturīgi vērtspapīriem	▪ Obligācijas var nebūt piemērots ieguldījuma objekts visiem ieguldītājiem. Ikvienam ieguldītājam ir jāizvērtē ieguldījumu atbilstība, balstoties uz paša ieguldītāja specifiskiem apstākļiem, ieskaitot ietekmi uz šādu Obligāciju vērtību un šādu ieguldījumu ietekmi uz ieguldītāja ieguldījumu portfeli kopumā. ▪ Obligācijas, ja emitētas tādu projektu finansēšanai, kas atbilst ALTUM Zaļo obligāciju ietvaram (*Green Bond Framework*), var nebūt piemērots ieguldījuma objekts visiem ieguldītājiem, kas vēlas ieguldīt „zaļajos" aktīvos. Attiecībā uz Obligāciju emisiju, kas tiek veikta, lai finansētu projektus, kas atbilst ALTUM Zaļo obligāciju satvaram (*Green Bond Framework*), Starptautiskais klimata un vides izpētes centrs – Oslo (*the Center for International Climate and Environmental Research – Oslo*), kas ir neatkarīgs Norvēģijas institūts starpdisciplīnu klimata izpētei, ir paredzējis sagatavot neatkarīgu atzinumu par Obligāciju, kā ieguldījuma objekta, atbilstību noteiktiem vides un ilgtspējas kritērijiem. Šāds atzinums nav ietverts un nav uzskatāms par Pamatprospekta sastāvdaļu. Netiek sniegti nekādi apliecinājumi saistībā ar šāda atzinuma vai Obligāciju atbilstību noteiktiem vides un ilgtspējas kritērijiem. Šāds atzinums var neietvert visu iespējamo risku potenciālo ietekmi, kas var izrietēt no struktūras, tirgus, papildu riska faktoriem un citiem Obligāciju vērtību ietekmējošiem tirgus apstākļiem, un tas nav uzskatāms par rekomendāciju iegādāties, pārdot vai turēt vērtspapīrus. Iegūto līdzekļu izmantošana un noteiktu ALTUM ziņošanas saistību neizpilde šāda atzinuma sakarā netiks uzskatīta par saistību

		neizpildes gadījuma iestāšanos saskaņā ar Obligāciju Vispārīgajiem noteikumiem. Šāda atzinuma anulēšana var ietekmēt Obligāciju vērtību un/vai radīt sekas konkrētiem ieguldītājiem, kas ir saņēmuši mandātus veikt ieguldījumus „zaļajos” aktīvos. ▪ ALTUM maksātnespējas iestāšanās gadījumā vai arī, ja tiek ierosināts ALTUM tiesiskās aizsardzības process vai ārpustiesas tiesiskās aizsardzības process, ieguldītāji var zaudēt procentus un ieguldīto pamatsummu. ▪ Obligācijas ir nenodrošinātas ALTUM saistības, bez jebkādām papildu garantijām un nodrošinājuma. Emitenta maksātnespējas gadījumā Obligacionāri kļūst par nenodrošinātiem kreditoriem. Uz 2017. gada 30. jūniju ALTUM nodrošinātie kreditori ir Latvijas Republikas Valsts kase (32,201 miljonu eiro apmērā) un Eiropas Investīciju banka (51,283 miljonu eiro apmērā). Maksātnespējas gadījumā ALTUM aktīvi tiks izmantoti Obligacionāru prasījumu izpildei tikai pēc Latvijas Republikas Valsts kases, Eiropas Investīciju bankas un citu priviliģēto kreditoru prasījumu apmierināšanas. ▪ Obligācijas neietver apņemšanās, kas regulē ALTUM darbību, un neierobežo tā iespējas apvienoties vai slēgt citus nozīmīgus darījumus, kas var būtiski nelabvēlīgi ietekmēt Obligācijas un Obligacionārus. Šādu darījumu slēgšana no ALTUM puses var atstāt būtisku nelabvēlīgu ietekmi uz Obligacionāriem. Turklāt attiecīgu normatīvo aktu grozījumu gadījumā ALTUM pašreizējais akcionārs – Latvijas valsts – var atsavināt jebkuras vai visas tai piederošās daļas. ▪ Jebkādas nelabvēlīgas izmaiņas ALTUM finanšu stāvoklī vai nākotnes prognozēs var būtiski nelabvēlīgi ietekmēt Obligāciju likviditāti un var novest pie būtiska to tirgus cenas krituma, un tādejādi samazinot iespēju, ka pilna samaksa Obligacionāriem tiks veikta laikā. ▪ ALTUM nav noteikts aizliegums palielināt parādsaistības. Tas attiecīgi var palielināt prasījumu skaitu, ieskaitot to prasījumu skaitu, kas saistīti ar ALTUM maksātnespējas gadījumu, kas ir proporcionāli apmierināmi no izmaksātajiem līdzekļiem. Turklāt attiecībā uz trešajām personām nav piemērojami noteikumi, kas regulē nodrošinājuma līdzdalības nodibināšanas tiesības trešo personu interesēs, kā, piemēram, Īpašuma ieķīlāšanas/apgrūtināšanas aizliegums (N*egative pledge*), kas nozīmē, ka gadījumā, ja šāds nodrošinājums ir nodibināts kādas trešās personas labā, pat ja tas ir nodibināts pārkāpjot ALTUM noteiktās saistības un pienākumus, tad šāds nodrošinājums ir spēkā un realizējams attiecībā uz ieķīlātajiem/apgrūtinātajiem aktīviem. ▪ ALTUM veiksmīgas parādsaistību pārfinansēšanas iespēja ir atkarīga no konkrētajā brīdī pastāvošajiem aizņemtā kapitāla tirgus apstākļiem un ALTUM finanšu stāvokļa. ALTUM nespēja pārfinansēt pastāvošās parādsaistības vai pārfinansēt tās uz labvēlīgiem nosacījumiem var nelabvēlīgi ietekmēt ALTUM koncerna darbību, tā finanšu stāvokli, peļņu un Obligacionāru iespēju atgūt veiktos ieguldījumus. ▪ Obligācijas veido jaunu ALTUM vērtspapīru emisiju, tādejādi pastāv risks, ka aktīvs Obligāciju tirgus var neizveidoties vai arī, ka šāda tirgus uzturēšana nebūs iespējama, tāpat to var ietekmēt gan izmaiņas tirgū, gan ekonomiskajos apstākļos, finanšu stāvoklī un ALTUM prognozēs, kas savukārt, var ietekmēt Obligāciju likviditāti un tirgus cenu. ▪ Obligāciju procentu likme ir fiksēta, kas attiecīgi rada risku, ka šādu vērtspapīru cenu var ietekmēt izmaiņas tirgus procentu likmēs. Turklāt arī inflācija var radīt Obligāciju tirgus cenas kritumu, tā kā tiek

		samazināta valūtas vienības pirktspēja un izrietoši – saņemto procentu apmērs. ▪ Maksājumi par Obligācijām tiek veikti EUR, kā rezultātā valūtas maiņas kursu svārstības un procentu likmju svārstības var nelabvēlīgi ietekmēt Obligāciju vērtību gadījumā, ja investora finanšu darbība galvenokārt tiek īstenota citā valūtā. ▪ Gadījumā, ja kredītreitingu Obligācijām ir piešķīrusi kāda no neatkarīgām kredītreitingu aģentūrām, tad šāds reitings var neatspoguļot visu ar Obligācijām saistīto risku potenciālo ietekmi, turklāt reitingu aģentūra var jebkurā brīdī pārskatīt vai atcelt piešķirto reitingu. Papildus tam, jebkādas nelabvēlīgas izmaiņas ALTUM piešķirtajā reitingā var nelabvēlīgi ietekmēt Obligāciju pārdošanas cenu. ▪ Obligācijām tiek piemēroti Latvijas Republikas tiesību akti, kas Obligāciju termiņa laikā var tikt grozīti vai mainīti, tādējādi nav iespējams sniegt jebkādas garantijas par šādu likumu vai noteikumu potenciālo grozījumu ietekmi, un šādas izmaiņas var būtiski nelabvēlīgi ietekmēt gan ALTUM, gan Obligācijas. ▪ Noteiktu ieguldītāju ieguldījumu darbība ir pakļauta ieguldījumu darbību reglamentējošiem likumiem un noteikumiem, kā arī noteiktu iestāžu atzinumiem un noteikumiem. Katram potenciālajam ieguldītājam nepieciešams konsultēties ar savu juridisko padomnieku, lai noskaidrotu vai un kādā apmērā Obligācijas ir uzskatāmas par tiesisku ieguldījuma priekšmetu konkrētajam ieguldītājam, vai tās var izmantot kā nodrošinājumu, kā arī, lai pārliecinātos, vai nepastāv kādi citi ierobežojumi Obligāciju iegādei vai ieķīlāšanai. ▪ Pastāv risks, ka Obligāciju tirgus vērtība būs augstāka nekā Obligāciju pirmstermiņa izpirkšanas cena, iestājoties Akcionāru maiņas gadījumam, un ka Obligacionāri nespēs reinvestēt iegūtos līdzekļus pie tādas efektīvās procentu likmes, kas būtu vienlīdz augsta kā Obligāciju procentu likme, īstenojot ieguldīšanas iespēju tikai pie ievērojami zemākas likmes. Pastāv iespējamība, ka obligātās Obligāciju atpirkšanas gadījumā ALTUM rīcībā var nebūt pietiekami līdzekļi, lai veiktu obligāto pirmstermiņa atpirkšanu. ▪ Tikai ALTUM akcionāriem ir balsstiesības ALTUM akcionāru sapulcēs. Obligācijas nepiešķir Obligāciju turētājiem šādas balsstiesības. Attiecīgi Obligacionāri nevar ietekmēt ALTUM akcionāru lēmumus, piemēram, attiecībā uz ALTUM kapitāla struktūru. ▪ Obligacionāru lēmumi (ieskaitot grozījumus Obligāciju Vispārīgajos noteikumos) ir saistoši visiem Obligacionāriem, ieskaitot tos, kas nebalsoja, un Obligacionārus, kas balsoja pretēji vairākumam. ▪ Emisijas aģents savas ierastās komercdarbības ietvaros ir sniedzis un potenciāli var sniegt ALTUM koncernam investīciju bankas un/vai komercbankas un citus pakalpojumus. Tādējādi Emisijas aģenta agrākā vai iespējamā līdzdalība darījumos ar citām līgumslēdzējām pusēm, pildot dažādas funkcijas vai slēdzot citus darījumus, kuros ir iesaistītas trešās puses ar konfliktējošām interesēm, var izraisīt interešu konfliktu. ▪ Obligācijas tiks iegrāmatotas Latvijas Centrālā depozitārija kontu sistēmā un netiek emitētas papīra formā. Norēķinu veikšana par Obligācijām, ieskaitot procenta maksājumu veikšana un pamatsummas atmaksāšana, tiek nodrošināta, izmantojot Latvijas

		Centrālā depozitārija sistēmu, kā rezultātā ieguldītāji ir atkarīgi no Latvijas Centrālā depozitārija kontu sistēmas darbības. ▪ Obligācijas nav un netiks reģistrētas atbilstoši Amerikas Savienoto Valstu 1933. gada Vērtspapīru likumam (*U.S. Securities Act 1933*) ar grozījumiem, vai jebkura cita Amerikas Savienoto Valstu štata vērtspapīru likuma noteikumiem. Izņemot atsevišķus izņēmuma gadījumus, Obligācijas nevar tikt piedāvātas vai pārdotas Amerikas Savienotajās Valstīs. ALTUM nav izteicis apņemšanos reģistrēt Obligācijas atbilstoši Amerikas Savienoto Valstu 1933. gada Vērtspapīru likumam vai kāda cita Amerikas Savienoto Valstu štata vērtspapīru likuma noteikumiem vai arī izteikt kādu Obligāciju apmaiņas piedāvājumu. ALTUM nav reģistrējis Obligācijas atbilstoši kādas citas valsts vērtspapīru likumiem, izņemot Latvijas Republikas likumus. Ikvienam potenciālam ieguldītājam ir jāiepazīstas ar informāciju par Obligāciju nodošanas ierobežojumiem. Ikvienam Obligacionāram jānodrošina izteikto Obligāciju piedāvājumu un pārdošanas darījumu atbilstību piemērojamo vērtspapīru likumu noteikumu prasībām.

E daļa - Piedāvājums

E.2b	Piedāvājuma iemesli un ieņēmumu izmantošana, ja tie nav peļņas gūšana un/vai nodrošināšanās pret dažādiem riska veidiem	ALTUM izmantos no Obligāciju emisijas gūtos neto ieņēmumus vispārējo uzņēmuma mērķu nodrošināšanai. Gadījumā, ja kādai konkrētai Obligāciju Sērijai tiks paredzēts konkrēts neto ieņēmumu izmantošanas mērķis, tas tiks norādīts attiecīgajos Galīgajos noteikumos. *Konkrētās emisijas kopsavilkums*: *[ALTUM izmantos no katra Laidiena iegūtos tīros ieņēmumus vispārējo uzņēmuma mērķu nodrošināšanai] / [ALTUM izmantos no katra Laidiena iegūtos tīros ieņēmumus [●]].*
E.3	Piedāvājuma nosacījumu apraksts	Programmas Organizators un Emisijas aģents Programmas Organizators un Emisijas aģents ir AB SEB bankas (reģistrācijas numurs: 112021238, juridiskā adrese: Gedimino ave. 12, LT-01103, Viļņa, Lietuva). Emisijas datums Emisijas datums tiks norādīts konkrētā Laidiena Galīgajos noteikumos. *Konkrētās emisijas kopsavilkums:* *Emisijas datums: [●]* Kopējā pamatsumma Katra Laidiena kopējā pamatsumma sākotnēji tiks noteikta Galīgajos noteikumos. Emitentam ir tiesības Laidiena Izvietošanas periodā palielināt vai samazināt Galīgajos noteikumos sākotnēji noteikto Laidiena kopējo pamatsummu. *Konkrētās emisijas kopsavilkums:* *Kopējā pamatsumma: [EUR[●] [papildus [●]]]* Obligācijas nominālvērtība Katras Obligācijas nominālvērtība būs vismaz EUR 1,000.

		Konkrētās emisijas kopsavilkums: *Obligācijas nominālvērtība: [●]* Minimālā ieguldījuma summa Minimālā ieguldījuma summa, par kādu varēs parakstīties uz Obligācijām, tiks noteikta Galīgajos noteikumos. *Konkrētās emisijas kopsavilkums:* *Minimālā ieguldījuma summa*: *[●]* Izvietošanas periods Katra Obligāciju Laidiena Izvietošanas periods tiks noteikts Galīgajos noteikumos. *Konkrētās emisijas kopsavilkums:* *Izvietošanas periods*: *[●]* Ierobežojošie noteikumi Emitenta Akcionāru maiņa (*Change of Control*), Īpašuma ieķīlāšanas/apgrūtināšanas aizliegums (*Negative pledge*), no kāda cita līguma izrietoša saistību neizpildes gadījuma iestāšanās (*Cross default*) un citi. Depozitārijs Obligācijas tiks reģistrētas akciju sabiedrībā “Latvijas Centrālais depozitārijs” (pēc reorganizācijas - Nasdaq CSD SE). Piemērojamie tiesību akti Latvijas Republikas tiesību akti.
E.4	Intereses, kas ir būtiskas emisijai/ piedāvājumam, tostarp konfliktējošas intereses	Atbilstoši ALTUM rīcībā esošajai informācijai, izņemot Programmas Organizatoram un Emisijas aģentam maksājamās komisijas maksas, nevienai personai, kas iesaistīta Obligāciju piedāvājumā, nepastāv intereses, kas ir būtiskas emisijai/piedāvājumam, kā arī nepastāv interešu konflikts.
E.7	No emitenta vai piedāvātāja puses noteiktie uz ieguldītāju attiecināmie izdevumi	ALTUM nepiemēro ieguldītājiem nekādus maksājumus vai nodokļus Obligāciju emisijas sakarā. Tomēr ieguldītājiem var tikt pieprasīts segt izdevumus, kas ir saistīti ar vērtspapīru kontu atvēršanu kredītiestādēs vai pie ieguldījuma pakalpojumu sniedzējiem, kā arī veikt komisijas maksājumus kredītiestādēm vai ieguldījumu pakalpojumu sniedzējiem saistībā ar ieguldītāju Obligāciju pirkšanas vai pārdošanas pieteikumiem, Obligāciju turēšanu vai citām ar Obligācijām saistītām darbībām. Ne ALTUM, ne Programmas Organizators vai Emisijas aģents nekompensēs šādas Obligacionāru izmaksas.

SANTRAUKA

Ši santrauka sudaryta pagal informacijos atskleidimo reikalavimus, kurie yra įvardyti kaip Punktai. Šie Punktai yra sunumeruoti A–E skirsniuose (A.1–E.7). Šioje santraukoje pateikti visi Punktai, kurie turi būti įtraukti šio tipo vertybinių popierių ir emitento santraukoje. Kadangi kai kurie Punktai nėra reikalingi, Punktų numeravimo eilėje galimi tarpai. Net jeigu Punktas turi būti įtrauktas į santrauką pagal vertybinių popierių tipą ir emitentą, gali būti, kad jokia svarbi informacija negalės būti pateikta šiame Punkte. Tokiu atveju santraukoje pateikiamas trumpas Punkto apibūdinimas su nuoroda „netaikoma“.

Pabrėžtina, jog pasviruoju šriftu (angl. Italic) pažymėti Punktai žymi vietas, kurios bus užpildytos parengus konkrečios emisijos santrauką, susijusią su Obligacijų Dalies platinimu.

Žodžiai bei jų junginiai, apibrėžti “Obligacijų bendrųjų terminų ir sąlygų” skiltyje ar kitur Baziniame prospekte, šioje santraukoje turi tą pačią reikšmę.

A skirsnis - Įvadas ir įspėjimai

A.1	Įspėjimas	Ši santrauka turi būti suprantama kaip šio Bazinio prospekto įvadas ir visi sprendimai investuoti į Obligacijas turėtų būti priimami susipažinus su visu Baziniu prospektu, įskaitant dokumentus, kurie yra pridedami prie Bazinio prospekto, taip pat atitinkamų Obligacijų Galutinėmis sąlygomis. Jei dėl šiame Baziniame prospekte pateiktos informacijos ieškinys pateikiamas kurios nors Valstybės narės teismui, pagal valstybės narės, kurioje ieškinys buvo pateiktas, įstatymus, ieškovui gali tekti prieš teisminio proceso pradžią apmokėti Bazinio prospekto vertimo išlaidas. Civilinė atsakomybė asmenims už šioje santraukoje pateiktą informaciją, įskaitant jos vertimus, yra taikoma tiktai tada, kai joje pateikta informacija yra klaidinanti, netiksli ar prieštaringa, lyginant su kitomis šio Bazinio prospekto dalimis, arba joje nepateikta svarbi informacija, kuri kartu su kitomis Bazinio prospekto dalimis padėtų investuotojams priimti sprendimą dėl investavimo į šiuos vertybinius popierius.
A.2	Sutikimas dėl Bazinio prospekto naudojimo	▪ Bazinio prospekto galiojimo laikotarpiu AB SEB bankas (registracijos numeris: 112021238, juridinis adresas: Gedimino pr. 12, LT-01103 Vilnius, Lietuva) ir jo sub-agentai (kaip nurodyta taikytinose Galutinėse sąlygose), vėliau perparduodantys ar platinantys pagal Programą išleistas Obligacijas, turi teisę naudoti Bazinį prospektą:Latvijos Respublikoje ir Lietuvos Respublikoje, kur vykdomas viešas Obligacijų platinimas instituciniams ir mažmeniniams investuotojams; ir ▪ Europos ekonominės erdvės valstybėse narėse (neskaitant Latvijos ir Lietuvos), vykdomas privatus Obligacijų platinimas instituciniams investuotojams, laikomais kvalifikuotais pagal Prospekto direktyvos 2 (1)(e) straipsnį, vadovaujantis Prospekto direktyvos 3 straipsnyje numatyta išimtimi, kuris yra įgyvendinamas tam tikrose Europos ekonominės erdvės valstybėse narėse; vėlesniam atitinkamų Obligacijų perpardavimui ar platinimui per atitinkamą platinimo laikotarpį (kaip nustatyta taikytinose Galutinėse sąlygose), kurio metu gali būti atliekamas vėlesnis atitinkamų Obligacijų perpardavimas ar platinimas. ALTUM prisiima atsakomybę už Baziniame prospekte pateikiamą informaciją, taip pat ir informaciją, susijusią su tokiu vėlesniu atitinkamų Obligacijų perpardavimu ir platinimu. *Atskiros emisijos santrauka:* *Agento (Platintojo) subagentai: [●]*

		Bazinis prospektas potencialiems investuotojams gali būti pateikiamas tik kartu su visais iki pateikimo paskelbtais jo priedais (jei tokių yra). Bazinis prospektas ir visi Bazinio prospekto priedai skelbiami internetiniame ALTUM puslapyje adresu www.altum.lv. Naudodamiesi Baziniu prospektu, AB SEB bankas ir jo subagentai turi užtikrinti, kad būtų laikomasi atitinkamoje jurisdikcijoje taikytinų įstatymų ir teisės aktų. Tuo atveju, jei AB SEB bankas ir (arba) jo subagentai pateikia siūlymą, AB SEB bankas ir (arba) jo subagentai investuotojams pateikia informaciją apie atitinkamo pasiūlymo teikimo metu galiojančias siūlomų Obligacijų sąlygas.

B skirsnis - Emitentas

B.1	Teisinis ir komercinis pavadinimas	Akciju sabiedrība "Attīstības finanšu institūcija Altum" (“ALTUM” arba “Emitentas”).
B.2	Emitento buveinės vieta, teisinė forma, teisės aktai, pagal kuriuos emitentas veikia, ir įsteigimo šalis	ALTUM yra ribotos atsakomybės bendrovė (latviškai - *akciju sabiedrība*) įsteigta pagal Latvijos Respublikos įstatymus 2013 m. Gruodžio 27 d. ALTUM Emitentas yra įregistruotas Latvijos Respublikos Komerciniame registre, kuriame jo registracijos numeris yra 50103744891, o įregistruotas adresas Doma laukums 4, Ryga, LV-1050, Latvija, telefono numeris: +371 67774010, el-paštas: altum@altum.lv, internetinė svetainė: www.altum.lv. Emitentas savo veiklą vykdo vadovaudamasis Latvijos Respublikos teisės aktais. Pagrindiniai Latvijos Respublikos teisės aktai, reglamentuojantys ALTUM veiklą yra šie: ▪ Finansinės plėtros institucijos įstatymas (latviškai - *Attīstības finanšu institūcijas likums);* ▪ Viešųjų asmenų kapitalo dalių ir kapitalo bendrovių valdymo įstatymas (latviškai - *Publiskas personas kapitāla daļu un kapitālsabiedrību pārvaldības likums*); irPrekybos įstatymas (latviškai - *Komerclikums*).
B.4b	Kitų žinomų tendencijų, turinčių įtakos emitentui ir sektoriams, kuriuose jis veikia, apibūdinimas	Šio Bazinio prospekto sudarymo dieną nėra jokios informacijos apie visas žinomas tendencijas, neaiškumus, poreikius, įsipareigojimus ar įvykius, kurie pagrįstai gali turėti esminį poveikį ALTUM ar ALTUM grupės perspektyvai ir pramonės šakoms, kuriose ALTUM ar ALTUM grupė vykdo savo veiklą 2017 metų finansiniais metais.
B.5, B.14	Grupės ir emitento padėties toje grupėje apibūdinimas, jeigu emitentas priklauso tai grupei Jeigu emitentas yra priklausomas nuo kitų grupės subjektų, tai turi būti aiškiai nurodyta	ALTUM yra patronuojančioji ALTUM grupės bendrovė. Bazinio prospekto sudarymo dieną ALTUM grupę sudaro ALTUM ir du uždari investiciniai fondai (Latviškai – *slēgtie ieguldījuma fondi*) Hipo Latvia Real Estate Fund I ir Hipo Real Estate Fund II, kuriuose ALTUM yra vienintelis investuotojas, taip pat yra susijęs ir turi reikšmingą įtaką (investicijas rizikos kapitalo fonduose) šiuose fonduose: ▪ KS “Otrais Eko fonds” (33 procentų investicija į kapitalą); ▪ KS “ZGI fonds” (65 procentų investicija į kapitalą); ▪ KS “BaltCap Latvia Venture Capital Fund” (67 procentų investicija į kapitalą); ▪ KS “AIF Imprimatur Capital Technology Venture Fund” (67 procentų investicija į kapitalą); ▪ KS “AIF Imprimatur Capital Seed Fund” (100 procentų investicija į kapitalą); ▪ KS “ZGI-3” (95 procentų investicija į kapitalą);

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- KS “FlyCap Investment Fund I AIF” (95 procentų investicija į kapitalą);
- KS “Expansion Capital Fund AIF” (95 procentų investicija į kapitalą);
- “Baltic Innovation Fund” (20 procentų investicija į kapitalą).

</td></tr>
<tr><td>B.9</td><td>Kai pateikiama pelno prognozė arba duomenys apie preliminarų pelną, nurodomi skaičiai</td><td>Netaikoma. Šiame Baziniame prospekte ALTUM nepateikė pelno prognozės ar jo apskaičiavimo.</td></tr>
<tr><td>B.10</td><td>Istorinės finansinės informacijos audito ataskaitoje nurodytų išlygų apibūdinimas</td><td>Netaikoma. ALTUM grupės audituotose konsoliduotose metinėse ataskaitose už metus, pasibaigusius 2015 m. gruodžio 31 d. ir 2016 m. gruodžio 31 d. , nėra nurodyta jokių išlygų.</td></tr>
<tr><td>B.12</td><td>Atrinkta istorinė pagrindinė finansinė informacija apie emitentą, pateikta apie kiekvienus istorinės finansinės informacijos laikotarpio finansinius metus ir apie bet kurį paskesnį tarpinį finansinį laikotarpį kartu su praėjusių finansinių metų to paties laikotarpio palyginamaisiais duomenimis, tačiau reikalavimas pateikti lyginamąją balanso informaciją įvykdomas pateikus metų pabaigos balanso informaciją

Pareiškimas, kad nuo paskutinių audituotų finansinių ataskaitų paskelbimo dienos neįvyko jokių esminių neigiamų emitento perspektyvos pokyčių, arba bet kokio esminio neigiamo pokyčio apibūdinimas

Reikšmingų finansinės ar verslo padėties pokyčių, įvykusių po istorinės finansinės informacijos laikotarpio, apibūdinimas</td><td>Šie ALTUM grupės dvejų finansinių metų, pasibaigusių 2016 ir 2015 m. gruodžio 31 d., ir dviejų tarpinių laikotarpių, pasibaigusių 2016 m. birželio 30 d. ir 2017 m. birželio 30 d., suvestiniai konsoliduoti veiklos rezultatai ir pagrindiniai veiklos rodikliai, paimti iš ALTUM grupės konsoliduotų finansinių atskaitomybių pagal šias datas ir laikotarpius be jokių esminių pakeitimų.
<table>
<tr><td></td><td colspan="2">Metai, pasibaigę Gruodžio 31 d.</td><td colspan="2">Šešių mėnesių laikotarpis, pasibaigęs Birželio 30 d.</td></tr>
<tr><td></td><td>2015</td><td>2016</td><td>2016</td><td>2017</td></tr>
<tr><td></td><td colspan="2">(Audituota)</td><td colspan="2">(Neaudituota)</td></tr>
<tr><td>Pagrindinai finansiniai rodikliai (ALTUM Grupės)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Grynosios pajamos iš palūkanų, mokesčių ir komisinių (tūkst. EUR) 1)</td><td>16,419</td><td>11,024</td><td>6,658</td><td>6,639</td></tr>
<tr><td>Pelnas (periodo) (tūkst. EUR)</td><td>4,924</td><td>2,170</td><td>832</td><td>5,414</td></tr>
<tr><td>Sąnaudų ir pajamų santykis 2)</td><td>55,8%</td><td>88,4%</td><td>82,7%</td><td>43,1%</td></tr>
<tr><td>Darbuotojų skaičius</td><td>282</td><td>242</td><td>252</td><td>228</td></tr>
</table>
<table>
<tr><td></td><td colspan="2">Metai, pasibaigę Gruodžio 31 d.</td><td>Šešių mėnesių laikotarpis, pasibaigęs Birželio d.</td></tr>
<tr><td></td><td>2015</td><td>2016</td><td>2017</td></tr>
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<tr><td>Pagrindinai finansiniai rodikliai (ALTUM grupės)</td><td></td><td></td><td></td></tr>
<tr><td>Visas turtas (tūkst. EUR)</td><td>406,918</td><td>443,126</td><td>438,889</td></tr>
<tr><td>Materialioji bendroji nuosavybė (TCE) /Materialus valdomas turtas (TMA)3)</td><td>37,3%</td><td>35,2%</td><td>35,5%</td></tr>
<tr><td>Nuosavas kapitalas ir rezervai (tūkst. EUR)</td><td>199,610</td><td>210,094</td><td>216,596</td></tr>
<tr><td>Bendras rizikos padengimas (tūkst. EUR) 4)</td><td>41,021</td><td>67,705</td><td>63,162</td></tr>
<tr><td>Rizikos padengimo rezervas</td><td>40,662</td><td>64,833</td><td>60,788</td></tr>
<tr><td>Rizikos padengimo rezervas, naudojamas atidėjimams</td><td>-1,276</td><td>-4,323</td><td>-4,821</td></tr>
<tr><td>Portfelio nuostolių rezervas (specialus rezervinis kapitalas)</td><td>1,635</td><td>7,195</td><td>7,195</td></tr>
<tr><td>Likvidumo rodiklis 180 dienų5)</td><td>351,9%</td><td>449,3%</td><td>567,9%</td></tr>
</table>
</td></tr>
</table>

	Metai, pasibaigę Gruodžio 31 d.		Šešių mėnesių laikotarpis, pasibaigęs birželio 30 d.	
	2015	2016	2015	2016
	(Audituota)		*(Neaudituota)*	
Finansiniai instrumentai (bendra vertė)				
Likutis (tEUR) (pagal finansinį instrumentą)				
Paskolos	218,562	217,429	221,330	209,364
Garantijos	131,120	147,175	134,291	165,941
Rizikos kapitalas	39,929	58,541	50,765	56,974
Viso	389,611	423,145	406,386	432,279
Kontraktų skaičius	8 901	11 449	10 058	13 005
Garantuotos sumos (tEUR) (pagal finansinį instrumentą)				
Paskolos	52,329	59,465	33,693	25,366
Garantijos	50,065	56,109	21,244	34,422
Rizikos kapitalas	18,798	21,356	6,309	1,219
Viso	121,192	136,929	61,246	61,007
Kontraktų skaičius	2,819	4,461	2 240	2 314
Privataus finansavimo svertas[6)]	104%	162%	158%	181%

1) Grynąsias pajamas iš palūkanų, mokesčių ir komisinių sudaro šie pelno- nuostolio ataskaitos elementai: Grynosios palūkanų pajamos ir Grynosios pajamos iš mokesčių ir komisnių. Rodiklis atspindi ALTUM Grupės veiklos pajamas.

2) Sąnaudų ir pajamų santykis (CIR) apskaičiuotas prie personalo kaštų pridėjus administracines išlaidas, nematerialaus bei materialaus turto nusidėvėjiimą ir padalijus iš veiklos pajamų, prieš veiklos sąnaudas. Šis rodiklis atspindi veiklos efektyvumą.

3) Materialioji bendroji nuosavybė (TCE) /Materialus valdomas turtas (TMA) (TCE/TMA). Materialioji bendroji nuosavybė (TCE) apskaičiuojama iš bendrosios nuosavybės atimant galimo parduoti turto rezervą. Materialus valdomas turtas (TMA) apima visą ALTUM Grupės turtą, pridedant ne balanse apskaitomas garantijas be grynųjų atidėjinių ir atimant atidėtas išlaidas, bei pridedant sukauptas pajamas, materialų bei nematerialų turtą, kitą turtą, bei galimą parduoti turtą. Duomenys šių rodiklių skaičiavimui pateikiami ALTUM Grupės finansinėse atskaitose: Balanse ir Nuosavo kapitalo pokyčių ataskaitoje, pastabose: nebalanso straipsniai, neapibrėžtieji įsipareigojimai bei atidėjiniai. TCE/TMA rodiklis yra skirtas vertinti ALTUM Grupės kapitalo pakankamumą.

4) Bendras rizikos padengimas yra grynosios lėšos skirtos padengti tikėtiniems nuostoliams susijusiems su ALTUM įgyvendinamomis plėtros grupomis. Bendras rizikos padengimas yra rizikos padengimo rezervo bei portfelio nuostolių rezervo suma atėmus rizikos padengimo rezervą skirtą atidėjiniams. Tikėtini nuostoliai yra įvertinami prieš konkrečios programos įgyvendinimą ir dalis viešojo finansavimo skirto nuostoliams dengti yra apskaitoma, kaip ALTUM Grupės specifinis kapitalo rezervas, Portfelio nuostolių rezerve arba atskirai, kaip atidėjiniai skirti rizikos padengimui apskaitomi įsipareigojimuose. Portfelio nuostolių rezervas yra atskleistas pastabose prie „Rezervų" o rizikos padengimo rezervas pastabose prie „Plėtros programų finansavimo ir valstybės paramos". Rizikos padengimo rezervas skirtas atidėjiniams atspindi rezervą skirtą nuostolių susijusių su garantijų ar paskolų portfeliu nurašymu, atksleistu pastabose prie „Paskolų" bei „Atidėjinių. Bendras rizikos padengimas yra pagrindinis rodiklis vertinant ALTUM rizikos padengimą finansuojant plėtros programas ir atspindi ilgalaikį finansinį stabilumą.

5) Likvidumo rodiklis 180-iai dienų skaičiuojamas prie iki 1 mėn. trukmės gautinų sumų iš kredito institucijų bei Valstybės Iždo pridedant galimus parduoti vertybinius popierius ir padalinant iš įsipareigojimų kurių įvykdymo terminas yra iki 6 mėnesių ir finansinių įsipareigojimų, kurių įvykdymo terminas yra iki 6 mėn., sumos (nebalansinis elementas). Duomenys likvidumo rodiklio 180-iai dienų skaičiavimui yra pateikiami ALTUM Grupės finansinėse atskaitose: Balanse ir Nuosavo kapitalo pokyčių ataskaitoje ir pastabose dėl nebalansinių įsipareigojimų, bei turto ir įsipareigojimų terminų struktūros. Likvidumo rodiklis 180-iai dienų parodo ALTUM Grupės gebėjimą vykdyti įsipareigojimus tam tikru įvardintu laikotarpiu, pasinaudojant šiuo metu prieinamu likvidžiu turtu. Kadangi 2015 m. duomenys yra pateikti skirtingose ALTUM Grupės Finansinių ataskaitų pastabose, šis

		rodiklis 2015 m. negali būti suskaičiuotas tiesiogiai. Tačiau pateiktas likvidumo rodiklis 180- iai dienų buvo apskaičiuotas remiantis toliau išdėstyta skaičiavimo metodologija. Dalis informacijos (Finansiniai įsipareigojimai su sutartiniu galiojimo terminu iki 6 mėn. (nebalansinis elementas)), kuri yra aktuali šio rodiklio skaičiavimui 2016 metams, yra pateikta kaip palyginamoji informacija 2017 birželio 30 ALTUM Grupės Finansinėse ataskaitose. 6) Finansinis svertas privataus finansavimo pritraukimui parodo papildomų privačių lėšų sumą, investuotą į projektą kartu su ALTUM suteiktu finansavimu. Finansinis svertas nustatomas atsižvelgiant į lėšas, investuotas privataus finansuotojo ir projekto įgyvendintojo, kurios vidutiniškai sudaro iki 50 proc. suteiktų paskolų, iki 70 proc. suteiktų garantijų ir rizikos kapitalo (išskyrus namų ūkių paskolų garantijų programų su pirmąja įmoka ir 795 proc. koficientu) papildomai su ALTUM teikiamu finansavimu. Nuo ALTUM grupės audituotos konsoliduotos metinės ataskaitos už 2016 metus datos neįvyko jokių esminių neigiamų ALTUM ar ALTUM grupės perspektyvos pokyčių. Nuo 2017 m. birželio 30 d. neįvyko jokių esminių neigiamų ALTUM ar ALTUM grupės perspektyvos pokyčių finansų ar prekybos pozicijose.
B.13	Bet kokių su emitentu susijusių pastarųjų įvykių, kurie turi esminės reikšmės vertinant emitento mokumą, apibūdinimas	Netaikoma. Nuo paskutinių audituotų ar neaudituotų finansinių ataskaitų paskelbimo nėra įvykę jokių esminių įvykių, kurie būtų reikšmingi ALTUM ar ALTUM grupės mokumui įvertinti.
B.15	Emitento pagrindinių veiklų aprašymas	ALTUM yra finansų plėtros įstaiga, teikianti finansinę paramą verslams ir specialioms gyventojų grupėms Latvijoje. ALTUM vykdo savo įsipareigojimus užtikrinant finansavimo galimybę smulkiam ir vidutiniam verslui įvairių finansinių instrumentų pavidalu (daugiausiai paskolų bei garantijų) bei rizikos kapitalo pagalba. ALTUM taip pat siūlo techninę pagalbą konsultuodami bei apmokydami įvairiose, pavyzdžiui, pastatų renovacijos ir energijos vartojimo efektyvumo srityse bei žemės ūkio verslo plėtojime.
B.16	Kiek tai žinoma emitentui, nurodoma, ar emitentas tiesiogiai arba netiesiogiai kam nors priklauso arba yra kieno nors kontroliuojama, apibūdinamas tokios kontrolės pobūdis	Pagal Latvijos Respublikos įstatymus, ALTUM įkurta kaip ribotos atsakomybės bendrovė(Latviškai - *akciju sabiedrība*). Latvijos Respublika yra vienintelis ALTUM akcininkas. Latvijos Respublikos Finansų ministerijai priklauso 40 procentų, Latvijos Respublikos Ekonomikos ministerijai 30 procentų, Latvijos Respublikos Žemės ūkio ministerijai – 30 procentų viso ALTUM akcinio kapitalo ir balsavimo teisių.
B.17	Emitento arba jo skolos vertybinių popierių kredito reitingai, nustatyti emitento prašymu arba emitentui dalyvaujant reitingavimo procese	Moody’s Investors Service yra suteikusi ALTUM kredito reitingą Baa1 su stabilia perspektyva. Reitingas ir perspektyva buvo suteikti 2017 m. birželio 17 d. Pagal Programą išleistų Obligacijų emisija gali būti reitinguojama arba nereitinguojama. Jeigu reitinguojama, tokiu atveju šie reitingai nebūtinai bus tokie patys kaip tie, kurie yra nustatyti ALTUM. Kredito reitingas nėra rekomendacija pirkti, parduoti ar išlaikyti vertybinius popierius ir gali būti reitingą nustatančios agentūros sustabdytas, sumažintas ar atšauktas. *Akcijos emisijos santrauka:* *Išleidžiamos obligacijos [nėra/buvo/bus] reitinguojamos ir reitingą nustatys: [●]]*

C skirsnis – Vertybiniai popieriai

C.1	Siūlomų ir (arba) į prekybos sąrašą įtraukiamų vertybinių popierių	Nekonvertuojamos, neapdraustos ir negarantuotos obligacijos, kurių bendra nominalioji vertė yra iki 30,000,000 EUR.

	tipo ir klasės apibūdinimas, įskaitant visus vertybinių popierių identifikavimo kodus	Obligacijos yra pareikštinės formos nematerialūs skolos vertybiniai popieriai. Obligacijos bus išleidžiamos atskiromis Emisijomis. Kiekvieną Emisiją gali sudaryti viena arba daugiau Dalių. Tos pačios Emisijos Obligacijoms bus taikomos identiškos sąlygos, išskyrus Emisijos įsigaliojimo datą ir Emisijos kainą, kurios nustatomos kiekvienai atskirai Daliai. Tam, kad būtų galima identifikuoti atskiras Emisijas ir Dalis, Galutinėse sąlygose pateikiamas atitinkamos Emisijos serijos numeris ir atitinkamos Dalies serijos numeris. *Atskiros emisijos santrauka:* *Obligacijų emisijos numeris: [●]* *Dalies numeris: [●]* Prieš pradedant platinti kiekvienos Emisijos pirmos Dalies Obligacijas, tai atitinkamai Emisijai bus suteikiamas ISIN kodas. Kai išleidžiama paskesnė Dalis, kuri yra skirta suformuoti vieną Emisiją su esama Dalimi po esamos Dalies Emisijos įsigaliojimo dienos, tokioms paskesnės Dalies Obligacijoms suteikiamas laikinas ISIN kodas, kuris skiriasi nuo ISIN kodo, skiriamo atitinkamai Emisijai, iki tol, kol Dalys yra konsoliduojamos ir sudaro vieną Emisiją. *Atskiros emisijos santrauka:* *ISIN kodas: [[●]] / Laikinas ISIN kodas: [●]. Po Obligacijų įtraukimo į prekybos sąrašą reguliuojamoje rinkoje Obligacijos bus konsoliduojamos ir sudarys vieną emisiją su [●] ir turės bendrą ISIN kodą [●].*
C.2	Vertybinių popierių emisijos valiuta	EUR
C.5	Visų apribojimų laisvai perleisti vertybinius popierius apibūdinimas	Obligacijos yra laisvai perleidžiami vertybiniai popieriai, kurie gali būti įkeičiami Tačiau Obligacijos negali būti siūlomos, parduodamos, perparduodamos, perleidžiamos ar pateikiamos tose šalyse ar jurisdikcijose ar esant kitokioms aplinkybėmis, kur ir kai tai yra neteisėta ar reikalauja priemonių, kurių Latvijos įstatymai nenumato, įskaitant Jungtines Amerikos Valstijas, Australiją, Kanadą, Honkongą ir Japoniją.Taip pat, vertybinių popierių savininkams draudžiama perparduoti, perduoti ar įteikti Obligacijas žmonėms, kurie yra susiję su viešu Obligacijų platinimu.
C.8, C.9	Vertybinių popierių suteikiamų teisių apibūdinimas, įskaitant • eiliškumą • šių teisių apribojimus • nominalią palūkanų normą • datą, nuo kurios skaičiuojamos palūkanos, ir palūkanų mokėjimo terminą • kai palūkanų norma nenustatyta, bazinių priemonių, kuriomis ji grindžiama, apibūdinimą • išpirkimo datą ir paskolos	Eiliškumas Obligacijos yra tiesioginiai, neapdrausti ir negarantuoti Emitento įsipareigojimai ir bus lygiaverčiai (*pari passu*) su visais kitais Emitento neapdraustais, negarantuotais ir nesubordinuotais įsipareigojimais, neteikiant jiems jokios pirmenybės, išskyrus tuos atvejus, kai įsipareigojimams teikiama pirmenybė, nes to reikalauja imperatyviosios teisės normos. Emisijos kaina Obligacijos gali būti išleidžiamos (parduodamos) už nominaliąją vertę, su nuolaida arba su priemoka prie jų nominaliosios vertės. Palūkanų norma Už Obligacijas mokama Metinė Palūkanų Norma. Palūkanos už Obligacijas bus mokamos kiekvienais metais tomis dienomis, kurios nurodytos Galutinėse sąlygose. Palūkanos kiekvienam palūkanų laikotarpiui pradedamos skaičiuoti nuo ir įskaitant pirmą palūkanų laikotarpio dieną iki (tačiau neįskaitant) paskutinės palūkanų laikotarpio dienos už tuo metu likusią pagrindinę (nominaliąją) Obligacijų vertę. Pirmas palūkanų laikotarpis prasideda Emisijos įsigaliojimo dieną ir baigiasi pirmą Palūkanų mokėjimo dieną. Visi po to einantys palūkanų laikotarpiai prasideda ankstesnę Palūkanų mokėjimo

	amortizavimo tvarką, įskaitant grąžinimo procedūras • informaciją apie pelningumą • skolos vertybinių popierių savininkų atstovo pavadinimą	dieną ir baigiasi kitą Palūkanų mokėjimo dieną. Paskutinis palūkanų laikotarpis baigiasi Išpirkimo dieną. Palūkanos už obligacijas bus skaičiuojamos pagal faktinį atitinkamo palūkanų laikotarpio dienų skaičių, padalintą iš 365 (arba 366, keliamųjų metų atveju), t. y. bus vadovaujamasi dienų skaičiavimo principu „Act/Act (Tarptautinė kapitalo rinkų asociacija, angl. ICMA)“. *Atskiros emisijos santrauka:* *Palūkanų mokėjimo data: [●] kiekvienais metais* Informacija apie pajamingumą Numatomos siūlomų Obligacijų Pajamingumo iki Išpirkimo ribos (intervalas) bus apibrėžtos Emitento prieš prasidedant platinimo laikotarpiui, paskelbiant atitinkamą pranešimą Emitento internetiniame puslapyje www.altum.lv . Tačiau Emitentas turi teisę numatomo Pajamingumo iki Išpirkimo ribas atnaujinti Obligacijų Platinimo laikotarpiu. Galutinio pajamingumo iki išpirkimo, Metinės palūkanų normos ir Emisijos kainos nustatymas Galutinis pajamingumas iki išpirkimo bus nustatomas po Platinimo laikotarpio pagal investuotojų pateiktus pirkimo pasiūlymus. Galutinis pajamingumas iki išpirkimo bus toks pats visiems investuotojams, platinimo metu įsigijusiems atitinkamos Dalies Obligacijų. Nustatytas Galutinis pajamingumas iki išpirkimo nurodomas Galutinėse sąlygose, kurios bus skelbiamos po Obligacijų paskirstymo investuotojams. *Atskiros emisijos santrauka:* Galutinis pajamingumas iki išpirkimo: *[●]* Metinė palūkanų norma (atkarpa) turi būti nustatyta, suapvalinant Galutinį pajamingumą iki išpirkimo iki artimiausios skaičiaus (kuris pateikiamas procentine išraiška) dešimtosios dalies po kablelio. Nustatyta Metinė palūkanų norma nurodoma Galutinėse sąlygose, kurios bus skelbiamos po Obligacijų paskirstymo investuotojams. *Atskiros emisijos santrauka:* *Metinė palūkanų norma: [●]* Obligacijų emisijos kaina nustatoma pagal formulę, pateiktą atitinkamos Dalies Galutinėse sąlygose ir yra suapvalinama iki artimiausios tūkstantosios apvalinamo skaičiaus dalies pagal aritmetines apvalinimo taisykles. Nustayta Emisijos kaina nurodoma Galutinėse sąlygose, kurios bus skelbiamos po Obligacijų paskirstymo investuotojams. *Atskiros emisijos santrauka:* *Emisijos Kainos apskaičiavimo formulė: [●]* *Atskiros emisijos santrauka:* *Emisijos kaina: [●]* Galutinės sąlygos, kuriose pateikiama informacija apie nustatytą Metinę palūkanų normą, Emisijos kainą, Bendrą atitinkamos Dalies vertę ir galutinį išleidžiamų Obligacijų kiekį, bus paskelbtos Emitento internetiniame puslapyje adresu www.latvenergo.lv ir taip pat pateiktos Finansų ir kapitalų rinkos komisijai po Obligacijų paskirstymo investuotojams. Išpirkimo terminai Kiekvienos Obligacijų emisijos trukmė gali būti nuo 5 (penkių) iki 10 (dešimt)

		metų. *Atskiros emisijos santrauka:* *Išpirkimo terminas: [●]* Išpirkimas Obligacijos turi būti visiškai išpirktos sumokant jų nominaliąją vertę suėjus Išpirkimo terminui. Emitentas neturi teisės išpirkti Obligacijų anksčiau nei Išpirkimo dieną, nebent Emitentas iš anksto sumokėjo už Obligacijas Kontrolės pasikeitimo *ar* Įsipareigojimų nevykdymo atveju, arba tuo atveju, kai Emitento siūlymu sušauktas Obligacijų savininkų susirinkimas priima sprendimą išpirkti Obligacijas nesuėjus Išpirkimo terminui. Skolos vertybinių popierių savininkų atstovas Obligacijų savininkų teisės nustatyti ir / ar įgalioti organizaciją / asmenį atstovauti visų ar dalies Obligacijų savininkų interesams nėra numatytos, tačiau, kita vertus, jos nėra apribotos. Obligacijų savininkai turi patys padengti visas su atstovu(-ais) susijusias(-ius) išlaidas/mokesčius.
C.10	Kai vertybiniai popieriai turi palūkanų mokėjimo išvestinį komponentą, pateikiamas aiškus ir išsamus paaiškinimas, padedantis investuotojams suprasti, kaip jų investicijos vertė priklauso nuo bazinės (-ių) priemonės (-ių) vertės, visų pirma, kai rizika yra ypač akivaizdi	Netaikoma. Obligacijos neturi palūkanų mokėjimo išvestinio komponento.
C.11	Nurodykite, ar siūlomi vertybiniai popieriai yra įtraukti ar juos bus siekiama įtraukti į prekybos sąrašą, siekiant juos platinti reguliuojamoje rinkoje arba kitose lygiavertėse rinkose, konkrečiai nurodant tas rinkas	Emitentas pateiks prašymą įtraukti kiekvieną Dalį į oficialų (Baltijos šalių obligacijų sąrašą) Nasdaq Riga sąrašą. Prašymas bus parengtas pagal Nasdaq Riga reikalavimus ir bus pateiktas Nasdaq Riga per 3 (tris) mėnesius nuo atitinkamos Dalies Emisijos įsigaliojimo datos.

D skirsnis - Rizikos

D.2	Pagrindinė informacija apie pagrindines rizikas, būdingas emitentui	Makroekonominės ir politinės rizikos ▪ Faktoriai, kaip nedarbo lygis Latvijoje, migracijos tendencijos, vartotojų pirkimo galia ir kainų dinamikos, pokyčiai Eurozonos pinigų politikoje bei bendras ES politinis stabilumas kuria poveikį ALTUM grupės verslui ir finansiniams rezultatams vidaus, regioniniu ir tarptautiniu mastu. ▪ Stiprus nuosmukis Latvijos ekonomikoje, staigus sulėtėjimas pagrindinėse Latvijos eksporto rinkose, esminis Latvijos fiskalinės padėties pablogėjimas arba makroekonominio disbalanso atsiradimas, kuris gali paveikti Latvijos ekonominį stabilumą, gali turėti neigiamą esminį poveikį ALTUM grupei. ▪ Kadangi ALTUM yra Valstybinė finansinė institucija, politiniai ir socialiniai sprendimai, priimti Latvijos vyriausybės, gali turėti neigiamą efektą verslo

		operacijoms ir ALTUM grupės finansinei pozicijai. Rizikos, susijusios su verslo operacijomis ▪ Latvijos Respublikos ministrų kabinetas nukreipia viešojo finansavimo srautus, jog būtų galima tęsti ALTUM finansinių instrumentų programas ir naujų programų įgyvendinimą. Gali kilti rizika, jog Latvijos Respublikos ministrų kabinetas gali nuspręsti stabdyti naujų operacijų refinansavimą, tokiu atveju ALTUM gautų mažesnį finansavimą. Tai gali padidinti finansavimosi kaštus, kas, savo ruožtu, gali turėti neigiamą poveikį ALTUM grupės likvidumui, verslo operacijoms ir finansinei pozicijai. ▪ ALTUM yra stipriai priklausomas nuo Europos Regioninės Plėtros Fondo finansavimo. Siekiant apsaugoti ALTUM programų operacinį tęstinumą, ALTUM ieško kitų finansavimo šaltinių. Nesant kitų viešųjų finansavimo šaltinių ar sumažėjus Europos Regioninės Plėtros Fondo finansavimui, kyla grėsmė, jog ALTUM programų apimtis gali būti sumažinta, programų refinansavimas gali brangti dėl administravimo kaštų, o dalis naujų programų būtų atšaukta. Tai gali turėti neigiamą poveikį ALTUM verslo operacijoms ir finansinei pozicijai. ▪ Programoms, finansuojamoms iš 2014 – 2020 ES programų periodo fondų, numatyta pasiekti pažangos pagal nustatytus stebėsenos rodiklius ir specifines finansines apimtis iki 2023-ųjų, kaip ir tarpinius finansinius rodiklius iki 2018-ųjų pabaigos. Kadangi keletos valstybės pagalbos programų įgyvendinimas vėlavo dėl įvairių, pagrinde administracinių, priežasčių, kyla rizika, jog tarpiniai finansiniai rodikliai iki 2018-ųjų nebus pasiekti. Jei ALTUM nepavyks pasiekti planuotų finansinių apimčių iki 2018-ųjų, esamų finansinių instrumentų pagalba siūlomas finansavimas gali sumažėti, kas gali turėti esminį neigiamą poveikį ALTUM grupės likvidumui, veiklos operacijoms ir finansinei pozicijai. ▪ Rizikos kapitalo fondai, palaikomi ES fondų 2014 – 2020 metų programų, turi galimybę dalyvauti bendrame projekto finansavime, o jų įnašo dalis priklauso nuo projekto etapo ir numatytų pagrindinių investicijų. Šios programos finansavimo tempas priklauso nuo fondo valdytojų gebėjimo pritraukti bendrus privačius investuotojus. Jei ALTUM atrinkti fondų valdytojams nepavyktų pritraukti privačių investuotojų ir/ar atitinkamų sumų iki nustatytos datos, tai numatytas ALTUM investicijų, tinkamų pagal ES fondo taisykles, dydis gali būti nepasiektas. Tai gali turėti esminį neigiamą poveikį ALTUM grupės veiklos operacijoms ir finansinei pozicijai. ▪ Yra rizika, jog ilgalaikėje perspektyvoje kai kurie ALTUM verslo segmentai gali susitraukti dėka ALTUM klientų išaugusių galimybių gauti finansavimą iš kitų finansavimo šaltinių (tiekėjų) ir/ar ALTUM siūlomų produktų nebeatitikimo besikeičiančios rinkos ar tam tikro segmento, kuriame veikia ALTUM, dalyvių poreikiams. Sumažėjęs ALTUM konkurencingumas ir/ar pastebimo klientų dalies praradimas gali turėti neigiamą poveikį ALTUM grupės verslo operacijoms ir finansinei pozicijai. ▪ Remiantis Bendrosios Institucinės plėtros įstatymu, Valstybė atskaitinga už garantijas, kurias išduoda ALTUM. Taip pat, Šalies Biudžeto įstatymas nustato bendrą garantijų kiekį, kuriuo ALTUM gali operuoti. Gali kilti rizika, jog maksimalus garantijų limitas bus sumažintas arba atšauktas, priversiantis ALTUM sumažinti išduodamų garantijų kiekį arba nutraukti tam tikrą garantinę veiklą. Tai gali turėti neigiamą poveikį ALTUM grupės verslo operacijoms ir finansinei pozicijai. ▪ Pagal Finansinės pletros institucijos įstatymą, Latvijos vyriausybė yra atskaitinga už ALTUM išleistas garantijas, kurių suma kiekvienais metais įtvirtinama Valstybės biudžeto įstatyme. Yra rizika, kad maksimali, su

		valstybės parama išleidžiamų, garantijų suma galėtų būti sumažinta ar netgi atšaukta, kas priverstų ALTUM sumažinti išleidžiamų garantijų apimtis ir/ar padidinti komisinį mokestį už garantijų išleidimą, dėl ko, abiem atvejais, ALTUM paslaugos pabrangtų. Be to, jeigu rizikos padengimas pagal patvirtintas garantijas taptų nepakankamas, Latvijos Respublikos Finansų ministerija gali priimti sprendimą nutraukti naujų garantijų išleidimą. Tai gali turėti neigiamą poveikį ALTUM grupės verslo operacijoms ir finansinei pozicijai. ▪ Europos Komisija yra pritarusi ALTUM verslo operacijoms iki 2020 m. gruodžio 31 d. Patvirtinimas gali būti pratęstas po pakartotinio Europos Komisijos vertinimo. Yra rizika, jog 2023 m. sausio 1d. ALTUM verslo operacijos gali skirtis, kai kurios iš esamų verslo operacijų gali būti nepratęstos ir/ar pakeistos naujomis verslo operacijomis. Tai gali turėti neigiamą poveikį ALTUM grupės verslo operacijoms ir finansinei pozicijai. ▪ Valstybės paramos programų įgyvendinimas turi atitikti reikalavimus nustatytus ES teisės aktuose, dėl to kyla rizika, jog ALTUM ir su ja bendradarbiaujantys partneriai (finansų tarpininkai) gali interpretuoti ir taikyti ES teisės aktus skirtingai nuo procesą kontroliuojančių institucijų. Todėl ALTUM įsteigė rizikos valdymo sistemą, siekiant užtikrinti aktyvų rizikos valdymą bei operatyvų įvedimą ir taikymą priemonių, kurios sušvelnina ar panaikina veiklos atitikimo rizikas. Nepaisant ALTUM pastangų, įgyvendinamų programų neatitikimas teisės aktams gali turėti neigiamą poveikį ALTUM grupės finansinei pozicijai bei reputacijai. ▪ ALTUM grupė imasi visų būtinų priemonių, jog sumažintų tikimybę vykdyti verslą su klientais, susijusiais su su pinigų plovimu ar terorizmo finansavimu, laikydamiesi visų teisinių reikalavimų ir įgyvendindami „pažink savo klientą“ principus savo verslo operacijose. Egizstuoja rizika, jog ALTUM grupės taikomų priemonių gali nepakakti siekiant pinigų plovimo ar terorizmo finansavimo prevencijos, dėl ko ALTUM grupė patirtų nuostolius, gali būti taikomos tesinės sankcijos ar nukentėti reputacija. Tai gali turėti neigiamą poveikį finansinei pozicijai ir ALTUM grupės reputacijai. Finansinės rizikos ▪ ALTUM vykdo valstybės paramos programas, kuriose nevisiškai kontroliuoja išlaidas. Egzistuoja rizika, jog Latvijos Centrinių finansų ir Pirkimų Agentūra dalį išlaidų gali palaikyti netinkamomis finansavimui. Tokiu atveju, ALTUM turėtų padengti kaštus iš savo fondo ir siekti susigrąžinti lėšas iš skolininkų per priverstinį išieškojimą. Tai taip pat reiškia riziką, jog toks susigrąžinimas nebus įmanomas ar bus apsunkintas, o papildomi kaštai turės neigiamą poveikį ALTUM finansiniams rodikliams. ▪ Nustatant ALTUM programų kompensacinių mokėjimų dydį pagal Paslaugų teikimo sąlygas (patvirtintas Latvijos Respublikos Ministrų kabineto) numatyta, jog skirtumas tarp taikytinuose ES reglamentuose nustatytos ribos ir verslo plane numatytos sumos yra padengiamas iš ES struktūrinio fondo ir į nacionalinį biudžetą sugrįžtančių finansavimo lėšų. Egzsituoja rizika, jog nacionaliniai ir ES reguliaciniai pokyčiai, apimantys šiuos klausimus, gali turėti neigiamą poveikį ALTUM finansinei pozicijai, jei kompensaciniams mokėjimams bus įvesti papildomi limitai . ▪ Egizstuoja rizika patirti nuostolius dėl ALTUM klientų ar verslo partnerių, kurie nesugeba ar atsisako vykdytį įsipareigojimus ALTUM pagal susitarimus ir nustatytas paslaugų teikimo sąlygas. Kredito rizika gali būti sušvelninta vykdant įkeitimą ar kitu būdu gaunant užstatą bei užtikrinant nuostolių padengimą, susijusį su aukštesnio lygio kredito rizika vykdant Valstybės paramos programas ir skatinamąsias programas iš Valstybės

		lėšų. ▪ Egzistuoja rizika patirti nuostolius, jei ALTUM nesugebėtų laiku patenkinti savo kreditorių teisėtų reikalavimų ar, nenumatytais atvejais, pavyzdžiui, dėl netikėto pinigų srautų paskolų portfelyje ar kitų turto klasių sumažėjimo susidarytų likvidaus turto trūkumas. ▪ Egzistuoja tikimybė patirti nuostolius dėl balanso perkainojimo ar nebalansinių daiktų, denominuotų užsienio valiuta, valiutų svyravimų. ▪ Egizstuoja rizika patirti nuostolius dėl ALTUM pajamoms ir/ar išlaidoms bei ekonominei vertei taikomų palūkanų normų pokyčių.
D.3	Pagrindinė informacija apie pagrindinę riziką, būdingą vertybiniams popieriams	▪ Obligacijos gali būti ne visiems investuotojams tinkama investicija. Todėl kiekvienas galimas investuotojas į Obligacijas privalo įvertinti šių investicijų tinkamumą pagal savo aplinkybes, įskaitant įtaką šių Obligacijų vertei ir šių investicijų poveikį jo bendram investicijų portfeliui. ▪ Obligacijos, išleidžiamos finansuoti projektus, kurie atitinka ALTUM Žaliųjų (Aplinkai draugiškų) obligacijų koncepcijos (*angl. Green Bond Framework*) reikalavimus, ne visiems investuotojams, kurie siekia investuoti į aplinkai draugišką turtą, gali būti tinkama investicija. Kartu su išleidžiamomis Obligacijomis, kuriomis siekiama finansuoti projektus, atitinkančius ALTUM Žaliųjų obligacijų koncepcijos reikalavimus, Tarptautinių klimato ir aplinkos mokslinių tyrimų centras – Oslo, Norvegijos nepriklausomas tarpdisciplininių klimato mokslinių tyrimų institutas, tikimasi, pateiks antrosios šalies nuomonę dėl Obligacijų kaip investicijos, susijusios su tam tikru aplinkos ir tvarumo kriterijumi, tinkamumo ir tokia antrosios šalies nuomonė nėra įtraukta į Bazinį prospektą ir nėra jo dalimi. Nėra suteikiama jokių garantijų dėl tokios nuomonės tinkamumo ar kad Obligacijos atitiks aplinkos ir tvarumo kriterijų.Tokia nuomonė gali neatspindėti galimo rizikų, susijusių su struktūra, rinka, papildomais rizikos faktoriais ir kitais faktoriais, kurie gali turėti įtakos Obligacijų vertei, poveikio; tai nėra rekomendacija pirkti, parduoti ar turėti vertybinių popierių. Jei ALTUM nesilaiko tam tikrų įsipareigojimų pranešti informaciją ir naudoti pajamas remiantis tokia nuomone, tai nėra laikoma įsipareigojimų pagal Obligacijų bendrąsias sąlygas nevykdymu. Nuomonės panaikinimas gali turėti įtakos Obligacijų vertei ir (arba) gali turėti pasekmių tam tikrų investuotojų, turinčių teisę investuoti į aplinkai draugišką turtą, atžvilgiu. ▪ Investuotojai gali netekti palūkanų ir pagrindinės investuotos sumos, ALTUM tapus nemokiam arba jei yra inicijuojamos ALTUM teisinės apsaugos procedūros arba neteisminės teisinės apsaugos procedūros. ▪ Obligacijos laikomos neapdraustais ALTUM įsipareigojimais, be jokių papildomų garantijų ir apdraudimo priemonių; ALTUM tapus nemokiu, Obligacijų savininkai taps neapdraustais kreditoriais. 2017 m. birželio 30 d. apdrausti ALTUM kreditoriai buvo Latvijos Respublikos Iždas (32,201 milijonų eurų) ir Europos Investicijų Bankas (51,283 milijono eurų). Nemokumo atveju, atsiskaityti su Obligacijų savininkais ALTUM turtas būtų panaudotas po to, kai bus atsiskaityta su Latvijos Respublikos Iždu, Europos Investicijų Banku ir kitais privilegijuotais kreditoriais. ▪ Obligacijos neapima jokių susitarimų dėl ALTUM veiklos ir neriboja jo galimybės susijungti, parduoti turtą ar vykdyti kitus reikšmingus sandorius, kurie gali turėti reikšmingą neigiamą poveikį Obligacijoms ir Obligacijų savininkams. Todėl, ALTUM sudarius tokį sandorį, galima esminė neigiama įtaka Obligacijų savininkams. Be to, esant atitinkamiems įstatymo pakeitimams, dabartinis ALTUM akcininkas- Latvijos vyriausybė gali

		perleisti visas turimas akcijas ar jų dalį.
		▪ Bet koks neigiamas ALTUM finansinių sąlygų ar veiklos perspektyvų pokytis gali turėti neigiamą esminį efektą Obligacijų likvidumui, sukelti esminį jų kainos nuosmukį ir sumažinti tikimybę, jog Obligacijų savininkams bus visiškai atlyginta laiku.
		▪ ALTUM nedraudžiama leisti papildomų skolos vertybinių popierių. Tai gali atitinkamai padidinti reikalavimų, turinčių teisę kartu su Obligacijų savininkais gauti pajamas, skaičių, ALTUMi tapus nemokiu. Be to, nuostatos, kuriomis suteikiama, siekiama suteikti ar atsisakoma teisė sukurti užtikrinimo interesą trečiųjų asmenų naudai (pavyzdžiui, neigiamas įkeitimas) negalioja santykiuose su trečiaisiais asmenimis; dėl šios priežasties toks užtikrinimo interesas trečiojo asmens naudai, net jei sukurtas pažeidžiant šiame dokumente numatytus ALTUM įsipareigojimus, būtų laikomas galiojančiu ir priverstinai vykdomu užtikrinimo interesu įkeisto turto atžvilgiu.
		▪ ALTUM galimybė sėkmingai refinansuoti savo skolas priklauso nuo skolos kapitalo rinkų sąlygų bei savos finansinės padėties. ALTUM negalėjimas refinansuoti savo skolos įsipareigojimų palankiomis sąlygomis ar visiškai, gali sukelti neigiamą poveikį ALTUM grupės operacijoms, finansinei padėčiai, pajamoms ir Obligacijų savininkų lėšoms gautinoms už turimas Obligacijas.
		▪ Obligacijos sudaro naują ALTUM vertybinių popierių emisiją, tačiau įmanoma, jog aktyvi Obligacijų rinka gali nesivystyti arba nebūti plečiama, gali būti paveikta rinkos pokyčių ir ekonominių salygų, ALTUM finansinių sąlygų ir veiklos perspektyvų, kas gali turėti poveikį likvidumui ar Obligacijų rinkos kainai.
		▪ Už Obligacijas bus mokama fiksuota palūkanų norma, tačiau tai gali iššaukti riziką, jog tokių vertybinių popierių kaina bus paveikta rinkos palūkanų normos pokyčių. Infliacija taip pat gali sukelti Obligacijų kainos nuosmukį, numušdama vieneto vertę ir gaunamas palūkanas.
		▪ Mokėjimai už obligacijas bus vykdomi eurais, tačiau valiutų kursų bei palūkanų normų pokyčiai gali neigiamai paveikti Obligacijų vertę, jei investuotojo finansinė veikla iš esmės susieta su kita užsienio valiuta.
		▪ Jei Obligacijos yra įvertinamos nepriklausomos kredito reitingų agentūros, tokie reitingai gali neatspindėti visų potencialių su Obligacijomis susijusių rizikų, kaip ir kredito agentūrų reitingai gali bet kuriuo metu būti pakeisti arba pašalinti. Taip pat, bet koks neigiamas ALTUM kredito reitingo pokytis gali neigiamai paveikti Obligacijų rinkos kainas.
		▪ Obligacijos išleidžiamos vadovaujantis Latvijos Respublikos įstatymais, kurie Obligacijų gyvavimo laikotarpiu gali keistis, tokiu būdu nėra galimybės suteikti garantijų dėl galimų įstatymų ir reguliacijų pokyčių. Tokie pokyčiai gali turėti esminį neigiamą poveikį ALTUM ir Obligacijoms.
		▪ Tam tikrų investuotojų investicinei veiklai taikomi investavimo įstatymai ir kiti teisės aktai, tam tikrų valdžios institucijų peržiūros ar reguliacijos. Kiekvienas potencialus investuotojas turėtų pasikonsultuoti su teisiniais patarėjais, ar ir kokiu mastu Obligacijos skaitomos legalia investavimo priemone konkrečiam investuotojui, ar Obligacijos gali būti panaudotos kaip užstatas ir ar egzistuoja kiti Obligacijų pirkimo ir įkeitimo apribojimai.
		▪ Egzistuoja rizika, kad Obligacijų rinkos vertė yra didesnė negu pirmalaikio išpirkimo, nulemto Kontrolės pasikeitimo, kaina ir kad Obligacijų savininkui gali būti neįmanoma pakartotinai investuoti už Obligacijas gautų pajamų taikant efektyvią palūkanų normą (tokio dydžio koks buvo

		taikomas Obligacijoms) ir tai gali būti padaryta tik taikant žymiai mažesnę palūkanų normą. Taip pat yra įmanoma ir tai, kad ALTUM neturės pakankamai lėšų privalomam išankstiniam apmokėjimui, kuris turi būti atliktas pareikalavus pirmalaikio Obligacijų išpirkimo. ▪ Akcininkų susirinkimo metu teisę balsuoti turi tik ALTUM akcinininkai. Obligacijos nesuteikia balsavimo teisių. Obligacijų savininkai negali daryti įtakos ALTUM akcininkų sprendimams, pavyzdžiui, daryti įtaką ALTUM kapitalo struktūrai. ▪ Obligacijų savininkų sprendimai (įskaitant Obligacijų Terminų ir Sąlygų pakeitimus) taikomi visiems Obligacijų savininkams, įskaitant savininkus, kurie nebalsavo ir savininkus, kurie balsavo prieš daugumą. ▪ Programos organizatorius ir Agentas (Platintojas) yra susijęs, ir gali būti susijęs ateityje, su investicinės bankininkystės ir/ar kasdienės bankininkystės bei susijųsių paslaugų teikimu ALTUM grupei įprasto verslo būdu. Taip pat, interesų konfliktas gali būti ar atsirasti Programos organizatoriui ir Agentui (Platintojui) įsitraukiant į esamus ar būsimus sandorius su kitomis šalimis, atliekant įvairiaplanius vaidmenis ar įgyvendinant projektus trečiųjų šalių, turinčių besikertančius interesus, naudai. ▪ Obligacijos bus susietos su Latvijos centrinio depozitoriumo apskaitos sistema, todėl fizinių Obligacijų išleista nebus. Kliringas ir atsiskaitymas, susiję su Obligacijomis, bus vykdomas Latvijos centrinio depozitoriumo apskaitos sistemą. Tokiu pačiu principu vykdomas ir palūkanų mokėjimas bei pagrindinės sumos išmokėjimas. Investuotojai yra priklausomi nuo Latvijos centrinio depozitoriumo apskaitos sistemos funkcionalumo. ▪ Obligacijos nėra ir nebus registruojamos pagal 1933 m. JAV Vertybinių popierių įstatymą su pakeitimais ar bet kurios JAV valstijos vertybinių popierių įstatymą. Dėl tam tikrų išimčių Obligacijų savininkas negali Obligacijų platinti ir parduoti Jungtinėse Valstijose. ALTUM nėra įsipareigojęs Obligacijas įregistruoti pagal JAV Vertybinių popierių įstatymą ar bet kurios JAV valstijos vertybinių popierių įstatymą ar ateityje Obligacijas platinti biržoje. Be to, ALTUM Obligacijų nėra užregistravęs pagal jokios kitos valstybės vertybinių popierių įstatymus, išskyrus Latvijos Respublikos įstatymus. Kiekvienas potencialus investuotojas turėtų žinoti apie Obligacijoms taikomus perdavimo apribojimus. Obligacijų turėtojas prisiima atsakomybę, kad Obligacijos būtų platinamos ir parduodamos laikantis taikytinų vertybinių popierių įstatymų.

E skirsnis - Siūlymas

E.2b	Siūlymo priežastys ir pajamų naudojimas, kai siūlymas skelbiamas ne siekiant uždirbti pelno ir (arba) apsidraudžiant nuo tam tikros rizikos	Grynąsias pajamas, gautas iš Obligacijų emisijos, Emitentas panaudos bendriesiems įmonės tikslams. Jei pajamoms, gautoms iš tam tikros Obligacijų emisijos, yra numatyta tam tikra panaudojimo paskirtis, tai bus nurodyta atitinkamose Galutinėse sąlygose. *Atskiros emisijos santrauka:* *[Grynąsias pajamas už kiekvieną išleistą Dalį ALTUM panaudos bendriesiems įmonės tikslams] / [Grynąsias pajamas už kiekvieną išleistą Dalį ALTUM panaudos [●]].*
E.3	Siūlymo sąlygų apibūdinimas	Programos organizatorius ir Agentas (Platintojas) Programos organizatorius ir Agentas yra AB SEB bankas (registracijos numeris: 112021238, juridinis adresas: Gedimino pr. 12, LT-01103 Vilnius, Lietuva).

		Emisijos data Emisijos data bus nurodyta atitinkamos Dalies Glutinėse sąlygose. *Atskiros emisijos santrauka:* *Emisijos data: [●]* Bendra pagrindinė suma Bendra kiekvienos Dalies pagrindinė vertė pirmiausiai nurodoma Galutinėse sąlygose. Per atitinkamos Dalies Platinimo laikotarpį Emitentas gali didinti arba mažinti Galutinėse salygose nurodytą bendrą tos Dalies pagrindinę vertę. *Atskiros emisijos santrauka:* *Bendra pagrindinė suma: [EUR [●] [kaip priedas prie [●]]]* Nominali Obligacijos vertė Nominali kiekvienos Obligacijos vertė bus ne mažesnė kaip 1,000 EUR. *Atskiros emisijos santrauka:* *Obligacijos nominalioji vertė: [●]* Minimali investavimo suma Obligacijos bus platinamos už minimalią investavimo sumą, kuri bus nurodyta Galutinėse sąlygose. *Atskiros emisijos santrauka:* Minimali investavimo suma*: [●]* Platinimo laikotarpis Kiekvienos Dalies platinimo laikotarpis bus nurodytas Galutinėse sąlygose. *Atskiros emisijos santrauka:* *Platinimo laikotarpis: [●]* Susitarimai Kontrolės pasikeitimas, neigiamas įkeitimas, kryžminės netesybos ir kiti. Depozitoriumas Obligacijos bus užregistruotos Latvijos centriniame depozitoriume (latviškai – *Akciju sabiedrība "Latvijas Centrālais depozitārijs"*) (įvykus reorganizacijai – Nasdaq CSD SE). Taikytina teisė Latvijos teisė.
E.4	Bet kokių interesų, įskaitant konfliktinio pobūdžio, kurie yra reikšmingi atsižvelgiant į emisiją (siūlymą), apibūdinimas	Išskyrus komisinius, kurie yra mokami Programos organizatoriui ir Agentui, kiek ALTUM yra žinoma, nėra su šių Obligacijų siūlymu susijusių asmenų, turinčių emisijai/siūlymui reikšmingų interesų, o taip pat nėra konfliktinio pobūdžio interesų.
E.7	Numatomos emitento arba siūlytojo išlaidos, kurias dengia investuotojas	ALTUM neprašys investuotojų padengti jokių išlaidų ar mokesčių, susijusių su Obligacijų išleidimu. Tačiau investuotojams gali tekti padengti išlaidas, susijusias su vertybinių popierių sąskaitų atidarymu kredito institucijose ar finansų maklerio įmonėse, taip pat ir komisinius, kurie mokami kredito institucijoms ar finansų maklerio įmonėms už investuotojo vykdomas Obligacijų pirkimo ar pardavimo operacijas, Obligacijų saugojimą ar bet kurias kitas operacijas, susijusias su Obligacijomis. Nei ALTUM, nei Programos organizatorius ar Agentas tokių išlaidų Obligacijų savininkams nekompensuos.

RISK FACTORS

Prospective investors are advised to carefully consider the risk factors and other information provided in this Base Prospectus. Investing in the Notes involves certain risks including but not limited to the following risks described herein.

ALTUM believes that if one or more of the risk factors described herein realises, it may have a negative effect on ALTUM's or ALTUM Group's business operations, financial position and/or business results and, thereby ALTUM's ability to fulfil its obligations under the Notes, as well as the market price and value of the Notes. If these risks were to lead to a decline in the market price of the Notes, prospective investors may lose all or part of their investment.

The risks and uncertainties described hereafter are the risks which ALTUM has deemed material. However, they are not the only factors affecting ALTUM's and ALTUM Group's activities. Therefore, ALTUM does not allege that the statements below regarding the risks of acquiring and/or holding any Notes are exhaustive. Other factors and uncertainties than those mentioned herein, which are currently unknown or deemed immaterial, may negatively affect ALTUM's or ALTUM Group's business operations, financial position and/or business results and, thereby, ALTUM's ability to fulfil its obligations under the Notes, as well as the market price and value of the Notes.

The below description of the risk factors does not reflect the probability of the materialisation of the respective risk. Most of these risk factors are contingencies which may or may not occur and ALTUM is not in a position to assess or express a view on the likelihood of any such contingency occurring.

All investors should make their own evaluations of the risks associated with an investment in the Notes and should consult with their own professional advisers if they consider it necessary.

Macroeconomic and Political Risks

Risks related to macroeconomic conditions

The results of the business operations of ALTUM Group are dependent on Latvia's macroeconomic situation. Severe deterioration of either global, regional or national economic situation and/or financial position of the Latvian government may impede the capacity of ALTUM to honour its financial obligations.

Financial stability of ALTUM Group could potentially be impaired by materialisation of the following risks:

- Large-scale downturn in the Latvian economy or one of its main sectors;
- Steep economic slowdown in Latvia's main export markets;
- Material deterioration of Latvia's fiscal stance (given ALTUM's high level of dependence on state funding);
- Emergence of macroeconomic imbalances that could adversely affect Latvia's economic stability (e.g., in the real estate market).

Other factors that could potentially affect the financial performance of ALTUM Group include the level of unemployment in Latvia, migration trends, consumer purchasing power and price level dynamics, changes in the Eurozone's monetary environment and overall political stability in the EU.

Political risk

The ability of ALTUM to achieve its business goals, *inter alia*, depends on the legislative environment and on political and social decisions made by the Latvian government. Although ALTUM's shares are solely held by the Ministry of Finance of the Republic of Latvia, the Ministry of Economics of the Republic of Latvia and the Ministry of Agriculture of the Republic of Latvia, and its operations are governed by special law, the Development Finance Institution Law, it cannot be excluded that political decisions may have an adverse effect on business operations and financial position of ALTUM Group.

Risks Related to Business Operations

Risk related to public funding reflows

The public funding reflows are all repayments, revenues, gains and other earnings received from loans, loan guarantees and equity and quasi-equity investments that are financed from the EU funds and which are paid back within respective programme's implementation period.

The EU funding available for the implementation of state aid programmes constitutes ALTUM's obligations towards the Ministry of Economics of the Republic of Latvia and the Central Finance and Contracting Agency of the Republic of Latvia, providing that ALTUM has to repay respective portion of the funding reflows at the end of the implementation period of the respective programme. At the same time, the Cabinet of the Ministers of the Republic of Latvia may decide on channelling of the repayable funding reflows towards continuation of the financial instruments' programmes and implementation of new programmes.

Thus far, the Cabinet of Ministers of the Republic of Latvia has channelled all the reflows into the implementation of ALTUM's financial instruments. Nevertheless, there is a risk that the Cabinet of Ministers of the Republic of Latvia may decide to halt the reinvestment of reflows into new operations, as a result of which ALTUM may receive less funding. This would increase funding costs leading to adverse effect on the liquidity, business operations and financial position of ALTUM Group.

Risks related to access to financing from the EU funds

Within the framework of the 2014-2020 programming period of the EU funds, total funds available to ALTUM from the European Regional Development Fund amount to 126 million euros, which makes a significant part of the total funding that ALTUM makes available to entrepreneurs.

There is a risk that in the 2021-2027 programming period of the EU funds Latvia will receive less funding from the European Regional Development Fund. The reduction of funding will affect the grant programmes, as a result of which the funding of the 2014-2020 programming period of the EU funds committed to the financial instruments could be partially transferred to the grant programmes, and, as such, the EU funding available to financial instruments implemented by ALTUM could be reduced. Therefore, ALTUM seeks for other funding sources to ensure operational continuity of financial instruments' programmes.

In the event other funding sources than public funding are not available and the funding provided by the European Regional Development Fund is decreased, it is possible that the scope of ALTUM's programmes will be reduced, with larger portion of programmes' reflows consumed by administrative costs, and part of the new programmes discarded. This may have an adverse effect on the liquidity, business operations and financial position of ALTUM Group.

Risks related to absorption of funding

The programmes financed from the funding of the 2014-2020 programming period of the EU funds stipulate that ALTUM has to achieve progress as measured by monitoring indicators (e.g., a certain number of supported entrepreneurs) and specific financial volumes by 2023, as well as interim financial indicators by the end of 2018. Since the launching of several state aid programmes was delayed due to various reasons of mainly administrative nature, there is a risk that the interim financial indicators will not be achieved by 2018. If ALTUM fails to reach the planned financial volumes by 2018, the funding available to the financial instruments could be reduced. This may have a material adverse effect on the business operations and financial position of ALTUM Group.

To mitigate the probability of the occurrence of this risk, a plan for achieving the stipulated financial results by 2018 has been drafted and is adhered to. For the time being, no risks are identified in terms of reaching the funding volumes by the end of 2023 as it will be possible to shift the funding from less popular programmes to more demanded ones in view of the market situation and assessment of the needs for particular instruments.

This risk does not affect those state aid programmes that are financed by other sources than EU funds.

Additionally, the venture capital funds supported by the EU funds of the 2014-2020 programming period allow different portion of private co-funding depending on the maturity stage of the foreseen underlying investments, the share of which is being determined by respective public procurement procedure.

The pace of investments in the programme depends on the ability of the fund managers to attract private co-funding. In 2017, the venture capital funds' procurements are running also in the neighbouring countries of Latvia. For this reason, the managers of venture capital funds selected by ALTUM will face significant challenges in attracting private co-funding in adequate amounts. Further, it could significantly impair the ability of the venture capital funds to raise adequate underlying investment portfolio on a timely basis and as such to reach necessary volume of ALTUM's investments in venture capital funds within the eligibility period set by the EU fund rules.

In order to prevent the occurrence of the risk related to the absorption of funding, ALTUM has included in the public procurement procedure high requirements for qualification and professional experience for the key personnel of fund management teams, thus ensuring their capability to perform the entrusted assignments on a timely basis. Notwithstanding the foregoing, a materialisation of this risk may have an adverse effect on the business operations and financial position of ALTUM Group.

Business environment and competitive risks

There is a risk that in the long-term ALTUM's operational niches could shrink as a result of improved capacity of ALTUM's customers to gain access to financial instruments offered by private funding providers and/or the products offered by ALTUM becoming outdated due to changing business environment in the particular market gap niche operated by ALTUM.

Companies that set up their businesses successfully and stay in business for a longer period become attractive customers for private market participants, such as commercial banks, leading to their ability to refinance loans with credit institutions. Hence, there is a risk of loss of existing clients in case they decide to switch to the unified services provided by commercial banks.

ALTUM follows the market situation persistently by adjusting the terms of the programmes and the list of offered products to current market needs, including through active and pro-active co-operation with credit institutions. ALTUM implements state aid programmes based on *ex-ante* assessment of market or implements specific assignments delegated by the Latvian government to promote the development of the national economy. It supplements the private market supply by implementing state aid programmes in the spheres where there are market gaps or sub-optimal circumstances for investments.

In case other market participants fill the market gap in which ALTUM is operating, ALTUM would be forced to terminate or reduce the scope of certain business operations within the said market gap and look for current market needs where private funding is not available.

Therefore, deterioration of ALTUM's competitive position and/or loss of a considerable share of the client base, may have an adverse effect on the business operations and financial position of ALTUM Group.

Insufficient state-backed guarantee risk

According to the Development Finance Institution Law, the Latvian government is accountable for the guarantees issued by ALTUM in the amount specified each year by the Law on the State Budget. In 2017, the portfolio of outstanding guarantees is over-secured by state backed guarantees in the amount of 200 million euros. ALTUM may issue guarantees above the limits stipulated by the Law on the State Budget, however, in such event the Latvian government would not be accountable for guarantees excessing the permitted limit.

Although ALTUM is taking all the appropriate measures to meet its short- to long-term guarantee obligations, there is a risk that the maximum total guarantee exposure having the status of state-backed guarantees could possibly be reduced or even revoked, as a result of which ALTUM would be forced to lower the volume of the issued guarantees and/or to increase ALTUM's commissions for issuance of guarantees, in which case ALTUM's services would become more expensive. Furthermore, in the event ALTUM lacks sufficient risk coverage for guarantee activities, the Ministry of Finance of the Republic of Latvia may take decision to cease the issuance of new guarantees. This may have an adverse effect on business operations and financial position of ALTUM Group.

Limitation of the scope of ALTUM's business operations by the European Commission

In its decision of 9 June 2015, the European Commission concluded that the proposal of Latvia to establish ALTUM as a Latvian single development institution is compatible with the EU state aid rules.

The European Commission has granted approval for ALTUM's business operations until 31 December 2022. The approval may be prolonged, following a reassessment by the European Commission. In case ALTUM is assigned with other responsibilities and/or functions outside the agreed remit in the future, approval by the European Commission has to be received.

There is a risk that as of 1 January 2023 the scope of ALTUM's business operations may differ, some of the current business operations may not be prolonged and/or may be replaced with new business operations. This may have an adverse effect on the business operations and financial position of ALTUM Group.

Compliance risk

Compliance risk is a probability for ALTUM Group to incur losses, be subjected to legal sanctions imposed on ALTUM Group, or a probability for its reputation to deteriorate in case ALTUM Group fails to adhere to or breaches any applicable compliance laws, regulations and standards (i.e., laws and other legal enactments, as well as standards, codes of professional conduct and ethics established by self-governing institutions related to ALTUM Group's business).

Since the implementation of state aid programmes requires compliance with a broad regulatory framework, including the EU regulatory framework and national laws and regulations, the compliance risk for the implementation of ALTUM's programmes is of particular importance. Namely, there is a risk that ALTUM and its cooperation partners (financial intermediaries) may interpret and apply the EU law differently than the supervisory authorities during their inspections. This risk stems from the fact that EU legislative acts in respect to the implementation of state aid programmes may be interpreted differently and that no detailed guidelines or methodologies have been developed by the supervising authorities.

ALTUM has established a risk management system to ensure pro-active risk management, as well as timely introduction of corrective measures for mitigation or elimination of the compliance risks. In order to manage the risks, ALTUM uses various risk management methods and instruments, as well as risk limits and restrictions. The risk management methods are chosen depending on materiality of the particular risk and its impact on ALTUM's operations.

In addition, ALTUM consults with the responsible ministries of the Republic of Latvia on the issue of most suitable solutions. Once the compliance risk that is classified as an operational risk materialises, the non-compliant transaction is excluded from the respective portfolio and financial intermediaries are requested to cover the losses incurred or pay back in advance the non-eligible expenditures to cover the loss on financial corrections to the attribution of funding of the European Regional Development Fund; however, such cases are exceptional. ALTUM keeps improving its operations and internal control system so that non-compliant transactions are not concluded.

Notwithstanding ALTUM's efforts, a non-compliance with regulations in respect of implementation of programmes may have an adverse effect on the financial position and reputation of ALTUM Group.

Money laundering and terrorism financing risk

Money laundering and terrorism financing risk is a probability for ALTUM Group to incur losses or a probability for its reputation to deteriorate in case ALTUM Group engages in business with clients conducting or being involved in money laundering and/or terrorism financing. ALTUM Group takes all the measures necessary to reduce the probability of conducting business with clients involved in or allegedly involved in money laundering and terrorism financing by adhering to the requirements of the Law on the Prevention of Money Laundering and Terrorism Financing and by implementing the "know your client" principles in its business operations. Notwithstanding the foregoing, there is a risk that the measures adopted by ALTUM Group may be insufficient for prevention of money laundering and terrorism financing. This may have an adverse effect on the financial position and reputation of ALTUM Group.

Financial Risks

Eligibility of public funds expenditure risk

The EU and national legislation has an established procedure for determining eligibility for funding under the state aid programmes financed from the EU's structural funds and national budget. ALTUM implements a number of such programmes, in some of which it is acting as an intermediary (grant programmes), where ALTUM does not exercise full control over the funds' expenditure (they are granted in advance).

This entails a risk that the Central Finance and Contracting Agency of the Republic of Latvia may regard part of the expenditure as not eligible for funding. In such case, ALTUM would have to cover the costs from its own funds and seek recovery of funds from the debtor by enforced collection. There is a risk that recuperation on funds will not be possible or feasible and these expenses will have a negative impact on ALTUM's financial indicators. To preclude adverse effect of such situations, ALTUM negotiates with relevant ministries of the Republic of Latvia on a compensatory mechanism from the national funds.

Risks related to compensation payments

Part of ALTUM's revenue from programmes that are implemented by employing the EU funds, due to limitations to the maximum possible loan interest rate or ALTUM's status of agent in programme implementation, consists of compensations, the maximum amount of which is established by the EU regulations. According to the programme performance evaluation, the necessary amount of compensations exceeds the maximum limit established by the applicable EU regulations. The terms and conditions of the programme (as approved by the Cabinet of Ministers of the Republic of Latvia) provide that the difference between the limit established by the applicable EU regulations and the amount estimated in the business plan is covered from the EU's structural fund and national budget funding reflows. There is a risk that national and EU regulatory changes covering these issues may have an adverse effect on ALTUM's financial position, if additional limitations on compensation payments are imposed.

Credit risk

ALTUM has established a risk management system that is relevant to its operations and which is regulated by ALTUM's internal regulatory documents. The risk management system provides a comprehensive credit risk assessment of ALTUM's clients or business partners prior to initiating cooperation, as well as enables a continuous monitoring of credit risk transactions, credit risk assessment and management of credit risk transactions in ALTUM's portfolio. The exposure to credit risk is mitigated by obtaining pledges relevant to the risk transaction or other types of collateral, as well as by securing a coverage of expected losses arising from higher level of credit risk while implementing state aid and promotional programmes from public funding.

Notwithstanding the foregoing, there is a risk to incur losses in the event ALTUM's clients or business partners are not able or refuse to comply with their liabilities towards ALTUM pursuant to the terms and conditions of the concluded agreements.

Liquidity risk

For liquidity risk assessment purposes, ALTUM analyses and assesses the coverage of outbound cash flows by inbound cash flows and liquid assets.

Notwithstanding the foregoing, there is a risk to incur losses in case ALTUM is unable to satisfy the legally valid claims of its creditors in a timely manner, or, in the case of contingency, such as, for instance, unexpected reduction in the volume of cash flows from the loan portfolio and other assets, resulting in a material shortage of liquid assets at ALTUM's disposal.

Foreign exchange risk

ALTUM conducts foreign currency risk identification and assessment by analysing the structure of assets, liabilities and off-balance items by foreign currency profile and estimating the amount of probable losses due to foreign exchange rate fluctuations.

Notwithstanding the foregoing, there is a risk to incur losses from revaluation of balance and off-balance items denominated in foreign currencies due to exchange rate fluctuations.

Interest rate risk

ALTUM identifies and assesses the interest rate risk by analysing the structure of assets, liabilities and off-balance sheet items sensitive to interest rate movements and estimates the maximum amount of potential losses from interest rate changes, as well as the impact on ALTUM's business result.

Notwithstanding the foregoing, there is a risk to incur losses due to changes in interest rates applicable to ALTUM's income and/or expense and its economic value.

Risks Related to the Notes

The following risk factors are, among other things, material in order to assess the risks associated with the Notes.

The Notes may not be a suitable investment for all investors

The Notes may not be a suitable investment for all investors. Thus, each potential investor in the Notes must assess the suitability of that investment in light of their own circumstances. A potential investor should not invest in the Notes unless it has the expertise (either personal or with the relevant support from a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio. In particular, each potential investor should:

- have a sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or referred to in this Base Prospectus, the Final Terms and documents attached to this Base Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate either independently or with the relevant support from a financial adviser possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the associated risk.

The Notes may not be a suitable investment for all investors seeking exposure to green assets

In connection with the issuance of the Notes, with the purpose to finance projects eligible under the ALTUM's Green Bond Framework, the Center for International Climate and Environmental Research - Oslo ("Cicero"), a Norwegian independent institute for interdisciplinary climate research, is expected to issue a second-party opinion regarding the suitability of the Notes as an investment in connection with certain environmental and sustainability criteria (henceforth the

“Cicero Opinion”). The Cicero Opinion is not incorporated into and does not form a part of this Base Prospectus. Neither ALTUM nor the Arranger of the Programme or the Issuing Agent makes any representation as to the suitability of the Cicero Opinion or the Notes to fulfil such environmental and sustainability criteria. The Cicero Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed in the Base Prospectus and other factors that may affect the value of the Notes. The Cicero Opinion is not a recommendation to buy, sell or hold the securities and is only current as of the date the Cicero Opinion is initially issued. In addition, although ALTUM has agreed to certain reporting and use of proceeds in connection with the Cicero Opinion, it will not be an event of default under the General Terms and Conditions of the Notes if ALTUM fails to comply with such obligations. A withdrawal of the Cicero Opinion may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

Possibility to forfeit interest and principle amount invested

Should ALTUM become insolvent, legal protection proceedings or out-of-court legal protection proceedings of ALTUM are initiated during the term of the Notes, an investor may forfeit interest payable on, and the principle amount of, the Notes in whole or in part. An investor is always solely responsible for the economic consequences of its investment decisions.

No guarantee or security

The Notes will not constitute an obligation of anyone other than ALTUM and they will not be guaranteed. No one other than ALTUM will accept any liability whatsoever in respect of any failure by ALTUM to pay any amount due under the Notes.

The Notes are unsecured debt instruments and the Noteholders would be unsecured creditors in the event of ALTUM’s insolvency. As of 30 June 2017, the secured creditors of ALTUM are the Treasury of the Republic of Latvia (in the amount of 32,201 million EUR) and the European Investment Bank (in the amount of 51,283 million EUR). In the event of insolvency, ALTUM’s assets will be used for settling the Noteholders’ claims only after the claims by the Treasury of the Republic of Latvia, the European Investment Bank and other preferential creditors are satisfied.

The Notes do not contain covenants governing ALTUM's operations and do not limit its ability to merge or otherwise affect significant transactions that may have a material adverse effect on the Notes and the Noteholders

The Notes do not contain provisions designed to protect the Noteholders from a reduction in the creditworthiness of ALTUM. In particular, the General Terms and Conditions of the Notes do not, except for the Change of Control and Events of Default conditions (see Clause 16 and Clause 18 of the General Terms and Conditions of the Notes), restrict ALTUM’s ability to increase or decrease its share capital, to enter into a merger or other significant transaction that could materially alter its existence, jurisdiction of organization or regulatory regime and/or its composition and business. In the event that ALTUM enters into such a transaction, Noteholders could be materially adversely affected. Furthermore, the Change of Control condition does not restrict the current shareholder of ALTUM, namely, the Republic of Latvia, from disposing any or all of its shareholdings, in case the law, which at the date of this Base Prospectus restricts privatisation or alienation of the shares of ALTUM, is changed.

Adverse change in the financial condition or prospects of ALTUM

Any adverse change in the financial condition or prospects of ALTUM may have a material adverse effect on the liquidity of the Notes, and may result in a material decline in their market price. Such adverse change may result in a reduced probability that the Noteholders will be fully repaid on time. This provision concerns for the principal and interest amounts and/or any other amounts and items payable to the Noteholders pursuant to the General Terms and Conditions of the Notes from time to time.

No limitation on issuing additional debt

ALTUM is not prohibited from issuing further debt. If ALTUM incurs significant additional debt of an equivalent seniority with the Notes, it will increase the number of claims that would be equally entitled to receive the proceeds, including those related to ALTUM's possible insolvency. Further, any provision which confers, purports to confer, or waives a right to create security interest in favour of third parties, such as a negative pledge, is ineffective against third parties since: (i) it is an issue of a contractual arrangement only being binding upon the parties to such contractual arrangement; (ii) there is no specific legislation in Latvia providing beneficiaries of negative pledge undertakings or covenants with a preferred position vis-a-vis the claims of third parties; and (iii) no registry or public record exists in Latvia through which negative pledge undertakings or covenants could be filed to obtain a preferred position. Should ALTUM breach its obligations under such undertakings and covenants and create a security interest in favour of a third party, such third party would obtain a valid and enforceable security interest over the pledged asset.

Refinancing risk

ALTUM may be required to refinance certain or all of its outstanding debt, including the Notes. ALTUM's ability to successfully refinance its debt depends on the conditions of debt capital markets and its own financial condition. ALTUM's inability to refinance its debt obligations on favourable terms, or at all, could have a negative impact on ALTUM Group's operations, financial condition, earnings and on the Noteholders' recovery under the Notes.

An active market for the Notes may not develop

The Notes constitute a new issue of securities by ALTUM. Prior to the admission to trading on the regulated market, there is no public market for the Notes.

Although application(s) will be made for the Notes to be admitted to trading on Nasdaq Riga stock exchange, there is no assurance that such application(s) will be accepted and the Notes will be admitted to trading. In addition, admission of the Notes on a regulated market will not guarantee that a liquid public market for the Notes will develop or, if such market develops, that it will be maintained, and neither ALTUM, nor the Arranger of the Programme or the Issuing Agent is under any obligation to maintain such market. If an active market for the Notes does not develop or is not maintained, it may result in a material decline in the market price of the Notes, and the liquidity of the Notes may be adversely affected. In addition, the liquidity and the market price of the Notes can be expected to vary along with the changes in market and economic conditions, the financial condition and the prospects of ALTUM, as well as many other factors that generally influence the market price for securities. Accordingly, due to such factors the Notes may trade at a discount to the price at which the Noteholders purchased the Notes. Therefore, investors may not be able to sell their Notes at all or at a price that will provide them with a yield comparable to similar financial instruments that are traded on a developed and functioning secondary market. Further, if additional and competing financial instruments are introduced on the markets, this may also result in a material decline in the market price and value of the Notes.

Fixed interest rate and inflation

The Notes will bear interest on their outstanding principal at a fixed interest rate. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security could fall as a result of changes in the market interest rate. Market interest rates follow the changes in general economic conditions, and are affected by, among many other things, demand and supply for money, liquidity, inflation rate, economic growth, central banks' benchmark rates, and changes and expectations related thereto.

While the nominal compensation rate of a security with a fixed interest rate is fixed during the term of such security or during a certain period of time, market interest rates typically change continuously. In case market interest rates increase, the market price of such a security typically falls, until the yield of such security provides competitive risk-adjusted return. If market interest rates fall, the price of a security with a fixed interest rate typically increases, until the yield of such a security provides competitive risk-adjusted return. Consequently, the Noteholders should be aware that movements of market interest rates may result in a material decline in the market price of the Notes and can result in losses for the Noteholders if they sell the Notes. Furthermore, past performance of the Notes is not an indication of their future performance.

Also, inflation may result in a decline of the market price of the Notes, as it decreases the purchasing power of a currency unit and respectively the received interest.

Exchange rate risk

ALTUM will pay principal and interest on the Notes in EUR. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than EUR. These include the risk that exchange rates may significantly change (including changes due to devaluation of EUR or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify currency exchange controls. An appreciation in the value of the Investor's Currency relative to EUR would decrease the Investor's Currency-equivalent: (i) yield on the Notes; (ii) value of the principal payable on the Notes; and (iii) market value of the Notes.

Credit ratings

One or more independent credit rating agencies may assign credit ratings to the Notes. In case the Notes are rated by the credit rating agencies, such ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, or other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Any adverse change in an applicable credit rating of ALTUM could adversely affect the trading price of the Notes.

No assurance on change of laws or practices

The Notes are governed by the laws of the Republic of Latvia. Latvian laws (including but not limited to tax laws) and regulations governing the Notes may change during the life of the Notes, and new judicial decisions can be issued and/or new administrative practices be adopted. No assurance can be given as to the impact of any of such possible changes of laws or regulations, or new judicial decision or administrative practice taking place after the date of this Base Prospectus. Hence, such change may have a material adverse effect on ALTUM's business, financial condition, results of operations and/or future prospects and, thereby, ALTUM's ability to fulfil its obligations under the Notes, as well as taxation of the Notes, and the market price of the Notes. Such events may also result in material financial losses or damage to the Noteholders.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or reviews or regulations by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Notes constitute a legal investments from the part of the investor; (ii) the Notes can be used as collateral for various types of borrowings; and (iii) other restrictions apply to the purchase or pledge of the Notes.

Risks related to early redemption

There is a risk that the market value of the Notes is higher than the early redemption amount following a Change of Control and that it may not be possible for Noteholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Notes and may only be able to do so at a significantly lower rate. It is further possible that ALTUM will not have sufficient funds at the time of the mandatory prepayment to make the required redemption of Notes.

No voting rights

Only the shareholders of ALTUM have voting rights in the shareholders meetings of ALTUM. The Notes carry no such voting rights. Consequently, the Noteholders cannot influence any decisions by ALTUM's shareholders concerning, for instance, the capital structure of ALTUM.

Amendments to the Notes bind all Noteholders

The General Terms and Conditions of the Notes contain provisions for Noteholders to consider matters affecting their interests generally. The decisions of Noteholders (including amendments to the General Terms and Conditions of the Notes), subject to defined majorities requirements, will be binding to all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority. This may cause financial losses, among other things, to all Noteholders, including the Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority.

Certain material interests

The Issuing Agent has engaged in, and may in the future engage in, investment banking and/or commercial banking or other services provided to ALTUM Group in the ordinary course of business. Therefore, conflicts of interest may exist or may arise as a result of the Issuing Agent's current or future engagement in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests.

Risks relating to the clearing and settlement in the Depository's book-entry system

The Notes will be affiliated to the account-based system of the Depository, and no physical notes will be issued. Clearing and settlement relating to the Notes will be carried out within the Depository's book-entry system as well as payment of interest and repayment of the principal. Investors are therefore dependent on the functionality of the Depository's account-based system.

Restrictions on the transferability of the Notes

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any U.S. state securities laws. Subject to certain exemptions, a holder of the Notes may not offer or sell the Notes in the United States. ALTUM has not undertaken to register the Notes under the U.S. Securities Act or any U.S. federal or state securities laws or to effect any exchange offer for the Notes in the future. Furthermore, ALTUM has not registered the Notes under any other country's securities laws, other than laws of the Republic of Latvia. Each potential investor should read the information under the heading "*Notice to Investors and Restrictions on Distribution*" for further information about the transfer restrictions that apply to the Notes. It is the Noteholder's obligation to ensure that the offers and sales of Notes comply with all applicable securities laws

PARTY RESPONSIBLE FOR THE BASE PROSPECTUS

Party Responsible for the Base Prospectus

Akciju sabiedrība "Attīstības finanšu institūcija Altum"

Registration number: 50103744891

Legal address: Doma laukums 4, Riga, LV-1050, Latvia

Assurance of the Information Given in the Base Prospectus

ALTUM and its management board are responsible for the information contained in this Base Prospectus. ALTUM and its management board, having taken all reasonable care to ensure that such is the case, confirms that the information contained in the Base Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Riga, 30 August 2017

Management board of Akciju sabiedrība "Attīstības finanšu institūcija Altum":

Chairman of management board
Reinis Bērziņš

Member of management board
Jēkabs Krieviņš

Member of management board
Juris Vaskāns

Member of management board
Inese Zīle

Member of management board
Aleksandrs Bimbirulis

GENERAL INFORMATION

Management Board of ALTUM

Name	Position
Reinis Bērziņš	Chairman of management board
Jēkabs Krieviņš	Member of management board
Juris Vaskāns	Member of management board
Inese Zīle	Member of management board
Aleksandrs Bimbirulis	Member of management board

Supervisory Board of ALTUM

Name	Position
Līga Kļaviņa	Chairman of supervisory board
Kristaps Soms	Member of supervisory board
Jānis Šņore	Member of supervisory board

ALTUM's Auditor

SIA ERNST & YOUNG BALTIC

Registration number: 40003593454

Legal address: Muitas 1A, Riga, LV-1010, Latvia

Auditor in charge: Diāna Krišjāne (number of certificate: 124)

Arranger of the Programme and Issuing Agent

ALTUM has appointed AB SEB bankas (registration number: 112021238, legal address: Gedimino ave. 12, LT-01103 Vilnius, Lithuania) as the Arranger of the Programme and as the Issuing Agent.

Legal Adviser to the Arranger of the Programme and to the Issuing Agent

Attorneys at Law COBALT
Legal Address: Marijas 13 k-2, Riga, LV-1050, Latvia

Interests of Natural and Legal Persons Involved in the Issue/Offer

Save for commissions to be paid to the Arranger of the Programme and the Issuing Agent, so far as ALTUM is aware, no person involved in the offer of the Notes has an interest material to the issue/offer, nor any conflicting interests.

Credit Ratings

ALTUM is rated Baa1 with a stable outlook by Moody's Investors Service. The rating and outlook was assigned on 15 June 2017.

The Series of Notes issued under the Programme may be rated or unrated. If rated, such ratings will not necessarily be the same as the rating assigned to ALTUM. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Use of Proceeds

The net proceeds of the issue of Notes will be used by ALTUM for its general corporate purposes. If in respect of any particular Series of Notes there is a particular identified use of proceeds, then this will be stated in the relevant Final Terms.

Availability of the Base Prospectus and Final Terms

The copies of the Base Prospectus and any Final Terms are available at the legal address of ALTUM at Doma laukums 4, Riga, LV-1050, Latvia on business days within the limits of normal business hours upon request, and in electronic format on ALTUM's website www.altum.lv.

Third Party Information and Statement by Experts and Declarations of any Interest

The audited consolidated annual reports of ALTUM Group for the years ended 31 December 2015 and 2016 attached to the Base Prospectus contain auditor's reports. During the preparation of the Base Prospectus, information provided on the websites of European Commission, the Financial and Capital Market Commission and the Bank of Latvia was used. This information has been accurately reproduced and as far as ALTUM is aware and was able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Other Information on the Website is not Part of the Base Prospectus

The Base Prospectus and the Final Terms, as well as documents attached to the Base Prospectus will be published on ALTUM's website www.altum.lv. Other information presented on the aforementioned website or on any other website does not, however, form part of the Base Prospectus or the Final Terms.

Issuing Agent's Right to Invest

ALTUM has agreed that the Issuing Agent and any legal entity within the SEB Group has a right to invest in the Notes.

Governing Law

The Base Prospectus and any Final Terms, as well as the issuance and/or offering of Notes at the time shall be governed by and construed in accordance with the laws of the Republic of Latvia. Any disputes relating to or arising from the aforementioned will be settled solely by the courts of the Republic of Latvia of competent jurisdiction.

Consent to use the Base Prospectus

Throughout the period of the validity of this Base Prospectus AB SEB bankas (registration number: 112021238, legal address: Gedimino ave. 12, LT-01103 Vilnius, Lithuania) and its sub-agents (as specified in the applicable Final Terms) subsequently reselling or finally placing the Notes issued under the Programme are entitled to use the Base Prospectus:

- in the Republic of Latvia and the Republic of Lithuania where the public offering of the Notes to persons (institutional and retail investors) takes place; and
- in Member States of the European Economic Area (other than Latvia and Lithuania) where the private placement of the Notes to persons (institutional investors), who are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) as amended, takes place pursuant to an exemption under Article 3 of the Prospectus Directive, as implemented by the respective Member States of the European Economic Area;

for the subsequent resale or final placement of the relevant Notes during the respective offer period (as determined in the applicable Final Terms) during which subsequent resale or final placement of the relevant Notes can be made. ALTUM accepts responsibility for the information given in this Base Prospectus also with respect to such subsequent resale or final placement of the Notes.

The Base Prospectus may only be delivered to potential investors together with all supplements (if any) published before such delivery. The Base Prospectus and any supplement to the Base Prospectus are available for viewing in electronic form on the website of ALTUM www.altum.lv.

When using the Base Prospectus, AB SEB bankas and its sub-agents must make certain that they comply with all applicable laws and regulations in force in the respective jurisdictions.

In the event of an offer being made by AB SEB bankas and/or its sub-agents, AB SEB bankas and/or its sub-agents will provide information to the investors on the terms and conditions of the Notes at the time of that offer.

Resolutions of ALTUM

The shareholders of ALTUM have at their meeting on 24 May 2017 authorised the issue of the Notes and authorised the management board of ALTUM to approve the characteristics of the Notes, the Base Prospectus and any of the documents thereto, as well as any amendments and supplements thereof.

Management board of ALTUM has at its meeting on 30 August 2017 approved the Base Prospectus and the General Terms and Conditions of the Notes.

GENERAL TERMS AND CONDITIONS OF THE NOTES

1. Principal Amount and Issuance of the Notes

1.1. Under this first programme for the issuance of notes (the "Programme") the Issuer may issue notes up to an aggregate principal amount of EUR 30,000,000 (thirty million euro) (the "Notes").

1.2. The Notes shall be issued in series (the "Series").

1.3. Each Series may comprise one or more tranches of Notes (the "Tranches"). The Notes of each Tranche will all be subject to identical terms, except that the Issue Dates (as defined below) and the Issue Prices (as defined below) thereof may be different in respect of different Tranches.

1.4. In order to identify each Series and Tranches, the Final Terms (as defined below) shall stipulate a serial number of a respective Series and a serial number of a respective Tranche.

1.5. The terms and conditions of each Tranche shall consist of these general terms and conditions of the Notes (the "General Terms and Conditions") and the final terms (the "Final Terms"). The General Terms and Conditions shall apply to each Tranche.

1.6. The aggregate principal amount of a Tranche shall be initially specified in the Final Terms. The Issuer may increase or decrease the aggregate principal amount of a Tranche as initially set out in the Final Terms during the Placement Period of that Tranche.

1.7. The nominal amount of each Note shall be specified in the Final Terms and shall be at least EUR 1,000.

1.8. The Notes will be offered for purchase for a minimum investment amount (the "Minimum Investment Amount"), which will be specified in the Final Terms.

1.9. The offering of Notes will consist of:

(a) public offering to persons (institutional and retail investors) in the Republic of Latvia and the Republic of Lithuania; and

(b) to persons (institutional investors) located in the Member State of the European Economic Area (the "EEA") (other than Latvia and Lithuania) who are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) as amended, in each case pursuant to an exemption under Article 3 of the Prospectus Directive, as implemented by the respective Member States of EEA.

2. Form of the Notes and ISIN Code

2.1. The Notes are freely transferable non-convertible debt securities, which contain payment obligations of the Issuer towards the holders of the Notes (the "Noteholders").

2.2. The Notes are dematerialized debt securities in bearer form which are disposable without any restrictions and can be pledged. However, the Notes cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under Latvian laws, including the United States of America, Australia, Canada, Hong Kong and Japan. In addition, the Noteholders are prohibited to resell, transfer or deliver the Notes to any person in a manner that would constitute a public offer of securities.

2.3. The Notes shall be book-entered with Latvian Central Depository ((*Akciju sabiedrība "Latvijas Centrālais depozitārijs"* (following reorganisation - Nasdaq CSD SE)) registration number: 40003242879, legal address: Vaļņu 1, Riga, LV-1050, Latvia) (the "Depository").

2.4. Each Series will be assigned a separate ISIN code, which will be different from ISIN code of other Series.

2.5. Before commencement of the offering of the Notes of the first Tranche of each Series, the Depository upon request of the Issuer will assign to the respective Series the ISIN code. Where a further Tranche is issued which is intended to form a single Series with an existing Tranche at any point after the Issue Date of the existing Tranche, the Notes of such further Tranche shall be assigned a temporary ISIN code, which is different from the ISIN code assigned to the relevant Series until such time as the Tranches are consolidated and form a single Series.

2.6. The ISIN code of respective Series and a temporary ISIN code of respective Tranche, if applicable, will be specified in the Final Terms.

3. Status and Security

The Notes constitute direct, unsecured and unguaranteed obligations of the Issuer ranking *pari passu* without any preference among each other and with all other unsecured, unguaranteed and unsubordinated indebtedness of the Issuer, save for such obligations as may be preferred by mandatory provisions of law.

4. Currency of the Notes

The Notes will be issued in EUR.

5. Issue Price

The Notes may be issued at their nominal amount or at a discount or a premium to their nominal amount (the "Issue Price"). The Issue Price shall be determined by the Issuer according to the Section "*Placement of the Notes*" of this Base Prospectus and shall be specified in the updated Final Terms, which will be published after allotment of the Notes to the investors.

6. Underwriting

None of the Tranches will be underwritten.

7. Issue Date

The issue date of each Tranche (the "Issue Date") shall be specified in the Final Terms.

8. Interest

8.1. The Notes shall bear interest at a fixed annual interest rate (the "Annual Interest Rate") which shall be determined by the Issuer according to the Section "*Placement of the Notes*" of this Base Prospectus and shall be specified in the updated Final Terms, which will be published after allotment of the Notes to the investors.

8.2. The interest on the Notes will be paid annually on the dates specified in the Final Terms ("Interest Payment Date") until the Maturity Date (as defined below) and will be calculated on the aggregate outstanding principal amount of the Notes of the respective Series.

8.3. Interest shall accrue for each interest period from and including the first day of the interest period to (but excluding) the last day of the interest period on the principal amount of Notes of the respective Series outstanding from time to time. The first interest period commences on the Issue Date and ends on a day preceding the first Interest Payment Date (the "First Interest Period"). Each consecutive interest period begins on the previous Interest Payment Date and ends on a day preceding the following Interest Payment Date. The last interest period ends on the Maturity Date (as defined below).

8.4. Interest in respect of the Notes will be calculated on the basis of the actual number of days elapsed in the relevant interest period divided by 365 (or, in the case of a leap year, 366), i.e. a day count convention Act/Act (ICMA) will be used.

8.5. When interest is required to be calculated in respect of a period of less than a full year (other than in respect of the First Interest Period) it shall be calculated on the basis of (i) the actual number of days in the period from and including the date from which interest begins to accrue (the "Accrual Date") to but excluding the date on which it falls due, divided by (ii) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

8.6. Interest on the Notes shall be paid through the Depository in accordance with the applicable rules of the Depository to the persons which were registered as the Noteholders by the end of 8th (eighth) Business Day immediately preceding the Interest Payment Date.

8.7. Should any Interest Payment Date fall on a date which is not a Business Day, the payment of the interest due will be postponed to the next Business Day. The postponement of the payment date shall not have an impact on the amount payable.

"Business Day" means a day on which the Depository is open for general business.

9. Maturity and Principal Payment

9.1. The Notes shall be repaid in full at their nominal amount on the date which will be specified in the Final Terms (the "Maturity Date"). The Issuer does not have a right to redeem the Notes prior to the Maturity Date, unless the Issuer has prepaid the Notes in accordance with Clause 14 *(Change of Control)* or 16 *(Events of Default)* below or in case the Noteholders, upon proposal of the Issuer, has decided that the Notes shall be redeemed prior to the Maturity Date.

9.2. Each Series of Notes may have a maturity between 5 (five) and 10 (ten) years.

9.3. The principal of the Notes shall be paid through the Depository in accordance with the applicable rules of the Depository to the persons which were registered as the Noteholders by the end of Business Day immediately preceding the Maturity Date.

9.4. Should the Maturity Date fall on a date which is not a Business Day, the payment of the amount due will be postponed to the next Business Day. The postponement of the payment date shall not have an impact on the amount payable.

10. Taxation

All payments in respect of the Notes by the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes"), unless the withholding or deduction of the Taxes is required by laws of the Republic of Latvia. In such case, the Issuer shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities in accordance with the applicable laws for the amount so required to be withheld or deducted. The Issuer shall not be obligated to make any additional compensation to the Noteholders in respect of such withholding or deduction.

11. Publication of the Final Terms

11.1. The initial Final Terms of each Tranche will be approved by the management board of the Issuer.

11.2. Before the offering of the respective Tranche commences, the Final Terms:

(a) will be submitted to the Financial and Capital Market Commission, which will forward the Final Terns to the Bank of Lithuania (in Lithuanian - *Lietuvos Bankas*); and

(b) will be published on the Issuer's website www.altum.lv.

11.3. Final Terms containing information about the established Yield to Maturity (as defined in Section "*Placement of the Notes*" of this Base Prospectus), Annual Interest Rate, Issue Price, the aggregate principal amount of the respective Tranche and definitive amount of the Notes to be issued will be published on the Issuer's website www.altum.lv and submitted to the Financial and Capital Market Commission after allotment of the Notes to the investors.

12. Estimated Expenses Charged to the Investors

No expenses or taxes will be charged to the investors by the Issuer in respect to the issue of the Notes. However, the investors may be obliged to cover expenses which are related to the opening of securities accounts with the credit institutions or investment brokerage firms, as well as commissions which are charged by the credit institutions or investment brokerage firms in relation to the execution of the investor's purchase or selling orders of the Notes, the holding of the Notes or any other operations in relation to the Notes. Neither the Issuer, nor the Arranger of the Programme or the Issuing Agent shall compensate the Noteholders for any such expenses.

13. Admission to Trading

13.1. The Issuer shall submit an application regarding inclusion of each Tranche in the official list of Akciju sabiedrība "Nasdaq Riga", registration number: 40003167049, legal address: Vaļņu 1, Riga, LV-1050, Latvia ("Nasdaq Riga"). An application shall be prepared according to the requirements of Nasdaq Riga and shall be submitted to Nasdaq Riga within 3 (three) months after the Issue Date of the respective Tranche.

13.2. The Issuer shall use its best efforts to ensure that the Notes remain listed in the official list of Nasdaq Riga or, if such listing is not possible, to obtain or maintain, listed or traded on another regulated market. The Issuer shall, following a listing or admission to trading, take all reasonable actions on its part required as a result of such listing or trading of the Notes.

13.3. The Issuer will cover all costs which are related to the admission of the Notes to the relevant regulated market.

14. Change of Control

If, after the Issue Date, at any time, the Republic of Latvia ceases to own, directly or indirectly, at least 51 (fifty one) per cent of the issued share capital of the Issuer or ceases to have the power, directly or indirectly, to cast, or control the casting of, at least 51 (fifty one) per cent of the maximum number of votes that might be casted at a shareholders' meeting of the Issuer (the "Change of Control"), the Issuer immediately and without any delay after it becomes aware of the Change of Control shall notify the Noteholders in accordance with Clause 21 (*Notices*) about the occurrence of the Change of Control and within 45 (forty-five) Business Days after the Issuer becomes aware of the occurrence of the Change of Control shall prepay all Noteholders the principal amount of and the interest accrued on the Notes, but without any premium or penalty. Interest on the Notes accrues until the prepayment date (excluding the prepayment date).

15. Negative Pledge

So long as any Note remains outstanding, the Issuer shall not, and shall procure that none of its Subsidiaries creates mortgage, pledge or any other security interest (each a "Security Interest"), other than a Permitted Security Interest, upon the whole or any part of its undertaking or assets, present or future, to secure their obligations in respect of any present or future Relevant Indebtedness, unless prior to or simultaneously therewith the Issuer's obligations under the Notes are secured equally and rateably therewith.

"Subsidiary" means a company: (i) in which the Issuer holds a majority of the voting rights; or (ii) of which the Issuer is a shareholder or participant and has the right to appoint or remove a majority of the members of the management board; or (iii) of which the Issuer is a shareholder or participant and controls a majority of the voting rights, and includes any company which is a subsidiary of a Subsidiary of the Issuer.

"Group" means the Issuer and its Subsidiaries from time to time.

"Permitted Security Interest" means any Security Interest created over any asset of any company which becomes a member of the Group after the issue of the Notes where such Security Interest is created: (i) prior to the date on which the company becomes a member of the Group, provided that such Security Interest was not created in contemplation of the acquisition of such company; or

(ii) simultaneously with the acquisition of such company for the sole purpose of financing the acquisition of such company.

"Relevant Indebtedness" means any Indebtedness which is in the form of, or represented by, bonds, notes, debentures or other similar securities which are issued by the Issuer or any of its Subsidiaries and which are, or are capable of being, quoted, listed or ordinarily traded on any regulated market or market place or other established securities.

"Indebtedness" means any indebtedness (whether principal, premium, interest or other amounts) in respect of any borrowed money of the Issuer or any of its Subsidiaries.

16. Events of Default

16.1. If an Event of Default (as defined below) occurs, the Issuer immediately and without any delay shall notify the Noteholders in accordance with Clause 21 (*Notices*) about the occurrence of an Event of Default. Accordingly, within 10 (ten) Business Day after the occurrence of an Event of Default the Issuer shall prepay all Noteholders the outstanding principal amount of the Notes and the interest accrued on the Notes, but without any premium or penalty. Interest on the Notes accrues until the prepayment date (excluding the prepayment date).

16.2. Each of the following events shall constitute an event of default (an "Event of Default"):

(a) Non-Payment: Any amount of interest on or principal of the Notes has not been paid within 5 (five) Business Days from the relevant due date;

(b) Breach of Other Obligations: The Issuer does not comply with these General Terms and Conditions in any other way than as set out under paragraph (a) above, unless the non-compliance (i) is capable of being remedied and (ii) is remedied within 20 (twenty) Business Days after the Issuer becomes or should have become aware of the non-compliance;

(c) Disposal of Assets: The Issuer or any of its Subsidiaries enters into a single transaction or a series of transactions (whether related or not) to sell, transfer or otherwise dispose of whole or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries;

(d) Cross Default: Any outstanding Indebtedness (including guarantees) of the Issuer or any of its Subsidiaries in a minimum amount of EUR 5,000,000 (five million euro) or its equivalent in any other currency, is accelerated prematurely because of default, howsoever described, or if any such Indebtedness is not paid or repaid on the due date thereof or within any applicable grace period after the due date, or if any security given by the Issuer or any Subsidiary for any such Indebtedness becomes enforceable by reason of default;

(e) Cessation of Business: The Issuer or any of its Subsidiaries cease to carry on its current business in its entirety or a substantial part thereof, other than: (i) pursuant to any sale, disposal, demerger, amalgamation, reorganization or restructuring or any cessation of business in each case on a solvent basis and within the Group, or (ii) for the purposes of, or pursuant to any terms approved by the Noteholders;

(f) Liquidation: An effective resolution is passed for the liquidation of the Issuer or any of its Subsidiaries other than, in case of a Subsidiary: (i) that Subsidiary is a Subsidiary of closed investment fund Hipo Latvia Real Estate Fund I or Hipo Real Estate Fund, and is liquidated following completion of investment activities for the purposes of which it was established; (ii) pursuant to an amalgamation, reorganization or restructuring in each case within the Group, or (iii) for the purposes of, or pursuant to any terms approved by the Noteholders;

(g) Insolvency: (i) the Issuer or any of its Subsidiaries is declared insolvent or bankrupt by a court of competent jurisdictions or admits inability to pay its debts; (ii) the Issuer or any of its Subsidiaries enters into any arrangement with majority of its creditors by value in relation to restructuring of its debts or any meeting is convened to consider a proposal for such arrangement; or (iii) an application to initiate insolvency, restructuring (including procedures such as legal protection process and out of court legal protection process) or administration of the Issuer or any of its Subsidiaries or any other proceedings for the settlement of the debt of the Issuer or of any of its Subsidiaries is submitted to the court by the Issuer or any of its Subsidiaries.

16.3. In case of the Issuer's liquidation or insolvency the Noteholders shall have a right to receive payment of the outstanding principal amount of the Notes and the interest accrued on the Notes according to the relevant laws governing liquidation or insolvency of the Issuer.

17. Force Majeure

17.1. The Issuer, the Arranger of the Programme and the Issuing Agent shall be entitled to postpone the fulfilment of their obligations hereunder, in case the performance is not possible due to continuous existence of any of the following circumstances:

(a) action of any authorities, war or threat of war, rebellion or civil unrest;

(b) disturbances in postal, telephone or electronic communications which are due to circumstances beyond the reasonable control of the Issuer, the Arranger of the Programme or the Issuing Agent and that materially affect operations of any of them;

(c) any interruption of or delay in any functions or measures of the Issuer, the Arranger of the Programme or the Issuing Agent as a result of fire or other similar disaster;

(d) any industrial action, such as strike, lockout, boycott or blockade affecting materially the activities of the Issuer, the Arranger of the Programme or the Issuing Agent even if it only affects part of the employees of any of them and whether any of them is involved therein or not; or

(e) any other similar force majeure or hindrance which makes it unreasonably difficult to carry on the activities of the Issuer, the Arranger of the Programme or the Issuing Agent.

17.2. In such case the fulfilment of the obligations may be postponed for the period of the existence of the respective circumstances and shall be resumed immediately after such circumstances cease to exist, provided that the Issuer, the Arranger of the Programme and the Issuing Agent shall put all best efforts to limit the effect of the above referred circumstances and to resume the fulfilment of their obligations, as soon as possible.

18. Further Issues

The Issuer may from time to time, without the consent of and notice to the Noteholders, create and issue further Notes whether such further Notes form a single Series with already issued Notes or not. For the avoidance of doubt, this Clause 18 shall not limit the Issuer's right to issue any other notes.

19. Purchases

The Issuer or any of its Subsidiaries may at any time purchase the Notes in any manner and at any price in the secondary market. Such Notes may be held, resold or surrendered by the purchaser through the Issuer for cancellation. Notes held by or for the account of the Issuer or any of its Subsidiaries for their own account will not carry the right to vote at the Noteholders' Meetings or within Written Procedures and will not be taken into account in determining how many Notes are outstanding for the purposes of these General Terms and Conditions.

20. Time Bar

In case any payment under the Notes has not been claimed by the respective Noteholder entitled to this payment within 10 (ten) years from the original due date thereof, the right to such payment shall be forfeited by the Noteholder and the Issuer shall be permanently released from such payment.

21. Notices

Noteholders shall be advised of matters relating to the Notes by a notice published in English and Latvian in the Central Storage of Regulated Information, on the Issuer's website www.altum.lv and, after the Notes are admitted to the regulated market, also on the website of Nasdaq Riga. Any such notice shall be deemed to have been received by the Noteholders when published in the manner specified in this Clause 21.

22. Representation of the Noteholders

Within the Programme, rights of the Noteholders to establish and/or authorize an organization/person to represent interests of all or a part of the Noteholders are not contemplated, but on the other hand these are not restricted. The Noteholders should cover all costs/fees of such representative(s) by themselves.

23. Decisions of the Noteholders

23.1. General Provisions

(a) The decisions of the Noteholders (including decisions on amendments to these General Terms and Conditions or the Final Terms of the Tranches of the relevant Series or granting of consent or waiver) shall be passed at a meeting of the Noteholders (the "Noteholders' Meeting") or in writing without convening the Noteholders' Meeting (the "Written Procedure") at the choice of the Issuer. However, the Issuer shall have a right to amend the technical procedures relating to the Notes in respect of payments or other similar matters without the consent of the Noteholders, if such amendments are not prejudicial to the interests of the Noteholders.

(b) The Issuer shall have a right to convene the Noteholders' Meeting or instigate the Written Procedure at any time and shall do so following a written request from the Noteholders who, on the day of the request, represent not less than one-tenth of the principal amount of the Notes outstanding or the principal amount of the Notes of the relevant Series outstanding (as applicable) (excluding the Issuer and its Subsidiaries).

(c) In case convening of the Noteholders' Meeting or instigation of Written Procedure is requested by the Noteholders, the Issuer shall be obliged to convene the Noteholders' Meeting or instigate the Written Procedure within 1 (one) month after receipt of the respective Noteholders' written request.

(d) Only those who were registered as the Noteholders by the end of 6th (sixth) Business Day prior to convening the Noteholders' Meeting or instigation of the Written Procedure or proxies authorised by such Noteholders, may exercise their voting rights at the Noteholders' Meeting or in the Written Procedure.

(e) Quorum at the Noteholders' Meeting or in respect of a Written Procedure only exists if one or more Noteholders holding 50 (fifty) per cent in aggregate or more of the principal amount of the Notes outstanding or the principal amount of the Notes of relevant Series outstanding (as applicable):

  (i) if at a Noteholders' Meeting, attend the meeting; or

  (ii) if in respect of a Written Procedure, reply to the request.

  If the Issuer and/or its Subsidiaries are the Noteholders, their principal amount of the Notes will be excluded when a quorum is calculated.

(f) If quorum does not exist at the Noteholders' Meeting or in respect of a Written Procedure, the Issuer shall convene a second Noteholders' Meeting (in accordance with Clause 23.2 (a)) or instigate a second Written Procedure (in accordance with Clause 23.3 (a)), as the case may be. The quorum requirement in paragraph (e) above shall not apply to such second Noteholders' Meeting or Written Procedure, except for exclusion of Issuer and its Subsidiaries from calculation of a quorum.

(g) Consent of the Noteholders holding at least 75 (seventy-five) per cent of the aggregate principal amount of the outstanding Notes attending the Noteholders' Meeting or participating in the Written Procedure is required for agreement with the Issuer to amend Clause 3 (*Status and Security*), Clause 14 (*Change of Control*), Clause 15 (*Negative Pledge*), Clause 16 (*Events of Default*), Clause 23 (*Decisions of the Noteholders*) or Clause 24 (*Governing Law and Dispute Resolution*).

(h) Consent of at least 75 (seventy-five) per cent of the aggregate principal amount of the outstanding Notes of the respective Series attending the Noteholders' Meeting or participating in the Written Procedure is required for the following decisions:

(i) agreement with the Issuer to change the date, or the method of determining the date, for the payment of principal, interest or any other amount in respect of the relevant Series, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the relevant Series or to change the method of calculating the amount of interest or any other amount payable on any date in respect of the relevant Series;

(ii) agreement with the Issuer to change the currency of the relevant Series;

(iii) agreement with the Issuer on any exchange or substitution of the Notes of relevant Series for, or the conversion of the Notes of relevant Series into, any other obligations or securities of the Issuer or any other person;

(iv) in connection with any exchange, substitution or conversion of the type referred to in paragraph (iii) agreement with the Issuer to amend any of the provisions of the relevant Series describing circumstances in which the relevant Series may be redeemed or declared due and payable prior to their scheduled maturity.

(i) Consent of simple majority of all Noteholders or the Noteholders of the respective Series (as applicable) attending the Noteholders' Meeting or participating in the Written Procedure is required to the decisions not covered in paragraph (f) or (h) above (as applicable).

(j) The Issuer shall have a right to increase the aggregate principal amount of the Notes to be issued under the Programme without the consent of the Noteholders.

(k) Information about decisions taken at a Noteholders' Meeting or by way of a Written Procedure shall promptly be provided to the Noteholders in accordance with Clause 21 (*Notices*), provided that a failure to do so shall not invalidate any decision made or voting result achieved.

(l) Decisions passed at the Noteholders' Meeting or in the Written Procedure shall be binding on all Noteholders irrespective of whether they participated at the Noteholders' Meeting or in the Written Procedure.

(m) All expenses in relation to the convening and holding the Noteholders' Meeting or a Written Procedure shall be covered by the Issuer.

23.2. Noteholders' Meetings

(a) If a decision of the Noteholders is intended to be passed at the Noteholders' Meeting, then a respective notice of the Noteholders' Meeting shall be provided to the Noteholders in accordance with Clause 21(*Notices*) no later than 10 (ten) Business Days prior to the meeting. Furthermore, the notice shall specify the time, place and agenda of the meeting, as well as any action required on the part of the Noteholders that will attend the meeting. No matters other than those referred to in the notice may be resolved at the Noteholders' Meeting.

(b) The Noteholders' Meeting shall be held in Riga, Latvia, and its chairman shall be the Issuer's representative appointed by the Issuer.

(c) The Noteholders' Meeting shall be organised by the chairman of the Noteholders' Meeting.

(d) The Noteholders' Meeting shall be held in English with translation into Latvian, unless the Noteholders present in the respective Noteholders' Meeting unanimously decide that the respective Noteholders' Meeting shall be held only in Latvian or English.

(e) Minutes of the Noteholders' Meeting shall be kept, recording the day and time of the meeting, attendees, their votes represented, matters discussed, results of voting, and resolutions which were adopted. The minutes shall be signed by the keeper of the minutes, which shall be appointed by the Noteholders' Meeting. The minutes shall be attested by the chairman of the Noteholders' Meeting, if the chairman is not the keeper of the minutes, as well as by one of the persons appointed by the Noteholders' Meeting to attest the minutes. The minutes from the relevant Noteholders' Meeting shall at the request of a Noteholder be sent to it by the Issuer.

23.3. Written Procedure

(a) If a decision of the Noteholders is intended to be passed by a Written Procedure then a respective communication of the Written Procedure shall be provided to the Noteholders in accordance with Clause 21 (*Notices*).

(b) Communication in paragraph (a) above shall include:

(i) each request for a decision by the Noteholders;

(ii) a description of the reasons for each request;

(iii) a specification of the Business Day on which a person must be registered as a Noteholder in order to be entitled to exercise voting rights;

(iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of a power of attorney;

(v) the stipulated time period within which the Noteholder must reply to the request (such time period to last at least 10 (ten) Business Days from the communication pursuant to paragraph (a) above) and a manner of a reply; and

(vi) a statement that if the Noteholder does not reply to the request in the stipulated time period, then it shall be deemed that the Noteholder has voted against each request.

(c) When the requisite majority consents pursuant to paragraphs (g), (h) or (i) (as applicable) of Clause 23.1 have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant paragraphs (g), (h) or (i) (as applicable) of Clause 23.1 even if the time period for replies in the Written Procedure has not yet expired.

24. Governing Law and Dispute Resolution

24.1. The issue of the Notes and the General Terms and Conditions are governed by the laws of the Republic of Latvia, in particular:

(a) Financial Instruments Market Law;
(b) Development Finance Institution Law;
(c) Law on the Management of Public Persons' Capital Shares and Capital Companies; and
(d) Commercial Law;

as well as other applicable legal acts of the Republic of Latvia, including regulations of the Depository and Nasdaq Riga.

24.2. Any disputes relating to or arising in relation to the Notes shall be settled solely by the courts of the Republic of Latvia of competent jurisdiction.

PLACEMENT OF THE NOTES

1. Distribution Account

Initially the Notes of the respective Tranche will be book-entered in the distribution account of AS SEB banka, registration number: 40003151743, legal address: Meistaru 1, Valdlauči, Ķekava Rural Area, Ķekava Municipality, LV-1076, Latvia (the "Settlement Agent") with the Depository.

2. Placement Period

The placement period for each Tranche (the "Placement Period") will be specified in the Final Terms.

3. Submission of Purchase Orders

3.1. The investors wishing to purchase the Notes shall submit their orders to purchase the Notes (the "Purchase Orders") at any time during the Placement Period to the Issuing Agent and its sub-agents, which will be specified in the Final Terms. The procedure of submission of the Purchase Orders will be specified in the Final Terms.

3.2. Total amount of the Notes to be purchased and provided in each Purchase Order shall be no less than Minimum Investment Amount.

3.3. The Purchase Order shall also indicate the lowest acceptable yield to maturity of the Notes (the "Yield to Maturity") within the established Yield to Maturity Range (as defined below) (the "Competitive Purchase Orders") or an acceptance to acquire the Notes at any Yield to Maturity within the established Yield to Maturity Range that shall be established by the Issuer in the manner provided in this Base Prospectus (the "Non-competitive Purchase Orders"). Yield to Maturity is the percentage rate of return paid if the Note is held to its Maturity Date, assuming that interest paid over the life of the Note is reinvested at the same rate.

3.4. Only the following Purchase Orders shall be considered as valid and processed (the "Qualifying Purchase Orders":

(a) Non-competitive Purchase Orders;

(b) Competitive Purchase Orders and indicate Yield to Maturity that is less or equal to the Final Yield to Maturity (to be established as described below);

(c) Purchase Orders where a specified purchase amount is for at least Minimum Investment Amount; and

(d) Purchase Orders which are received within the Placement period.

3.5. Purchase Orders by the same legal entity or person will be aggregated into one if all order parameters (except the purchase amount) are the same.

3.6. Neither the Issuer, nor the Issuing Agent has any obligation to inform investors about the fact that their Purchase Orders are invalid.

3.7. All Purchase Orders are binding and irrevocable commitment to acquire the allotted Notes, with the exceptions stated below.

4. Yield to Maturity

4.1. An expected yield to maturity range (the "Yield to Maturity Range") for the Notes being offered shall be determined by the Issuer before the beginning of the Placement Period by publishing a respective announcement on the Issuer's website www.altum.lv.

4.2. During the Placement Period the Issuer has a right to amend the Yield to Maturity Range and announce an updated Yield to Maturity Range (the "Updated Yield to Maturity Range") by publishing a respective announcement on the Issuer's website www.altum.lv. Investors should follow the information on the aforementioned website and have a right to modify or cancel their Purchase Orders if the Yield to Maturity Range has been updated, provided that such modification or cancellation of the Purchase Order is received by the Issuing Agent before the end of the Placement Period.

5. Cancellation of Issuance

5.1. On the same Business Day following the Placement Period the Issuer will decide whether to proceed with the issuance of the Notes of a respective Tranche or cancel the issuance.

5.2. In case the issuance of the Notes of a respective Tranche is cancelled, the Issuer will publish an announcement on the Issuer's website www.altum.lv, as well as submit this information to the Financial and Capital Market Commission.

6. Establishment of Final Yield to Maturity, Annual Interest Rate and Issue Price, Allotment

In case the Issuer decides to proceed with the issuance of the Notes of a respective Tranche, the following actions shall be taken on the same Business Day following the Placement Period:

6.1. Determination of the Exact Yield to Maturity

(a) The Issuer together with the Issuing Agent, on the basis of the submitted Purchase Orders and indicated Yield to Maturity shall establish the final Yield to Maturity (the "Final Yield to Maturity") payable to the investors. The established Final Yield to Maturity shall be specified in the Final Terms, which will be published after allotment of the Notes to the investors.

(b) The Final Yield to Maturity shall be the same for all investors acquiring the Notes of the respective Tranche during the offering.

(c) Based on the established Final Yield to Maturity the Issuer together with the Issuing Agent shall determine which Purchase Orders can be treated as Qualifying Purchase Orders, and the extent of their satisfaction.

6.2. Determination of Annual Interest Rate and Issue Price

(a) The Annual Interest Rate shall be set by rounding down the Final Yield to Maturity (expressed as percentage rate) to the nearest tenth of the rounded digit (which itself is set in percentage terms). The established Annual Interest Rate shall be specified in the Final Terms to be published after allotment of the Notes to the investors.

(b) The Issue Price of the Notes shall be established according to a formula provided in the Final Terms and shall be rounded to the nearest thousandth of the rounded digit under arithmetic rounding rules. The established Issue Price shall be specified in the updated Final Terms to be published after allotment of the Notes to the investors.

6.3. Allotment of the Notes to the Investors

Notes shall be allotted to each Qualifying Purchase Order proportionally to the total amount of the Notes subscribed, based on the investor type. The Issuer has a right to determine different allotment ratios for different types of investors. The Issuer reserves a right to reject any Qualifying Purchase Order, in whole or in part, at its sole discretion.

6.4. Announcement

Updated Final Terms containing the information about the Final Yield to Maturity, Annual Interest Rate, Issue Price, the aggregate principal amount of the respective Tranche and a definitive amount of the Notes to be issued will be published on the Issuer's website www.altum.lv, as well as submitted to the Financial and Capital Market Commission.

6.5. Confirmations

The Issuing Agent shall send to each investor by way of fax or e-mail a confirmation which will contain information on the extent of satisfaction or rejection of the Purchase Order submitted by the investor, the number of Notes allotted to the investor, the Final Yield to Maturity, Annual Interest Rate, Issue Price and the amount (price) payable for the Notes.

7. Settlement

7.1. The settlement for the Notes will take place on the Issue Date and will be carried out by the Settlement Agent in accordance with the DVP (*Delivery vs Payment*) principle pursuant to the applicable rules of the Depository.

7.2. All paid up Notes shall be treated as issued. The Notes which are not paid up shall be cancelled.

8. Information About the Results of the Placement

Information about the results of the placement of each Tranche (amount of the Notes issued and aggregate principal amount of the respective Tranche) shall be published on the Issuer's website www.altum.lv within 3 (three) Business Days after the Issue Date.

FORM OF THE FINAL TERMS

Final Terms dated [●]
Akciju sabiedrība "Attīstības finanšu institūcija Altum"
Issue of [●] Notes due [●]
under the First Programme for the Issuance of Notes
in the Amount of EUR 30,000,000
[to be consolidated and form a single series with [●]]

Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions set forth in the Base Prospectus of the First Programme for the Issuance of Notes in the Amount of EUR 30,000,000 of Akciju sabiedrība "Attīstības finanšu institūcija Altum" dated 30 August 2017 [as supplemented by supplement(s) to it dated [●] [and [●]] (the "Base Prospectus"), which constitutes a base prospectus for the purposes of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area (the "Prospectus Directive")).

This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. However, a summary of the issue of the Notes is annexed to these Final Terms.

The Base Prospectus has been published on the Issuer's website www.altum.lv.

1.	Issuer:	Akciju sabiedrība "Attīstības finanšu institūcija Altum"
2.	Series Number:	[●]
3.	Tranche Number:	[●]
4.	ISIN Code:	[[●]]/[Temporary ISIN Code: [●]. Upon admission of the Notes to the regulated market the Notes will be consolidated and form a single series with [●] and will have a common ISIN code [●]]
5.	Aggregate principal amount:	[EUR [●][1] [in addition to [●]]]
6.	Nominal amount of the Note:	EUR [●]
7.	Issue Date:	[●]
8.	Annual Interest Rate	[●][2]
9.	Interest Payment Date:	[●] each year
10.	Maturity Date:	[●]
11.	Minimum Investment Amount:	[●]
12.	Final Yield to Maturity[3]:	[●]

[1] The Issuer may increase or decrease the aggregate principal amount of the Tranche during the Placement Period of the Tranche. The final aggregate principal amount of the Tranche will be specified in the updated Final Terms, which will be published after allotment of the Notes to the investors.

[2] Annual Interest Rate shall be determined by the Issuer according to the Section "*Placement of the Notes*" of the Base Prospectus. Annual Interest Rate will be specified in the updated Final Terms, which will be published after allotment of the Notes to the investors.

13.	Formula for calculation of the Issue Price:	The Issue Price of the Notes will be established by the Issuer according to the following formula: [●]
14.	Issue Price:	[●][4]
15.	Placement Period:	[●]
16.	Procedure for submission of the Purchase Orders:	[●]
17.	Procedure for allotment of the Notes:	[●]
18.	Indication of the material features of the agreement with the Issuing Agent, including quotas:	[●]
19.	Sub-agents of the Issuing Agent:	[●]
20.	Rating:	the Notes to be issued [are not/have been/are expected to be] rated [by:[●]]
21.	Use of Proceeds:	[The net proceeds of the issue of each Tranche will be used by the Issuer for its general corporate purposes] / [The net proceeds of the issue of each Tranche will be used by the Issuer for [●]].
22.	Information about the notes of the Issuer that are already admitted to trading on regulated markets:	[●]

These Final Terms have been approved by the management board of the Issuer at its meeting on [*date*] [*month*] [*year*] [and will be updated after allotment of the Notes to the investors, as well as published on the Issuer's website www.altum.lv and submitted to the Financial and Capital Market Commission] / [and have been updated on [*date*] [*month]* [*year*] after allotment of the Notes to the investors].

Riga, [*date*] [*month*] [*year*]

[●]

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[3] An expected yield to maturity range (the "Yield to Maturity Range") for the Notes being offered shall be determined by the Issuer before the beginning of the Placement Period by publishing a respective announcement on the Issuer's website www.altum.lv. During the Placement Period the Issuer has a right to amend the Yield to Maturity Range and announce an updated Yield to Maturity Range (the "Updated Yield to Maturity Range"), by publishing a respective announcement on the Issuer's website www.altum.lv. Investors should follow the information on the aforementioned website and have a right to modify or cancel their Purchase Orders if the Yield to Maturity Range has been updated, provided that such modification or cancellation of the Purchase Order is received by the Issuing Agent before the end of the Placement Period. The Final Yield to Maturity shall be determined by the Issuer according to the Section "*Placement of the Notes*" of the Base Prospectus. Final Yield to Maturity will be specified in the updated Final Terms, which will be published after allotment of the Notes to the investors.

[4] Issue Price shall be determined by the Issuer according to the Section "*Placement of the Notes*" of the Base Prospectus. Issue Price will be specified in the updated Final Terms, which will be published after allotment of the Notes to the investors.

Annex - Issue Specific Summary

(Issuer to annex an issue specific summary and its translations to the Final Terms)

INFORMATION ABOUT ALTUM GROUP

General information

The legal and commercial name of the Issuer is Akciju sabiedrība "Attīstības finanšu institūcija Altum". ALTUM is a joint stock company (in Latvian – *akciju sabiedrība*) incorporated pursuant to the laws of the Republic of Latvia on 27 December 2013. ALTUM is registered with the Commercial Register of the Republic of Latvia and operates according to the legislation of the Republic of Latvia. ALTUM is a 100 per cent state-owned financial institution acting as national financial development institution and strategic venture focusing on the economic development of Latvia.

The role of ALTUM is to provide state aid and implement development programmes. The mission of ALTUM is to ensure access of enterprises and households to the financing resources in areas defined by the Cabinet of Ministers of the Republic of Latvia as important and to be supported, transposing national policy into the national economy and by such way enhancing mobilisation of private capital and financial resources, as well as taking care of accomplishment of other governmental assignments defined in the regulatory enactments. The primary purpose for ALTUM's business operations is to ensure the coverage of existing market gaps by using various financial support instruments, thus contributing to the development of national economy.

ALTUM is one of the few state-owned companies operating in accordance with a special law adopted by the Parliament of the Republic of Latvia – the Development Finance Institution Law.

Basic information

Registration number:	50103744891
Registered address:	Doma laukums 4, Riga, LV-1050, Latvia
Website:	www.altum.lv
Telephone number:	+371 67 774 010
E-mail:	altum@altum.lv

History and development of ALTUM

The current structure of ALTUM was established on 15 April 2015 after successful merger of three independently operating enterprises providing state aid financial instruments. The aim of the merger was to concentrate the national resources for implementation of state aid and development programmes in a format of financial instruments in one integrated development financial institution.

The merged enterprises were:

- Valsts akciju sabiedrība "Latvijas Attīstības finanšu institūcija Altum", until 1 January 2014 – Valsts akciju sabiedrība "Latvijas Hipotēku un zemes banka" (the "Mortgage and Land Bank of Latvia"), specialised in credit activities.

  Mortgage and Land Bank of Latvia was established on 19 March 1993 and for the entire time of its existence it carried out implementation of the development programmes as mandated by the Cabinet of Ministers of the Republic of Latvia, providing support to certain target groups of entrepreneurs and population. It also provided services of a commercial bank.

  As of 1 January 2014, Mortgage and Land Bank of Latvia was operating as a financial institution bearing the name of ALTUM, and proceeding with the provision of services to customers under state aid programmes and also performing other tasks assigned by the Latvian government.

- Sabiedrība ar ierobežotu atbildību "Latvijas Garantiju aģentūra" (the "Latvian Guarantee Agency"), specialised in guarantees and investments in venture capital.

Latvian Guarantee Agency was established in 1998 to provide support to entrepreneurs in raising funds in case of insufficient loan security. Latvian Guarantee Agency implemented the following state aid programmes: credit guarantees, short-term export credit guarantees, mezzanine loans, venture capital and microloans, support to start-ups for creating start-up ecosystem.

- Valsts akciju sabiedrība "Lauku attīstības fonds" (the "Rural Development Fund"), specialised in credit activities for farmers.

  Rural Development Fund was established in 1994 and its primary focus of operation was to ensure provision of state aid to rural entrepreneurs in cases of insufficient loan security. Rural Development Fund implemented the following state aid programmes: credit guarantees, granting credit fund loans to those seeking state aid for acquisition of agricultural land for producing agricultural produce via Mortgage and Land Bank of Latvia.

Following the merger, ALTUM became a legal successor of all rights and liabilities of Mortgage and Land Bank of Latvia, Latvian Guarantee Agency and Rural Development Fund, including contractual liabilities under the effective agreements with customers and cooperation partners. As of 15 April 2015, ALTUM bears its current legal and commercial name.

There have not been any recent material events that would be relevant for assessing the solvency of ALTUM.

Investments

There are no principal investments made since the date of the last published financial statements of ALTUM Group.

BUSINESS OWERVIEW

Principal activities

ALTUM provides support to specific target groups by various means of financial instruments. The main purpose for ALTUM's business operations is to provide access to the financing in areas identified as inefficiently supplied with financial resources on the private market.

The operations and areas of ALTUM's business operations are governed by the Development Finance Institution Law. A comprehensive *ex-ante* assessment has to be carried out to assess the existence of a market gap and develop investment strategy in order to correct the deficiencies discovered. The assessment of market gap and design of the investment strategy in close cooperation with ALTUM is carried out by the Ministry of Finance of the Republic of Latvia, the Ministry of Economics of the Republic of Latvia and the Ministry of Agriculture of the Republic of Latvia, setting the policy in particular field. Before starting to provide new support programmes or new products, they have to be approved by the Cabinet of Ministers of the Republic of Latvia.

According to the Development Finance Institution Law, before approval of specific programme, ALTUM performs assessment of risks, expected loss, feasibility and projected financial results related to the product or the programme. Afterwards, an assessment is provided to the Cabinet of Ministers of the Republic of Latvia together with the programme to be approved.

As of 30 June 2017, ALTUM's portfolio of the financial instruments granted within the state aid programmes was for the total value of 432,3 million euros consisting of 13,005 projects, including:

- guarantee portfolio of 165,9 million euros (the total number of transactions – 6,503);
- loan portfolio of 209,4 million euros (the total number of transactions – 6,310);
- investments into venture capital funds for the total value of 57,0 million euros (the total number of projects financed by 9 funds – 192).

Main customer segments and services

SMEs and midcaps

The main target for ALTUM's business operations is the improvement of access to financing of investments and working capital by small and medium enterprises (the "SMEs"), innovations, expansion and promotion of beginner entrepreneurs and start-ups in order to facilitate their growth and expansion.

The main problems for ALTUM's customers and typical solutions that ALTUM may offer are:

- lack of collateral – to provide guaranty or special loan;
- lack of track record – to provide special start up loan;
- lack of capital – to provide risk capital or mezzanine loan;
- new economy sectors – to provide special loan.

The main services provided by ALTUM are loans, export credit guarantees, loan guarantees, mezzanine loans, venture capital investments, start-up loans, micro-loans, accelerator venture capital fund investments and other support (training and events).

Agriculture linked companies

The main target of ALTUM is to support development of agriculture and rural businesses.

The main problems for ALTUM's customers and typical solutions that ALTUM may offer are:

- lack of collateral – to provide guaranty or special loan;
- lack of track record – to provide special start up loan;
- need to support strengthening of farms' ability to finance acquisition of land – to provide long term agricultural land financing programme.

The main services provided by ALTUM are guarantees and loans for financing of the agricultural activities, working capital and investments, for business development of rural areas - long term financing for agricultural land.

In addition, in accordance with the decree issued by the Cabinet of Ministers of the Republic of Latvia, ALTUM is the administrator (operator) of the Land Fund of Latvia. ALTUM conducts economically effective transactions with agricultural land in accordance with the aim of the Land Fund of Latvia defined in the Law on Land Privatization in Rural Areas – to ensure protection and access to agricultural land resources at national level, their rational, effective and sustainable use, as well as preservation of agricultural land areas. The Land Fund of Latvia operates in three directions: purchase of agricultural land, lease of agricultural land and in sell or exchange of agricultural land.

Energy efficiency linked projects

The aim of ALTUM is to support the use of energy efficient technologies, housing renovation, renovation of public and industrial buildings.

ALTUM provides long-term funding for the companies and the owners of residential buildings, as well as shares its expertise in energy efficiency. ALTUM also provides guaranties to the companies with insufficient collateral to obtain financing from the commercial banks.

Moreover, support for households (special target groups) by ALTUM contains: housing loan guarantees for families with children, financial aid (guarantees, loans, grants, consultations) on the energy efficiency improvement measures of multi-apartment residential buildings provided to owners of the apartments of multi-apartment buildings.

Management of fund of funds

In order to introduce new financial instruments, in 2016 ALTUM launched the fund of funds. Within the context of the EU structural funds, the fund of funds is an investment strategy whereupon several financial instruments (i.e., loans, guarantees and equity instruments) are managed under a single financing agreement, for instance, between ALTUM and the Ministry of Finance of the Republic of Latvia, which is the managing authority of the EU structural funds in Latvia. The implementation of fund of funds provides administrative simplification, efficiency and flexibility in redistributing financing amongst the financial instruments. It is estimated that the total funding of the European Regional and Development Fund available through the aid programmes under the fund of funds will reach up to 126 million euros.

Coordination of activities of the European Fund for Strategic Investments

ALTUM is a national contact point in Latvia for project promoters and developers for cooperation with the European Investment Advisory Hub, created within the framework of the European Fund for Strategic Investments.

ALTUM's activities include provision of consultations and support to large investment projects in development stage for submission to the European Investment Bank, as well as establishment of investment platforms.

Main support programmes by products

ALTUM implements the support programmes and offers financial instruments directly and indirectly, i.e., in cooperation with financial intermediaries, enhancing the mobilisation of private capital and financial resources this way.

Direct loans

ALTUM provides the following direct loans:

- Working capital loan programme for farmers: the size of the programme is 25,6 million euros. It provides different size loans with fixed interest rates for primarily agricultural production, co-operatives and the fruit and vegetable producer groups;
- Start-up loan programme: the size of the programme is 22 million euros. The aim of the loan is to facilitate engagement of Latvian inhabitants in business;
- Microloan programme: the size of the programme is 10 million euros. Loans for investment and current assets are provided at favourable conditions;
- Loan programme for energy efficiency improvement of multi-apartment residential buildings: the size of the programme is 33,5 million euros. Financial aid for energy efficiency improvement measures of multi-apartment residential buildings provided to apartment owners of multi-apartment buildings;
- Co-lending programme: the size of the programme is 30 million euros. An additional loan used as entrepreneur's co-financing in cases when the bank requires larger amount than the entrepreneur is able to provide;
- Loan programme for purchase of land: the size of the programme is 70 million euros. A loan with favourable conditions for the purchase of agricultural land for production of agricultural products;
- Loan programme for growth of SMEs: the size of the programme is 202 million euros. ALTUM provides loans for investments and working capital. The agricultural enterprises with reduced requirements for collateral are also eligible for this programme.

Guarantees

The most important guarantee programmes provided by ALTUM are as follows:

- Loan guarantees programme: the size of the programme is 153 million euros. This programme provides an opportunity for entrepreneurs to receive bank loans for business development if their collateral is not sufficient to receive bank financing;
- Credit guarantees programme for farmers: the size of the programme is 17,5 million euros. This programme provides an opportunity for entrepreneurs operating in the field of agricultural and rural development to receive bank loans for business development in case their collateral is not sufficient to receive bank financing;
- Housing loan guarantees programme for the first instalment: the size of the programme is 51,5 million euros. This programme provides an opportunity for a housing loan guarantee for families with steady income, but insufficient savings for the first instalment;
- Export guarantees programme: the expected size of the programme till 2023 is 45 million euros. An export credit guarantee enables exporters to secure themselves against the insolvency of a foreign customer or long-term non-payment when selling goods or providing services with a deferred payment;

- Guarantees programme for improvement of energy efficiency of multi-apartment residential buildings: the size of the programme is 75 million euros. This programme provides financial aid for improvement of energy efficiency of multi-apartment residential buildings.

Venture capital

Investments into venture capital funds are being financed from the European Regional Development Fund and reflows from venture capital funds. As of 30 Jun 2017, ALTUM's investments in nine funds totalled 57.0 million euros, including:

- four expansion capital funds (investments volume 39,3 million euros, 79 projects in total);
- four venture capital funds (investments volume 12,3 million euros, 22 projects in total);
- one seed capital fund (investment volume 5,4 million euros, 91 projects in total).

ALTUM selects fund managers through the public procurement procedure. Investment decisions in all companies are made by fund managers. The maximum contribution of fund per project is 10 per cent of the registered size of the fund.

Expansion capital funds provide long-term investments into the share capital or into quasi equity of new and innovative enterprises with a high growth potential.

Venture capital funds finance long-term investments into the share capital of enterprises with high growth potential, thereby facilitating an increase in their value, with a more rapid development and an expansion in operations.

The funding of seed capital fund is intended for the early stage of the life cycle of companies, i.e., development of product, creation and development of companies. The seed capital fund invests into the share capital of such companies.

Within the framework of the fund of funds, in 2016 ALTUM initiated selection process of the managers of accelerator funds, seed, start-up and expansion funds. The accelerator funds will provide risk financing and product and business development support by mentors and industry experts for very early stage innovative start-ups, expected to launch in the fall of 2017, and with the total public financing of 15 million euros. The seed and start-up funds will invest in start-up companies with some achieved market traction, expected to launch in the 2nd quarter of 2018, and with the total public financing of 30 million euros. However, the expansion funds will invest in more mature companies looking for growth in new markets, expected to launch in the 3rd quarter of 2018, and with the total public financing of 30 million euros.

New products and activities

ALTUM plans to launch a new capped portfolio guarantee programme by the end of 2017. The aim of this programme is to provide an incentive to banks to increase lending to SMEs. The capped portfolio guarantee instrument will provide a credit risk coverage on a loan by loan basis for the creation of a portfolio of new loans to SMEs up to a maximum loss amount (cap). The capped portfolio guarantee programme will extend financial services provided by ALTUM. Unlike individual guarantees, portfolio guarantee will be available in accordance with the standard terms. Size of the programme is 35 million euros.

Furthermore, during the fourth quarter of 2017 ALTUM plans to launch a loan programme for energy efficiency, promotion of renewable energy and carbon reduction measures. Number of companies are starting to provide energy efficiency services or other energy efficiency measures to improve efficiency in end-user devices, equipment or premises, however, they have a limited availability of loans or capital due to fact that industry is still in development phase. The aim of ALTUM loan programme is to provide loans for energy service companies focusing on corporates segment, as well as other companies for energy efficiency, promotion of renewable energy and carbon reduction measures. The size of this programme is 20 million euros.

Cooperation with partners

To expand the reach of various customer segments, ALTUM intends to increase the involvement of its cooperation partners (various government institutions, associations, international financial institutions and business bodies) into the project implementation process, as well as introduction of new financial instruments, such as portfolio guarantees and acceleration funds, also maintaining direct and indirect implementation of state aid programmes.

ALTUM and its partners promote a long-term and successful cooperation, are open for new initiatives, encourage fair business principles based approach in decision making, focus on use of e-services, encourage provision of feedback, conduct cooperation assessment survey and make improvements based on the assessment, pursue the good industry practice standards and adhere to professional standards.

ALTUM is an active member in international organizations, which aim to improve the financing of various industries of national economy and access to finance, complementing and stimulating the market, meanwhile retaining its balance in areas as SMEs, long-term financing, exports insurance and others.

Principal markets

ALTUM plays an important role to facilitate access to financing for Latvian SMEs and private individuals. As in any emerging market economy, due to various objective limitations, natural risk aversion and information asymmetry, the private market participants are inactive within specific lending, equity and quasi-equity financing, and risk insurance segments. Hence, ALTUM helps to fill these identified market gaps or sub-optimal market conditions by providing an extensive range of financing instruments.

In accordance with the Development Financial Institution Law and in line with the European Commission's decision of 9 June 2015 on the creation and activity of the Latvian single development institution, ALTUM operates only in the Latvian market and does not distort competition. Rather, ALTUM's co-lending, co-investment, and risk-sharing instruments anticipate co-operation with other market players and encourages their activity in the respective segments. In particular, these co-operations have been and continue to be pivotal in the advancement of the Latvian start-up eco-system within lending, leasing and factoring, export credit financing, technology transfer, and venture capital markets.

Specifically, as permitted by the Development Financial Institution Law, ALTUM shall implement the financing programmes in the following fields and for the following purposes:

- development of small and medium-sized economic operators as well as starting a business activity;
- micro-crediting;
- construction, reconstruction and renovation of dwellings;
- development of the State and municipal infrastructure;
- environmental protection;
- development of a business infrastructure;
- innovation and the development of technologies;
- formation of venture capital;

- development of agriculture, processing of agricultural products, rural areas, fisheries and forestry;
- facilitation of the employment of socially sensitive population group and the implementation of other social aid programmes;
- promotion of cooperation between ALTUM and its business partners (e.g., various government institutions, associations, international financial institutions and business bodies);
- support to specially assisted regions;
- facilitation of exports;
- implementation and co-funding of the European Union programmes and projects;
- implementation and co-funding of the programmes and projects of international financial institutions as well as in other aid fields or for other purpose specified in regulatory.

ORGANISATIONAL STRUCTURE

ALTUM is a parent company of ALTUM Group. As of the date of this Base Prospectus, ALTUM Group includes ALTUM and two closed investment funds Hipo Latvia Real Estate Fund I and Hipo Real Estate Fund II in which ALTUM is the sole investor, as well as the following associates in which ALTUM has significant influence (investments in venture capital funds):

- KS "Otrais Eko fonds" (33 per cent investment in capital);
- KS "ZGI fonds" (65 per cent investment in capital);
- KS "BaltCap Latvia Venture Capital Fund" (67 per cent investment in capital);
- KS "AIF Imprimatur Capital Technology Venture Fund" (67 per cent investment in capital);
- KS "AIF Imprimatur Capital Seed Fund" (100 per cent investment in capital);
- KS "ZGI-3" (95 per cent investment in capital);
- KS "FlyCap Investment Fund I AIF" (95 per cent investment in capital);
- KS "Expansion Capital Fund AIF" (95 per cent investment in capital);
- "Baltic Innovation Fund" (20 per cent investment in capital).

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

In accordance with the Development Finance Institution Law and the Articles of Association of ALTUM as approved by the Cabinet of Ministers of the Republic of Latvia, ALTUM has the following management and supervisory bodies:

- shareholders' meeting;
- supervisory board; and
- management board.

Shareholders' Meeting

Since the Ministry of Finance of the Republic of Latvia, the Ministry of Economics of the Republic of Latvia and the Ministry of Agriculture of the Republic of Latvia are the holders of state capital shares, decisions of the holders of capital shares shall be taken by the state secretary of the respective ministry or another official of the ministry determined by an order of the state secretary, who has all the rights, obligations and responsibilities of the representative of the holders of capital shares provided for in laws and regulations.

As of the date of this Base Prospectus, shareholders' representatives are Baiba Bāne, State Secretary of the Ministry of Finance of the Republic of Latvia, Dace Lucaua, State Secretary of the Ministry of Agriculture of the Republic of Latvia, and Juris Stinka, State Secretary of the Ministry of Economics of the Republic of Latvia.

The shareholders' meeting has the power of decision if all representatives of shareholders are participating in the shareholders' meeting. One share gives one vote.

According to the Law on the Management of Public Persons' Capital Shares and Capital Companies, the shareholders' meeting takes decisions on, *inter alia*, approval of the annual report of ALTUM, distribution of profits, election and revocation of the members of the supervisory board, election and revocation of auditors, bringing a claim or withdrawing a claim brought against a member of the supervisory board or the management board of ALTUM or an auditor, the amount of remuneration to be paid to auditors and members of the supervisory board and the management board of ALTUM, increasing or decreasing of ALTUM's equity capital, reorganisation of ALTUM, and election and revocation of a liquidator. The management board of ALTUM also needs a prior consent of the shareholders' meeting for taking a decision on the acquisition or alienation of an undertaking and termination of specific kinds of business operations and commencement of new kinds of business operations.

In addition to the information provided in the Law on the Management of Public Persons' Capital Shares and Capital Companies, at the shareholders' meeting decisions shall be taken on:

- the amount of reserve capital and a policy for accumulation of savings;
- approval of an operational plan and budget;
- appointment and dismissal of head of internal audit service;
- determination of remuneration for auditor and head of internal audit service;
- approval of the bargain that ALTUM concludes with head of internal audit service;
- approval of the operational plan, estimate of expenditure and list of personnel of internal audit service;
- approval of an internal control system;
- cover of losses from the funds of reserve capital in cases when losses have incurred to ALTUM.

In addition to the rights and obligations stipulated provided in the Law on the Management of Public Persons' Capital Shares and Capital Companies and the Commercial Law, the representative of a shareholder has a right to convene meetings of the supervisory board of ALTUM by indicating the necessity and purpose of convening the meeting.

The shareholders' meeting shall be chaired by the representative of a shareholder – the Ministry of Finance of the Republic of Latvia. Each shareholder has the right to nominate one candidate for a position of the supervisory board of ALTUM.

Supervisory Board

The same requirements that are prescribed in the Credit Institution Law for the members of supervisory board of credit institution apply also to the members of supervisory board of ALTUM. Therefore, all members of supervisory board of ALTUM must:

- have competence in the financial management matters;
- have necessary education and at least three years of professional experience in an undertaking, organisation or institution of similar size to ALTUM;
- have an impeccable reputation;
- have not been deprived of the right of engaging in commercial activities.

According to the law, all members of the supervisory board are state officials.

Chairman of the supervisory board is a member of the supervisory board and is nominated by the Ministry of Finance of the Republic of Latvia. A term of office for members of the supervisory board of ALTUM is three years.

In addition to the tasks provided in the Law on the Management of Public Person's Shares and Capital Companies, the supervisory board of ALTUM has the following tasks:

- to provide the development, approval of the ALTUM's operational plan and to supervise its implementation;
- to constantly supervise operation of ALTUM's internal control system;
- to evaluate and reconcile or reject the acquisition, confiscation and burdening of immovable property with rights *in rem* if transactions with such property include recovery of debts;
- to carry out ALTUM`s financial resources management and risk management activities.

If the supervisory board of ALTUM does not have a power of decision, the shareholders' meeting has a right to examine the issues to be discussed at the meeting of the supervisory board of ALTUM.

As of the date of this Base Prospectus, the members of the supervisory board of ALTUM are:

- **Līga** Kļaviņa, chairman of the supervisory board (deputy state secretary on Financial Policy Issues of the Ministry of Finance of the Republic of Latvia). She has significant experience in working with international financial institutions. She holds a master's degree in law. Līga Kļaviņa has been working in many positions within the Ministry of Finance of the Republic of Latvia and has represented the interests of the Latvian government and the Ministry of Finance of the Republic of Latvia in directly and indirectly state-owned enterprises;
- **Jānis** Šnore, member of the supervisory board, with 15 years of experience in finance in budgeting. The current position of Jānis Šnore is Deputy State Secretary of the Ministry of Agriculture of the Republic of Latvia. Jānis Šnore graduated from the Institute of International Affairs of the University of Latvia. In addition, he holds a degree in agricultural sciences;

- Kristaps Soms, member of the supervisory board, with 12 years of experience in finance, policy coordination, and entrepreneurship development. The current position of Kristaps Soms is Director of Entrepreneurship Competitiveness Department of the Ministry of Economics of the Republic of Latvia. Kristaps Soms graduated from the University of Latvia and holds degrees in Business Management and Economics.

All members of the supervisory board of ALTUM were appointed on 29 December 2016. The registered address of each member of the supervisory board of ALTUM is Doma laukums 4, Riga, LV-1050, Latvia.

Management Board

The same requirements that are prescribed in the Credit Institution Law for the members of management board of credit institutions apply also to the members of management board of ALTUM. Therefore, all members of the management board of ALTUM must:

- have competence in the financial management matters;
- have necessary education and at least three years of professional experience in an undertaking, organisation or institution of similar size to ALTUM;
- have an impeccable reputation;
- have not been deprived of the right of engaging in commercial activities.

According to the law, all members of the management board are state officials.

ALTUM has five members of the management board elected by the supervisory board. The management board is in charge of daily operations of ALTUM.

Members of the management board of ALTUM are elected for three years. Members of the management board jointly represent the ALTUM. The chairperson of the management moard is elected from the members of the management board by the supervisory board of ALTUM.

The management board of ALTUM needs a prior consent of the Cabinet of Ministers of the Republic of Latvia for obtaining or terminating participation, as well as for obtaining or terminating decisive influence in other undertaking.

The management board of ALTUM shall need a prior consent of the meeting of shareholders for taking a decision on the following issues:

- acquisition or alienation of an undertaking;
- termination of specific kinds of business operations and commencement of new kinds of business operation.

The management board shall need a prior consent from the supervisory board of ALTUM on deciding the following issues:

- opening or closing of branches and representative offices;
- entering into such transactions, which exceed the sum stipulated in the Articles of Association or decisions of the supervisory board of ALTUM;
- issuing of such loans, which are not related to the regular commercial activity of the company;
- issuing of credits to employees of ALTUM;
- determining of the general principles of commercial activity of ALTUM.

Additionally, the management board needs a prior consent of a shareholders' meeting in order to obtain or terminate, increase or decrease a participation or decisive influence in other capital company, for acquisition or confiscation of an enterprise as well as for making investments in funds, *inter alia*, in alternative investment funds. The activities mentioned in the previous sentence shall be implemented within programmes or the delegated public administration tasks.

As of the date of this Base Prospectus, the members of the management board of ALTUM are:

- Reinis Bērziņš, chairman of the management board. He is a professional in business management and finance with extensive experience in business and institution management. He has an MBA degree in International Banking and Finance, Business Management (Swiss Business School) and a degree in law. His main responsibilities include financial management, as well as human resources and legal issues;
- Jēkabs Krieviņš, member of the management board. He is an expert in the financial industry with 20 years of experience in organizing and managing business credit processes. He has gained his experience working both in the private banking and public finance institution sectors. He has an executive MBA degree in business and institution management, certificate of bank's specialist and bachelor's degree in economics. Jēkabs Krieviņš is responsible for the development of ALTUM's state support programs, managing credit processes and overseeing the Land Fund of Latvia;
- Inese Zīle, member of the management board. She has 14 years of experience in the banking sector, including eight years in the management of various departments, as well as experience of working in the public sector. Inese Zīle has an MBA degree in International Economics and Business. Her main areas of responsibilities include ALTUM customer service and business growth;
- Juris Vaskāns, member of the management board. He has gained his financial education in the United States of America (Eastern Michigan University), and is continuing his studies in obtaining an MBA degree at the Riga Business School. He has also gained health and athletic education at the Murjani Sports Gymnasium. At ALTUM Juris Vaskāns is responsible for the venture capital financial instruments and supporting promotion of start-ups' eco environments;
- Aleksandrs Bimbirulis, member of the management board. He has 20 years of experience in banking and finance, including holding of a position of Director of Credits and Guarantees Department at ALTUM. He has graduated from the Faculty of Law of the University of Latvia and holds professional master's degree in law from Turiba University. He was appointed as a member of the management board of ALTUM on 7 July 2017, and his main responsibilities include risk and administrative management, as well as overseeing matters related to accounting.

All members of the management board of ALTUM (except for Aleksandrs Bimbirulis) were appointed on 2 October 2015, taking office as of 12 October 2015. The registered address of each member of the management board is Doma laukums 4, Riga, LV-1050, Latvia.

Conflict of interest

In accordance with the Law on Prevention of Conflict of Interest in Activities of State Officials, all members of the supervisory and management boards of state owned companies have the status of state officials. As such, all supervisory board and management board members of ALTUM are state officials, and subject to detailed requirements of this law. The abovementioned law permits to combine their office of state official only with activities which are indicated by the law as compatible (e.g., offices in a trade union, an association or similar organisation, the work of teacher, scientist and creative work) in order to prevent personal or material interest in the activity of the state official. In accordance with the abovementioned law, all state officials are obliged to submit an annual declaration of interest.

ALTUM confirms that members of the supervisory board and management board of ALTUM do not have conflict of interest between their duties performed in ALTUM and their private interests and/or their other duties.

Employees

As of 30 June 2017, ALTUM had 212 employees, 53 of whom were employed in the branch offices, and 159 – in the main office. 22 employees were on a parental leave. 63 per cent of all employees were women, 37 per cent were men. The average age of the employees was 42 years. 90 per cent of all staff had higher education. ALTUM provides an effective human resource management to retain and attract qualified, professional and motivated employees for achievement of high operational efficiency of the company and its goals.

BOARD PRACTICES

Management of ALTUM is organized in accordance with good corporate governance practices, in line with the Development Finance Institution Law, the Law on the Management of Public Persons' Capital Shares and Capital Companies, Commercial Law and other binding regulatory enactments. The Articles of Association of ALTUM are approved by the Cabinet of Ministers of the Republic of Latvia.

ALTUM has established an internal control system in accordance with its operational profile, including risk management and management of capital adequacy maintenance.

In its operation, ALTUM adheres to the international accounting standards and the applicable capital requirements provided in the relevant EU regulations and directives, as much as they pertain to the peculiarities of ALTUM's business operations and are effectively applicable.

ALTUM has established Internal audit unit, which is an independent and objective unit of ALTUM established to implement a systematic, disciplined approach for evaluation and improvement of risk management, efficiency of control and management processes. The internal audit unit adheres to the international standards of the Institute of Internal Auditors and the international standards for the professional practice of internal auditing. As of the date of this Base Prospectus, Gvido Ģērķis is the acting head of the internal audit unit of ALTUM. He has more than 20 years of experience in audit, including internal audit units in many credit institutions of Latvia.

For purposes of strengthening ALTUM's operations, the following independent and collegial decision making committees have been established and functioning at ALTUM as of the date of this Base Prospectus:

- Risk and liquidity management committee is conducting liquidity management, managing risks affecting ALTUM's operation, managing capital adequacy maintenance to cover these risks, increasing the efficiency and ensuring optimal functioning of the internal control system;
- Credit committee, based on its analysis, provides objective and independent decision making in matters concerning certain state aid financial instruments provided by ALTUM;
- Stressed assets management committee carries out work to improve the efficiency of debtors' management and control process, improve the quality of ALTUM's loan portfolio, monitors stressed assets workout, as well as serves as an objective and independent decision making body in respect of debtors' matters; and
- Information systems management committee is supporting the management moard of ALTUM in monitoring and managing the development of information systems and providing such development in accordance with ALTUM`s business development strategy and current priorities.

In each committee the management board of ALTUM appoints specialists of the respective field and employees in charge. Operating principles of each committee are regulated and committee meetings are recorded by taking minutes. Decisions pertaining to state aid instruments are made by adhering to a minimum of “four eyes principle”.

SHAREHOLDERS

All shares of ALTUM are owned by the Republic of Latvia. The Ministry of Finance of the Republic of Latvia holds 40 per cent, while the Ministry of Economics of the Republic of Latvia and the Ministry of Agriculture of the Republic of Latvia each holds 30 per cent of share capital of and voting rights in ALTUM.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table is a summary of ALTUM Group's consolidated financial performance and key performance indicators for the two financial years ended 31 December 2015 and 2016 and the two interim periods ended 30 June 2016 and 30 June 2017. The information set out in the table below has been extracted (without any material adjustment) from, and is qualified by reference to and should be read in conjunction with the audited consolidated annual reports of ALTUM Group for the years ended 31 December 2015 and 2016 and the unaudited consolidated interim report of ALTUM Group for the six month period ended 30 June 2017, each of which is attached to this Base Prospectus and forms an integral part of this Base Prospectus. Annual reports and interim report of ALTUM Group are prepared according to the International Financial Reporting Standards (the "IFRS").

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016	2017
	(Audited)		*(Unaudited)*	
Key financial data (ALTUM Group)				
Net income from interest, fees and commissions (tEUR)[1)]	16,419	11,024	6,658	6,639
Profit (period) (tEUR)	4,924	2,170	832	5,414
Cost to income ratio[2)]	55,8%	88,4%	82,7%	43,1%
Employees	282	242	252	228

	Year ended 31 December		Six months ended 30 June
	2015	2016	2017
	(Audited)		*(Unaudited)*
Key financial data (ALTUM Group)			
Total assets (tEUR)	406,918	443,126	438,889
Tangible common equity (TCE)/Tangible managed assets (TMA)[3)]	37,3%	35,2%	35,5%
Capital an reserves (tEUR)	199,610	210,094	216,596
Risk coverage, total: [4)](tEUR)	41,021	67,705	63,162
Risk coverage reserve	40,662	64,833	60,788
Risk coverage reserve used for provisions	-1,276	-4,323	-4,821
Portfolio loss reserve (specific reserve capital)	1,635	7,195	7,195
Liquidity ratio 180 days[5)]	351,9%	449,3%	567,9%

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016	2017
	(Audited)		*(Unaudited)*	
Financial instruments (gross value)				
Outstanding (tEUR) (by financial instrument)				
Loans	218,562	217,429	221,330	209,364
Guarantees	131,120	147,175	134,291	165,941
Venture capital	39,929	58,541	50,765	56,974
Total	389,611	423,145	406,386	432,279
Number of contracts	8 901	11 449	10 058	13 005
Volumes granted (tEUR) (by financial instrument)				
Loans	52,329	59,465	33,693	25,366
Guarantees	50,065	56,109	21,244	34,422
Venture capital	18,798	21,356	6,309	1,219
Total	121,192	136 929	61,246	61,007
Number of contracts	2 819	4 461	2 240	2 314
Leverage for raised private funding[6)]	104%	162%	158%	181%

1) Net income from interest, fees and commissions consists of the following Income statement items: Net interest income and Net income from fees and commissions. Indicator reflects ALTUM Group's operating income.
2) Cost to income ratio (CIR) is calculated as Staff costs plus Administrative expense plus Amortisation of intangible assets and depreciation of property, plant and equipment divided by Operating income before operating expenses, items presented in Income statement. CIR is a measurement of operational efficiency.
3) Tangible common equity (TCE)/Tangible managed assets (TMA) (TCE/TMA).
Tangible Common Equity (TCE) is calculated as Total capital less Available for sale reserve.
Tangible managed assets (TMA) includes ALTUM Group's total assets plus off-balance sheet amount of guarantee, net of provisons for guarantees, less Deffered expense, Accrued income, Property, plant and equipment, Intangible assets, Other assets and Assets held for sale.
Data for the calculation of both ratios (TCE, TMA) are obtained from ALTUM Group's Financial statements: Statement of financial position and Statement of changes in equity, notes - Off balance sheet items and contingent liabilities and Provisions. TCE/TMA is used to evaluate ALTUM Group's capital position adequacy.
4) Risk coverage, total is net funding available for coverage of expected credit losses of development programmes implemented by ALTUM. Risk coverage, total is sum of Risk coverage reserve and Portfolio loss reserve (specific reserve capital) deducted by Risk coverage reserve used for provisons. Expected losses are estimated prior to implementation of particular develoment programme and part of the public funding recieved under respective development programme for coverage of expected losses on credit risk is transferred either to "Portfolio loss reserve" as ALTUM Group's specific reserve capital or accounted separately as provisions for risk coverage "Risk coverage reserve" classified within liabilities. Portfolio loss reserve (specific reserve capital) is disclosed in note to ALTUM Group's Financial statements. Reserves and Risk coverage reserve is disclosed in note to ALTUM Group's Financial statements "Support programme funding and state aid". Risk coverage reserve used for provisions represents amount of Risk coverage reserve allocated to allowance for impairment loss on loan portfolio and guarantee portfolio, disclosed in respective notes to ALTUM Group's Financial statements "Loans" and "Provisions".
Risk coverage, total is key indicator to be used for assessment of ALTUM's risk coverage on implemented programmes and long-term financial stability.
5) Liquidity ratio 180 days is calculated as Due from other credit institutions and Treasury with maturity up to 1 month plus Investment securities - available for sale divided by Liabilities with the contractual maturity dates up to 6 months plus Financial commitments with the contractual maturity dates up to 6 months (off balance sheet item). Data for the calculation of Liquidity ratio 180 days are obtained from ALTUM Group's Financial statements: Statement of financial position, notes - Off balance sheet items and contingent liabilities and Maturity analysis of assets and liabilities. The liquidity ratio 180 days shows ALTUM Group's ability to meet its liabilities within a specified time frame with currently available liquid assets. Since data for 2015 are presented in different groupings in the note disclosures, then this ratio for 2015 cannot be calculated straight from the information disclosed in respective ALTUM Group's Financial statements. However, the presented Liquidity ratio 180 days for 2015 has been calculated following the consequent calculation methodology. Part of information (Financial commitments with the contractual maturity dates up to 6 months (off balance sheet item)) relevant for calculation of the ratio for 2016, is disclosed as comparatives information in ALTUM Group's Financial statements as at 30 June 2017.
6) Leverage for raised private funding indicates the amount of additional private funds invested in a project in addition to ALTUM's financing. Leverage is determined considering the financing invested by a private co-financier and a project's implementer, which, on average, makes up to 50 per cent for loans, up to 70 per cent for guarantees and venture capital (except for housing loan guarantees' programme for the first instalment with a ratio of 795 per cent) in addition to ALTUM's funding.

FINANCIAL AND TREND INFORMATION

Historical financial information

ALTUM Group's consolidated audited annual reports as of and for the financial years ended 31 December 2015 and 2016 and the unaudited consolidated interim reports of ALTUM Group for the six month period ended 30 June 2017 (prepared according to the IFRS) are attached to this Base Prospectus and forms an integral part of this Base Prospectus.

Legal and arbitration proceedings

ALTUM Group is not engaged in any governmental, legal or arbitration proceedings, and is not aware of any such proceedings pending or threatened against it during the 12 month-period prior to the date of this Base Prospectus that may have, or have had in the recent past, significant effect on ALTUM and/or the ALTUM Group's financial position or profitability.

Significant changes in financial or trading position

There has been no material adverse change in ALTUM's or ALTUM Group's financial or trading position since 31 December 2016.

Trend information

There has been no material adverse change in the prospects of ALTUM or ALTUM Group since the date of the audited consolidated annual report of ALTUM Group for 2016.

As of the date of this Base Prospectus there are no information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on ALTUM's or ALTUM Group's prospects and the industries in which ALTUM or ALTUM Group operates.

Future outlook

ALTUM has not made any profit forecast or profit estimate in this Base Prospectus.

ADDITIONAL INFORMATION

Share capital

The amount of the share capital of ALTUM is EUR 204,862,333 and it is composed of 204,862,333 shares. All shares are paid up. All shares are registered shares and they are dematerialised. The nominal value of a share is EUR 1.

According to the Development Finance Institution Law, all the shares and voting rights in ALTUM are owned by the Republic of Latvia. The Ministry of Finance of the Republic of Latvia holds 40 per cent, while the Ministry of Economics of the Republic of Latvia and the Ministry of Agriculture of the Republic of Latvia each holds 30 per cent of share capital of and voting rights in ALTUM. It is prohibited to pledge or to encumber in any other way the shares of ALTUM.

Articles of Association

The Articles of Association of ALTUM were approved by the decree No. 180 of the Cabinet of Ministers of the Republic of Latvia of 9 April 2015 "On Approval of Articles of Association of Development Finance Institution Altum".

The objectives and purposes of ALTUM are stated in Clause 2 of the Articles of Association of ALTUM. According to the NACE classification the economic activities of ALTUM are as follows:

- other credit granting;
- other financial service activities not identified elsewhere, except insurance and pension funding;
- activities of head offices, business and management consulting;
- management consultancy activities;
- business and other management consultancy activities;
- market research and public opinion polling.

Material contracts

Except as described below, ALTUM Group has not entered into any material contracts outside the ordinary course of business, which could result in ALTUM Group coming under an obligation or entitlement that is material to ALTUM's ability to meet its obligations to the Noteholders in respect of the Notes.

On 2 October 2009 ALTUM entered into agreement with European Investment Bank. Under the agreement ALTUM has borrowed 100,000,000 euros for realizing the loan programme for growth of SMEs. The final repayment term of the loan is 20 August 2024.

On 8 June 2016 ALTUM entered into a financing agreement with the Central Finance and Contracting Agency of the Republic of Latvia on the implementation of the fund of funds and financial instruments. Pursuant to the financing agreement, ALTUM must comply with the Regulations No. 118 of the Cabinet of Ministers of the Republic of Latvia of 1 March 2016 and realize financing in the amount of 118,440,000 euros.

On 14 September 2016 ALTUM entered into a financing agreement with the Central Finance and Contracting Agency of the Republic of Latvia on the implementation of financial instruments. Pursuant to the financing agreement, ALTUM must comply with the Regulations No. 160 of the Cabinet of Ministers of the Republic of Latvia of 15 March 2016 and realize financing in the amount of 30,091,114 euros.

On 14 September 2016 ALTUM entered into a financing agreement with the Central Finance and Contracting Agency of the Republic of Latvia on the implementation of the project of the EU funds. Pursuant to the agreement, ALTUM must comply with Regulations No. 160 of the Cabinet of Ministers of the Republic of Latvia of 15 March 2016 and realize financing in amount of 126,216,912 euros.

THE LATVIAN ECONOMY

General

Faced with a wide range of challenges, the Latvian economy decelerated to a six-year low of 2 per cent GDP growth in 2016. One major reason for the slowdown was a delay in the disbursement of the EU funds, which led to a fall in construction spending. Household consumption and government final consumption grew by 3,5 per cent and 2,7 per cent, respectively. The greatest obstacle to growth was the drop in investments by 11,7 per cent. Despite heavy headwinds, exports volumes improved. The recession in neighbouring Russia acted as a drag on growth, although its negative effects are dissipating. Lingering uncertainty weighed on the real estate market, consumption and investment activity.

The near-term prospects for the Latvian economy are favourable. The situation in the euro area is slowly improving and the EU funds are starting to pour in. This will lead to a rebound in investments and construction, boosting sentiment within the economy. In the first two months of 2017, retail sales grew by 2,5 per cent. Gradual upturn will proceed in the real estate market, catering and accommodation as well as other services. Meanwhile, uncertainty will persist in the transit sector. The major risks to the Latvian economy are associated with the political developments in the EU and globally. The European Commission expects Latvian GDP to grow by 2,8 per cent in 2017 and 3,0 per cent in 2018.

GDP, per cent	2013	2014	2015	2016
Latvia	2,9	2,1	2,7	2,0
EU (28) average	0,2	1,6	2,2	1,9

Source: European Commission

Inflation

In March 2017, annual inflation rate surged to 3,4 per cent, which is the highest level in recent years. At present, the major contributing factors are food and fuel price rebound, as well housing services. Conditions for further service price increase are in place. However, the primary trend will depend on food and energy price developments. Due to the current surge, CPI forecast for 2017 is 3 per cent and 2,0 per cent for 2018. Latvian HICP (i.e., Harmonised Index of Consumer Prices) is expected to increase to 1,9 per cent in 2017 and edge higher to 2,0 per cent in 2018.

Inflation, HICP, average, per cent	2013	2014	2015	2016
Latvia	0,0	0,7	0,2	0,1
EU (28) average	1,5	0,5	0,0	0,3

Source: European Commission

Unemployment

Improvements in the labour market in 2016 were insignificant. The unemployment rate in the fourth quarter of 2016 reached 9,3 per cent, remaining the highest in the Baltic States. The labour market conditions are likely to improve later into 2017, but the average unemployment rate will remain relatively high due to disparities in regional economic activity. In the near future outflow of population (especially the younger part of it) is likely to persist, and the labour force will continue to age, narrowing employers' hiring opportunities. It will become a serious obstacle to growth in the nearest future already. The unemployment forecast for 2017 is 9,5 per cent and 9,0 per cent for 2018.

Unemployment, per cent	2013	2014	2015	2016
Latvia	11,9	10,8	9,9	9,7
EU (28) average	10,9	10,2	9,4	8,5

Source: European Commission

Public finances

In 2016, compared to 2015, central government budget deficit decreased by EUR 402 million or 1,6 percentage points of GDP, and comprised EUR 20,4 million. This was facilitated by an increase in tax revenue, as well as adjustments made to all expenses of the EU funds in accordance with the financing received from the European Commission. The budget surplus of the local government sub-sector accounted for EUR 30,5 million in 2016, down by EUR 49,3 million in 2015. The Latvian government is expected to maintain its control over public finances. However, increasing EU funding will push public finances back into the deficit. The table below shows the government balance as a percentage of GDP in Latvia from 2013 to 2016, compared to the average of the 28 EU Member States, as calculated by the European Commission.

General government balance, as a per cent of GDP	2013	2014	2015	2016
Latvia	-1,0	-1,6	-1,3	0,0
EU (28) average	-3,3	-3,0	-2,4	-1,9

Source: European Commission; Central Statistical Bureau of Latvia

Compared to 2015, the general government consolidated gross debt in 2016 grew by EUR 1,1 billion or 12,8 per cent and accounted for EUR 10 billion or 40,1 per cent of GDP. The increase was mainly related to the issuance long-term debt securities. In the coming years, the public sector debt is set to shrink. The table below shows public debt as a percentage of GDP in Latvia, compared to the average of the 28 EU Member States, as reported by the European Commission.

General government gross debt, as a per cent of GDP	2013	2014	2015	2016
Latvia	39,0	40,9	36,5	40,1
EU (28) average	87,4	88,5	86,5	85,1

Source: European Commission; Central Statistical Bureau of Latvia

Foreign trade

Latvia's geographical position favours foreign trade, with the availability of ice-free ports as well as a well-developed railway and road transport infrastructure. Owing to the challenging conditions, which included Russian sanctions and Russia's deepening economic recession, and its side-effects on neighbouring markets, as well sluggish recovery in the euro area, Latvian exports in 2016 decreased by 0,3 per cent. The volume of imports fell by 1,7 per cent. Conditions in key export markets have improved recently and available foreign trade data for January-February 2017 indicates a rebound in growth by 9,3 per cent. Most likely, the export growth will be prone to fluctuations. The European Commission expects Latvians exports to add 2,6 per cent in 2017 and yet another 3,1 percent in 2018. Recently there has been some good progress in penetrating the Asian and the Middle Eastern markets. Historically, the impact of the Russian factor has always been significant, but not overly critical.

Balance of payments

The current account was in surplus 1,5 per cent of GDP in 2016. The surplus was caused by cautious capital spending and slow inflow of EU funds that suppressed consumption and imports. A gradual pick-up in imports in combination with modest upturn in the capital spending and higher consumption growth will push the current account back into the deficit, but during the coming two years it is expected to stay relatively balanced.

Current account balance, as a per cent of GDP	2013	2014	2015	2016
Latvia	-2,1	-2,0	-0,8	1,5
EU (28) average	1,4	1,4	2,0	2,1

Source: European Commission; Bank of Latvia

TAXATION

The following is a general summary of certain tax consideration in the Republic of Latvia and the Republic of Lithuania in relation to the Notes. It is not exhaustive and does not purport to be a complete analysis of all tax consequences relating to the Notes, as well as does not take into account or discuss the tax implications of any country other than the Republic of Latvia and the Republic of Lithuania. The information provided in this section shall not be treated as legal or tax advice; and prospective investors are advised to consult their own tax advisors as to the tax consequences of the subscription, ownership and disposal of the Notes applicable to their particular circumstances.

This summary is based on the laws of Latvia and Lithuania as in force on the date of this Base Prospectus and is subject to any change in law that may take effect after such date, provided that such changes could apply also retroactively.

The Republic of Latvia

Latvia has entered into number of tax conventions on elimination of the double taxation, which may provide more favourable taxation regime. Therefore, if there is a valid tax convention with the country of a non-resident prospective investor, it should be also examined. The procedures for application of tax conventions are provided in the Republic of Latvia Cabinet of Ministers' Regulations No. 178 "Procedures for Application of Tax Relief Determined in International Agreements for Prevention of Double Taxation and Tax Evasion" of 30 April 2001.

Taxation of the Noteholders Individuals

Resident Individuals

An individual will be considered as a resident of Latvia for taxation purposes:

- if the individual`s permanent place of residence is in the Republic of Latvia; or
- if the individual stays in the Republic of Latvia 183 days or more within any 12-month period, starting or ending in the taxation year; or
- if the individual is a citizen of the Republic of Latvia employed abroad by the government of the Republic of Latvia.

In accordance with the Law on Personal Income Tax the interest income from the Notes for resident individuals will be subject to 10 per cent withholding tax, deductible by the Issuer before the payment. The income from the alienation of the Notes will be subject to 15 per cent tax, but the tax would be payable by the individual him/herself.

Non-Resident Individuals

In accordance with the Law on Personal Income Tax the interest income from the Notes being circulated publicly as well as income from the alienation of the publicly circulated Notes will not be subject to tax in Latvia. If the Notes will not be publicly circulated, the interest income will be subject to 10 per cent withholding tax, deductible by the Issuer before the payment. If the Notes will not be listed, a 2 per cent withholding tax will be applied if the payment will be made by a legal entity or individual registered as economic operator located in Latvia. The Latvian payer is required to withhold such tax from the gross payment.

Taxation of the Noteholders Entities

Resident Entities

An entity will be considered as a resident of Latvia for tax purposes if it is or should have been established and registered in the Republic of Latvia in accordance with the legislative acts of the Republic of Latvia legal acts. This also include permanent establishments of foreign entities in Latvia.

In accordance with the Law on Corporate Income Tax, if the Notes are listed on a regulated market of the EU or the European Economic Area, the income from the Notes (interest payments, as well as gains) for the resident entities, will not be subject to corporate income tax in Latvia. If the Notes are not listed on a regulated market of the EU or the European Economic Area, income from such notes (interest payments and gains) should be included in taxable income of the respective Noteholder and should be subject to corporate income tax at the rate of 15 per cent.

Non-Resident Entities

In accordance with the Law on Corporate Income Tax the interest income and income from the alienation of the Notes for non-resident entities will not be taxable in Latvia, except if the receiver is located in tax haven country or territory, as determined by the Republic of Latvia Cabinet of Ministers Regulations No. 276 "Regulations on Low Tax or Zero Tax Countries and Territories" of 26 June 2001.

Payments made to non-resident companies located, registered or incorporated in tax haven country or territory are subject to a withholding tax of 15 per cent (if the payer is Latvian resident company) or 23 per cent (if the payer is Latvian individual resident). Interest income paid by a credit institution registered in Latvia to non-residents located or registered in low-tax or no-tax jurisdictions will be subject to 5 per cent withholding tax, but purchase price paid by a Latvian resident company to non-residents located or registered in tax haven country or territory for listed Notes will not be subject to withholding tax provided that the purchase price corresponds to the market price of the Notes.

Tax reform

On 28 July 2017 new Corporate Income Tax Law changing corporate income tax system and amendments to the Law on Personal Income Tax introducing significant changes to personal income tax were adopted. These changes will enter into force on 1 January 2018.

The following core changes in relation to taxation of Notes will be introduced:

- the system of corporate taxes will be altered such that a corporate income tax of 20 per cent will apply to profit distributions. Under the new system a new method of calculation of the tax base will be introduced (the tax base must be adjusted by a coefficient of 0.8 as provided by the law). No tax will apply to retained earnings;
- gains realised from the sale or exchange of Notes shall be included in the taxable base of legal entities which are resident in Latvia or maintain a permanent establishment in Latvia; however, the taxation of such gains will only apply upon a distribution of profits (in respect of which a corporate income tax of 20 per cent will apply);
- the personal income tax rate for capital gains and income from capital will be increased to 20 per cent.

The Republic of Lithuania

In accordance with the Law on Tax Administration of the Republic of Lithuania where any international treaties to which Lithuania is a party provide for the rules on taxation different from those of the relevant taxation legislation, and provided the international treaties have been ratified, enacted and enforceable in the Republic of Lithuania, the rules of such international treaties shall prevail. Lithuania and Latvia have entered into a tax convention on elimination of the double taxation, which provides more favourable taxation regime (effective from 1 January 1995). The rules for application of tax conventions are provided in the Law on Tax Administration of the Republic of Lithuania and in the Order No. 159 of the Head of State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania of 27 June 2001.

Taxation of the Noteholders Individuals

Resident Individuals

Only permanent residents of Lithuania have an obligation to declare and to pay personal income tax from the foreign source income (if such income, eliminating the double taxation, is not exempt from the income tax).

An individual will be considered as a resident of Lithuania during the calendar year for taxation purposes if he/she meets at least one of the criteria laid out in paragraph 1 of Article 4 of the Law On Personal Income Tax of the Republic of Lithuania, i.e.:

- if the individual's permanent place of residence is in Lithuania during the calendar year;
- if the individual's place of personal, social or economic interests is in Lithuania rather than in a foreign country during the calendar year;
- if the individual is present in Lithuania for a period or periods in the aggregate of 183 days or more during the calendar year;
- if the individual is present in Lithuania for a period or periods in the aggregate of 280 days or more during successive calendar years and who stayed in Lithuania for a period or periods in the aggregate of 90 days or more in any of such periods (in such case a person is deemed to be a resident of Lithuania for both years of presence in Lithuania).

In accordance with the Law on Personal Income Tax of the Republic of Lithuania any interest generated by a resident of Lithuania from Notes shall be taxed by a 15 per cent rate personal income tax, except EUR 500 non-taxable minimum applicable to interest from the Notes.

The resident of Lithuania shall be taxed at a rate of 15 per cent on gains from disposal of the Notes, except EUR 500 non-taxable minimum applicable to gains from disposal of the Notes.

Non-Resident Individuals

Since the Issuer is a non-resident entity for Lithuanian taxation purposes, the income of the non-resident individual from the Notes (i.e. interest income and income from the transfer of the Notes) will not be subject to tax in Lithuania.

Taxation of the Noteholders Entities

Resident Entities

An entity will be considered as a resident of Lithuania for tax purposes if it is established and registered in the Republic of Lithuania. This may also include permanent establishments of foreign entities in Lithuania.

In accordance with provisions of the Law on Corporate Income Tax of the Republic of Lithuania any income of a Lithuanian entity (legal person) from the Notes, including an interest, shall be considered as the taxable income of the entity. Having disposed of the Notes a Lithuanian entity shall recognize the gain (the difference between the Notes purchase and sale price). The income from the Notes interest and the gain from the disposal of the Notes shall be included into the overall taxable result of the Lithuanian entity that shall be subject to taxation in the manner set forth in the Law on Corporate Income Tax of the Republic of Lithuania.

Non-Resident Entities

Since the Issuer is a non-resident entity for Lithuanian taxation purposes, the income of the non-resident entity from the Notes (i.e. interest income and income from the transfer of the Notes) will not be subject to tax in Lithuania.

DOCUMENTS ON DISPLAY

Copies of the following documents during validity of this Base Prospectus are available on the ALTUM's website www.altum.lv and at the legal address of ALTUM at Doma laukums 4, Riga, LV-1050, Latvia on business days within the limits of normal business hours:

- ALTUM's Annual Report of the Group for the period from 1 January 2015 to 31 December 2015 (prepared according to IFRS);
- ALTUM's Annual Report of the Group for the period from 1 January 2016 to 31 December 2016 (prepared according to IFRS); and
- ALTUM's Unaudited Condensed Interim Financial Statements of the Group for 6 months period ended 30 June 2017 (prepared according to IFRS).

DEFINITIONS

Accrual Date	shall have the meaning assigned to it in Clause 8 of the General Terms and Conditions
ALTUM or Issuer	shall mean Akciju sabiedrība "Attīstības finanšu institūcija Altum" (registration number: 50103744891, Doma laukums 4, Riga, LV-1050, Latvia)
ALTUM Group	shall mean ALTUM together with its consolidated subsidiaries and associates (investments in venture capital funds)
Annual Interest Rate	shall mean the fixed annual interest rate
Arranger of the Programme	shall mean AB SEB bankas (registration number: 112021238, legal address: Gedimino ave. 12, LT-01103 Vilnius, Lithuania)
Base Prospectus	shall mean this Base Prospectus
Business Day	means a day on which the Depository is open for general business
Change of Control	shall have the meaning assigned to it in Clause 14 of the General Terms and Conditions
Cicero	shall mean the Center for International Climate and Environmental Research - Oslo, a Norwegian independent institute for interdisciplinary climate research
Competitive Purchase Orders	shall have the meaning assigned to in Clause 3 of the Section Placement of the Notes
Cicero Opinion	shall mean a second-party opinion issued by Cicero regarding the suitability of the Notes as an investment in connection with certain environmental and sustainability criteria
EEA	shall mean European Economic Area
Elements	shall mean disclosure requirements, as described in the Summary
EU	shall mean European Union
EUR, euro or €	shall mean the single currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of the Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended.
Event of Default	shall have the meaning assigned to in Clause 16 of the General Terms and Conditions
Final Terms	shall mean the final terms of the relevant Tranche of the Notes
Final Yield to Maturity	shall have the meaning assigned to in Clause 6 of the Section Placement of the Notes
First Interest Period	shall have the meaning assigned to it in Clause 8 of the General Terms and Conditions
General Terms and Conditions	shall mean the general terms and conditions of the Notes

IFRS	shall mean International Financial Reporting Standards
Indebtedness	shall have the meaning assigned to in Clause 15 of the General Terms and Conditions
Interest Payment Date	shall mean the interest payment date specified in the Final Terms
Investor`s Currency	shall have the meaning assigned to under in risk factor *“Exchange rate risk”*
Issuing Agent	shall mean AB SEB bankas (registration number: 112021238, legal address: Gedimino ave. 12, LT-01103 Vilnius, Lithuania)
Issue Date	shall mean the issue date of each Tranche of the Notes
Issue Price	shall mean the issue price of the Notes
Depository	shall mean Latvian Central Depository (in Latvian – *Akciju sabiedrība “Latvijas Centrālais depozitārijs”* (fallowing reorganisation - Nasdaq CSD SE), registration number: 40003242879, legal address: Vaļņu 1, Riga, LV-1050, Latvia)
Maturity Date	shall mean the date specified in the Final Terms on which the Notes shall be repaid in full at their nominal amount
Member State	shall mean Member State of the European Economic Area
Minimum Investment Amount	shall mean the minimum investment amount for subscription of the Notes, as specified in the Final Terms
Nasdaq Riga	shall mean Akciju sabiedrība “Nasdaq Riga” (registration number: 40003167049, legal address: Vaļņu 1, Riga, LV-1050, Latvia)
Non-competitive Purchase Orders	shall have the meaning assigned to in Clause 3 of the Section Placement of the Notes
Noteholders	shall mean the holders of the Notes
Noteholders’ Meeting	shall mean the meeting of the Noteholders or meeting of the Noteholders of the relevant Series of Notes
Notes	shall mean the notes to be issued under the Programme
Placement Period	shall mean the placement period for each Tranche of the Notes
Permitted Security Interest	shall have the meaning assigned to in Clause 15 of the General Terms and Conditions
Purchase Orders	shall mean orders of the investors for purchase the Notes
Qualifying Purchase Orders	shall have the meaning assigned to in Clause 3 of the Section Placement of the Notes
Relevant Indebtedness	shall have the meaning assigned to in Clause 15 of the General Terms and Conditions
Securities Act	shall mean the U.S. Securities Act of 1933
Security Interest	shall have the meaning assigned to in Clause 15 of the General Terms and Conditions
Series of Notes	shall mean any series of notes

Settlement Agent	shall mean AS SEB banka, registration number: 40003151743, legal address: Meistaru 1, Valdlauči, Ķekava Rural Area, Ķekava Municipality, LV-1076, Latvia
SME	shall mean small and medium-sized enterprise
Subsidiary	shall have the meaning assigned to in Clause 15 of the General Terms and Conditions
Tranche	shall have the meaning assigned to in Clause 1 of the General Terms and Conditions
Updated Yield to Maturity Range	shall have the meaning assigned to in Clause 4 of the Section Placement of the Notes
Written Procedure	shall have the meaning assigned to in Clause 23.1 of the General Terms and Conditions
Yield to Maturity	shall have the meaning assigned to in Clause 3 of the Section Placement of the Notes
Yield to Maturity Range	shall have the meaning assigned to in Clause 4 of the Section Placement of the Notes

CROSS-REFERENCE LIST

A cross-reference list below identifies the pages where each item of Annexes IV and V of the Commission Regulation (EC) No. 809/2004 can be found in the Base Prospectus.

	Items of Annexes IV of the Commission Regulation (EC) No. 809/2004	Page number
1.	PERSONS RESPONSIBLE	
1.1.	All persons responsible for the information given in the Registration Document and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.	59
1.2.	A declaration by those responsible for the registration document that, having taken all reasonable care to ensure that such is the case the information contained in the registration document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of the registration document that, having taken all reasonable care to ensure that such is the case, the information contained in the part of the registration document for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.	59
2.	STATUTORY AUDITORS	
2.1.	Names and addresses of the issuer’s auditors for the period covered by the historical financial information (together with their membership in a professional body).	60
2.2.	If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, details if material.	N/A
3.	SELECTED FINANCIAL INFORMATION	
3.1.	Selected historical financial information regarding the issuer, presented, for each financial year for the period covered by the historical financial information, and any subsequent interim financial period, in the same currency as the financial information. The selected historical financial information must provide key figures that summarise the financial condition of the issuer.	95
3.2.	If selected financial information for interim periods is provided, comparative data from the same period in the prior financial year must also be provided, except that the requirement for comparative balance sheet data is satisfied by presenting the year end balance sheet information.	95
4.	RISK FACTORS Prominent disclosure of risk factors that may affect the issuer’s ability to fulfil its obligations under the securities to investors in a section headed "Risk Factors".	49-58
5.	INFORMATION ABOUT THE ISSUER	
5.1.	History and development of the Issuer:	
5.1.1.	the legal and commercial name of the issuer;	79
5.1.2.	the place of registration of the issuer and its registration number;	79
5.1.3.	the date of incorporation and the length of life of the issuer, except where indefinite;	79
5.1.4.	the domicile and legal form of the issuer, the legislation under which the	79

	issuer operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office);	
5.1.5.	any recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency.	N/A
5.2.	Investments	
5.2.1.	A description of the principal investments made since the date of the last published financial statements.	80
5.2.2.	Information concerning the issuer's principal future investments, on which its management bodies have already made firm commitments.	N/A
5.2.3.	Information regarding the anticipated sources of funds needed to fulfil commitments referred to in item 5.2.2.	N/A
6.	BUSINESS OVERVIEW	
6.1.	Principal activities:	
6.1.1.	A description of the issuer's principal activities stating the main categories of products sold and/or services performed; and	81-85
6.1.2.	an indication of any significant new products and/or activities	81-85
6.2.	Principal markets A brief description of the principal markets in which the issuer competes	85-86
6.3.	The basis for any statements made by the issuer regarding its competitive position.	85-86
7.	ORGANISATIONAL STRUCTURE	
7.1.	If the issuer is part of a group, a brief description of the group and of the issuer's position within it.	87
7.2.	If the issuer is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence.	N/A
8.	TREND INFORMATION	
8.1.	Include a statement that there has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements. In the event that the issuer is unable to make such a statement, provide details of this material adverse change.	97
8.2.	Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.	97
9.	PROFIT FORECASTS OR ESTIMATES If an issuer chooses to include a profit forecast or a profit estimate, the registration document must contain the information items 9.1 and 9.2:	N/A
9.1.	A statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate. There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; the assumptions must be readily understandable by investors, be specific and precise and not relate to the general accuracy of the estimates underlying the forecast.	N/A
9.2.	A report prepared by independent accountants or auditors stating that in the opinion of the independent accountants or auditors the forecast or estimate has been properly compiled on the basis stated, and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the issuer. Where financial information relates to the previous financial year and only	N/A

	contains non-misleading figures substantially consistent with the final figures to be published in the next annual audited financial statements for the previous financial year, and the explanatory information necessary to assess the figures, a report shall not be required provided that the prospectus includes all of the following statements: (a) the person responsible for this financial information, if different from the one which is responsible for the prospectus in general, approves that information; (b) independent accountants or auditors have agreed that this information is substantially consistent with the final figures to be published in the next annual audited financial statements; (c) this financial information has not been audited.	
9.3.	The profit forecast or estimate must be prepared on a basis comparable with the historical financial information.	N/A
10.	ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES	
10.1.	Names, business addresses and functions in the issuer of the following persons, and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer: (a) members of the administrative, management or supervisory bodies; (b) partners with unlimited liability, in the case of a limited partnership with a share capital.	88-91
10.2.	<u>Administrative, Management, and Supervisory bodies conflicts of interests</u> Potential conflicts of interests between any duties to the issuing entity of the persons referred to in item 10.1 and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, make a statement to that effect.	91-92
11.	BOARD PRACTICES	
11.1.	Details relating to the issuer's audit committee, including the names of committee members and a summary of the terms of reference under which the committee operates.	93
11.2.	A statement as to whether or not the issuer complies with its country's of incorporation corporate governance regime(s). In the event that the issuer does not comply with such a regime a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime.	93
12.	MAJOR SHAREHOLDERS	
12.1.	To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control, and describe the measures in place to ensure that such control is not abused.	94
12.2.	A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer.	N/A
13.	FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES	
13.1.	Historical Financial Information Audited historical financial information covering the latest 2 financial years (or such shorter period that the issuer has been in operation), and the audit report in respect of each year. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if not applicable to a Member States national accounting standards for issuers from the Community.	97, Appendices

	The most recent year's historical financial information must be presented and prepared in a form consistent with that which will be adopted in the issuer's next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements. If the audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least: (a) balance sheet; (b) income statement; (c) cash flow statement; and (d) accounting policies and explanatory notes. The historical annual financial information must have been independently audited or reported on as to whether or not, for the purposes of the registration document, it gives a true and fair view, in accordance with auditing standards applicable in a Member State or an equivalent standard.	
13.2.	Financial statements If the issuer prepares both own and consolidated financial statements, include at least the consolidated financial statements in the registration document.	97, Appendices
13.3.	Auditing of historical annual financial information	
13.3.1.	A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given.	97, Appendices
13.3.2.	An indication of other information in the registration document which has been audited by the auditors.	N/A
13.3.3.	Where financial data in the registration document is not extracted from the issuer's audited financial statements state the source of the data and state that the data is un-audited.	N/A
13.4.	Age of latest financial information	
13.4.1.	The last year of audited financial information may not be older than 18 months from the date of the registration document.	97, Appendices
13.5.	Interim and other financial information	
13.5.1.	If the issuer has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in the registration document. If the quarterly or half yearly financial information has been reviewed or audited the audit or review report must also be included. If the quarterly or half yearly financial information is un-audited or has not been reviewed state that fact.	97, Appendices
13.5.2.	If the registration document is dated more than nine months after the end of the last audited financial year, it must contain interim financial information, covering at least the first six months of the financial year. If the interim financial information is un-audited state that fact. The interim financial information must include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the	N/A

	years end balance sheet.	
13.6.	Legal and arbitration proceedings Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement.	97
13.7.	Significant change in the issuer's financial or trading position A description of any significant change in the financial or trading position of the group which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published, or an appropriate negative statement.	97
14.	ADDITIONAL INFORMATION	
14.1.	Share Capital	
14.1.1.	The amount of the issued capital, the number and classes of the shares of which it is composed with details of their principal characteristics, the part of the issued capital still to be paid up, with an indication of the number, or total nominal value, and the type of the shares not yet fully paid up, broken down where applicable according to the extent to which they have been paid up.	98
14.2.	Memorandum and Articles of Association	
14.2.1.	The register and the entry number therein, if applicable, and a description of the issuer's objects and purposes and where they can be found in the memorandum and articles of association.	98
15.	MATERIAL CONTRACTS A brief summary of all material contracts that are not entered into in the ordinary course of the issuer's business, which could result in any group member being under an obligation or entitlement that is material to the issuer's ability to meet its obligation to security holders in respect of the securities being issued.	98
16.	THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST	
16.1.	Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of the Registration Document.	61
16.2.	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the issuer shall identify the source(s) of the information	61
17.	DOCUMENTS ON DISPLAY A statement that for the life of the registration document the following documents (or copies thereof), where applicable, may be inspected: - the memorandum and articles of association of the issuer; - all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at	105

	the issuer's request any part of which is included or referred to in the registration document; - the historical financial information of the issuer or, in the case of a group, the historical financial information of the issuer and its subsidiary undertakings for each of the two financial years preceding the publication of the registration document. An indication of where the documents on display may be inspected, by physical or electronic means.	

	Items of Annexes V of the Commission Regulation (EC) No. 809/2004	Page number
1.	PERSONS RESPONSIBLE	
1.1.	All persons responsible for the information given in the prospectus and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.	59
1.2.	A declaration by those responsible for the prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of the prospectus that the information contained in the part of the prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.	59
2.	RISK FACTORS	
2.1.	Prominent disclosure of risk factors that are material to the securities being offered and/or admitted to trading in order to assess the market risk associated with these securities in a section headed "Risk Factors".	49-58
3.	KEY INFORMATION	
3.1.	Interest of natural and legal persons involved in the issue/offer A description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest.	60
3.2.	Reasons for the offer and use of proceeds Reasons for the offer if different from making profit and/or hedging certain risks. Where applicable, disclosure of the estimated total expenses of the issue/offer and the estimated net amount of the proceeds. These expenses and proceeds shall be broken into each principal intended use and presented by order of priority of such uses. If the issuer is aware that the anticipated proceeds will not be sufficient to fund all the proposed uses, state the amount and sources of other funds needed.	61
4.	INFORMATION CONCERNING THE SECURITIES TO BE OFFERED/ADMITTED TO TRADING	
4.1.	A description of the type and the class of the securities being offered and/or admitted to trading, including the ISIN (International Security Identification Number) or other such security identification code.	63-64
4.2.	Legislation under which the securities have been created.	71-72
4.3.	An indication of whether the securities are in registered form or bearer form and whether the securities are in certificated form or book-entry form. In the latter case, name and address of the entity in charge of keeping the records.	63
4.4.	Currency of the securities issue.	64
4.5.	Ranking of the securities being offered and/or admitted to trading, including summaries of any clauses that are intended to affect ranking or subordinate the security to any present or future liabilities of the issuer	64
4.6.	A description of the rights attached to the securities, including any limitations of those rights, and procedure for the exercise of those rights.	63-72

4.7.	The nominal interest rate and provisions relating to interest payable. ▪ The date from which interest becomes payable and the due dates for interest ▪ The time limit on the validity of claims to interest and repayment of principal Where the rate is not fixed, description of the underlying on which it is based and of the method used to relate the two and an indication where information about the past and the further performance of the underlying and its volatility can be obtained. - A description of any market disruption or settlement disruption events that affect the underlying - Adjustment rules with relation to events concerning the underlying - Name of the calculation agent If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident.	64-65
4.8.	Maturity date and arrangements for the amortization of the loan, including the repayment procedures. Where advance amortization is contemplated, on the initiative of the issuer or of the holder, it shall be described, stipulating amortization terms and conditions.	65
4.9.	An indication of yield. Describe the method whereby that yield is calculated in summary form.	73
4.10.	Representation of debt security holders including an identification of the organisation representing the investors and provisions applying to such representation. Indication of where the public may have access to the contracts relating to these forms of representation	69
4.11.	In the case of new issues, a statement of the resolutions, authorisations and approvals by virtue of which the securities have been or will be created and/or issued.	N/A
4.12.	In the case of new issues, the expected issue date of the securities.	N/A
4.13.	A description of any restrictions on the free transferability of the securities.	63
4.14.	In respect of the country of registered office of the issuer and the country(ies) where the offer being made or admission to trading is being sought: - Information on taxes on the income from the securities withheld at source; - Indication as to whether the issuer assumes responsibility for the withholding of taxes at the source.	101-104
5.	TERMS AND CONDITIONS OF THE OFFER	
5.1.	Conditions, offer statistics, expected timetable and action required to apply for the offer	
5.1.1.	Conditions to which the offer is subject	N/A
5.1.2.	Total amount of the issue/offer; if the amount is not fixed, of the arrangements and time for announcing to the public the definitive amount of the offer.	63 and 74
5.1.3.	The time period, including any possible amendments, during which the offer will be open and description of the application process.	73

5.1.4.	A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.	74
5.1.5.	Details of the minimum and/or maximum amount of application, (whether in number of securities or aggregate amount to invest).	63
5.1.6.	Method and time limits for paying up the securities and for delivery of the securities.	75
5.1.7.	A full description of the manner and date in which results of the offer are to be made public.	75
5.1.8.	The procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised.	N/A
5.2.	Plan of distribution and allotment	
5.2.1.	The various categories of potential investors to which the securities are offered. If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche.	63
5.2.2.	Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made.	74
5.3.	Pricing	
5.3.1.	An indication of the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure. Indicate the amount of any expenses and taxes specifically charged to the subscriber or purchaser.	73-74
5.4.	Placing and Underwriting	
5.4.1.	Name and address of the co-ordinator(s) of the global offer and of single parts of the offer and, to the extend known to the issuer or to the offeror, of the placers in the various countries where the offer takes place.	61-62
5.4.2.	Name and address of any paying agents and depository agents in each country.	N/A
5.4.3.	Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under "best efforts" arrangements. Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Indication of the overall amount of the underwriting commission and of the placing commission.	64
5.4.4.	When the underwriting agreement has been or will be reached.	N/A
6.	ADMISSION TO TRADING AND DEALING ARRANGEMENTS	
6.1.	An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question. This circumstance must be mentioned, without creating the impression that the admission to trading will necessarily be approved. If known, give the earliest dates on which the securities will be admitted to trading.	66
6.2.	All the regulated markets or equivalent markets on which, to the knowledge of the issuer, securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.	Final Terms
6.3.	Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment.	N/A
7.	ADDITIONAL INFORMATION	
7.1.	If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted.	60

7.2.	An indication of other information in the Securities Note which has been audited or reviewed by statutory auditors and where auditors have produced a report. Reproduction of the report or, with permission of the competent authority, a summary of the report.	N/A
7.3.	Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of the Securities Note.	61
7.4.	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information.	61
7.5.	Credit ratings assigned to an issuer or its debt securities at the request or with the cooperation of the issuer in the rating process. A brief explanation of the meaning of the ratings if this has previously been published by the rating provider.	60

APPENDICES

JSC DEVELOPMENT FINANCE INSTITUTION ALTUM

Annual report of the Group for the period from 1 January 2015 to 31 December 2015 (the 2nd reporting period)

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JSC DEVLOPMENT FINANCE INSTITUTION
REPORT OF THE BOARD OF DIRECTORS OF THE GROUP

Activity during reporting period

The group of companies forming the joint stock company Development Finance Institution (hereinafter referred to as the Group) is a group of development finance institutions that promotes economic development of Latvia by providing the state aid in an efficient and professional manner:

- within the framework of specific state aid programmes;
- to the target groups;
- through financial instruments (loans, guarantees, investments in venture capital funds, grants;
- and implementing also other, state-delegated functions.

From 1 January 2015 to 15 April 2015 the Group included:

- the leading company – JSC Development Finance Institution and its subsidiaries:
- state-owned JSC Latvian Development Finance Institution Altum;
- limited liability company Latvian Guarantee Agency (hereinafter – LGA);
- state-owned JSC Rural Development Fund (hereinafter – RDF).

JSC Development Finance Institution was 100% holder of the shares and capital shares of the subsidiaries.

On 15 April 2015, as part of establishing a single development finance institution, the state-owned joint stock company Latvian Development Finance Institution Altum, LGA and RDF were merged into the joint stock company Development Finance Institution and ceased to exist without a liquidation process. All the rights and obligations of the subsidiaries were transferred to the joint stock company Development Finance Institution.

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

During the reporting period the mission, vision and values of the Group were defined.

The mission of the Group is:

We help Latvia to thrive!

The main values of the Group are:

- excellence;
- team-work;
- responsibility.

The role of the Group in the financial market is to:

- complement the financial market;
- fill in market gaps and rectify failures;
- operate, as delegated by the state, in the defined areas and segments;
- implement the programmes jointly with private market participants.
-

The vision of the Group is:
Co-operation partner and financial expert in the development of the national economy.

On 30 October 2014, to provide for an efficient operation of the development finance institution when implementing the state aid programmes and pursuing the state policy in the national economy, the Parliament of the Republic of Latvia adopted the Development Finance Institution Law.

As of 1 March 2015, when the Development Finance Institution Law came into effect, the structure of the Group's shareholders was changed. The Ministry of Finance holds 40% of the Group's shares, the Ministry of Economics and Ministry of Agriculture - 30% each.

In the process of reorganisation, continuity of the state aid programmes implemented by state-owned JSC Latvian Development Finance Institution Altum, LGA and RDF was ensured and new programmes were developed in co-operation with the line ministries in charge.

REPORT OF THE BOARD OF DIRECTORS (continued)

Upon completion of the reorganization the Group, being a single development finance institution, continues to implement the government-approved state aid programmes and work at development of new programmes in co-operation with the line ministries. As at 31 December 2015 the Group's books and records hold a portfolio of financial instruments granted within the state aid programmes for the total value of EUR 371.5 mln made up of 8,901 projects, including:

- net loan portfolio of EUR 201.5 mln, the total number of transactions – 6 573;
- guarantee portfolio of EUR 131.1 mln, the total number of transactions – 2 070;
- investments in venture capital funds for the total net value of EUR 42.1 mln, the total number of projects financed by funds – 258.

In February 2015 the Company started to implement the Housing Guarantee Programme. In year 2015 there were 1,176 guarantees issued for EUR 7.220 mln.

On 1 July 2015 the Land Fund administered by the Group was put into action. In year 2015 the Land Fund purchased 39 properties with the total land area of 560 ha for EUR 990 thsd.

The profit of the Group made during 12 months of 2015 amounted to EUR 8.5 mln.

Concerning accounting for fair value of guarantees and investments in venture capital funds the Group's financial statements for year 2015 use methods and models different from those applied to the financial statements of the reorganized companies. According to the due diligence conducted in line with the International Financial Reporting Standards, the new methods and models are suitable for accounting for the operations of the Group that provides state aid through financial instruments.

Application of adequate accounting methods has eliminated non-compliance of the accounting policy to the International Financial Reporting Standards that originated due to the accounting being organised in line with the national legislation, especially as regards reorganisation changes when the Group took over LGA liabilities for the issued guarantees and investments in venture capital funds.

The above changes to the accounting methods and models resulted in adjustments to the initially established reorganisation reserve, compliance with the International Financial Reporting Standards, increased implementation transparency of the state aid programmes and improved understanding of the results of these programmes.

In year 2015 the Council approved a new composition of the Board of the Group: Inese Zīle, Reinis Bērziņš, Jēkabs Krieviņš, Juris Vaskāns, Rolands Paņko. Reinis Bērziņš was elected the Chairman of the Board. The new, expanded composition of the Board assumed office on 12 October 2015.

Future Outlook

Based on the market gap analysis the Group will keep developing and implementing new state aid programmes in co-operation with the ministries in charge.

The Group is an implementing body of the fund of funds. At the level of the fund of funds the total funding available from the European Regional Development Fund is estimated at EUR 126 mln. The financial instruments financed by the fund of funds will have more financing attracted from the Group's resources or reflows of the programmes of the previous programming periods as well as funds of the financial intermediaries, as stipulated by financial instruments' state aid programmes.

REPORT OF THE BOARD OF DIRECTORS (continued)

The Group will be the implementing body for the Energy Efficiency Programme of Multi-apartment Buildings. The total public funding (ERDF and state budget) of the programme is estimated at EUR 166 mln. In addition to that, the funding of the Group and loans will be used.

Reinis Bērziņš
Chairman of the Board

27 May 2016

SUPERVISORY COUNCIL AND BOARD OF DIRECTORS

Supervisory Council

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

Name, surname	*Position*	*Date appointed*
Līga Kļaviņa	Chairperson of the Council	19/12/2013
Jānis Šnore	Council Member	19/12/2013
Gatis Sniedziņš	Council Member	19/12/2013

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

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

Name, surname	*Position*	*Date appointed / removed*
Reinis Bērziņš	Chairman of the Board	12/10/2015 – to date
Rolands Paņko	Board Member	15/04/2014 – 12/10/2015 - Chairman of the Board; 12/10/2015 – to date – Board Member
Jēkabs Krieviņš	Board Member	12/10/2015 - to date
Juris Vaskāns	Board Member	12/10/2015 - to date
Inese Zīle	Board Member	12.10.2015. - to date
Ivars Golsts	Board Member	09/04/2014 – 23/01/2015
Aivis Ābele	Board Member	09/04/2014 – 23/01/2015

STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT

Riga 27 May 2016

The management of the Group (Management) is responsible for preparing the financial statements from the books of prime entry for each financial period that present fairly the state of affairs of the Group as at the end of the financial period and the results of their operations and cash flows for that period according to the International Financial Reporting Standards as adopted by the European Union. The judgments and estimates made by the Management in the preparation of the financial statements have been prudent and reasonable.

The Management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements on pages 8 to 65 for the period from 1 January 2015 to 31 December 2015. The Management also confirms that applicable International Financial Reporting Standards, as adopted in the EU, have been used in preparation of the financial statements of the Group and that these financial statements have been prepared on a going concern basis.

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

Reinis Bērziņš
Chairman of the Board

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INDEPENDENT AUDITORS' REPORT

To the shareholders of JSC Development Finance Institution ALTUM

Report on the financial statements

We have audited the accompanying consolidated financial statements of JSC Development Finance Institution ALTUM and its subsidiaries (the "Group"), which are set out on pages 8 through 64 of the accompanying 2015 Annual Report, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the management report for the year ended 31 December 2015 (set out on pages 2 through 4 of the accompanying 2015 Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2015.

SIA Ernst & Young Baltic
Licence No. 17

Diāna Krišjāne
Chairperson of the Board
Latvian Certified Auditor
Certificate No. 124

Riga, 27 May 2016

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

	Notes	01/01/2015 - 31/12/2015	27/12/2013- 31/12/2014 Adjusted
Interest income	4	18,610	5,143
Interest expense	5	(2,342)	(1,195)
Net interest income		**16,268**	**3,948**
Fee and commission income	6	703	464
Fee and commission expense	7	(552)	(545)
Net income from fees and commissions		**151**	**(81)**
Net trading income	8	983	412
Revaluation result on investments in venture capital funds	18	1,543	(980)
Other income	9	7,294	1,482
Operating profit		**26,239**	**4,781**
Staff costs	10	(6,679)	(2,690)
Administrative expense	11	(5,129)	(1,859)
Amortisation of intangible assets and depreciation of property, plant and equipment	21, 22	(743)	(287)
Net impairment provisions	12	(5,148)	(2,243)
Profit / (loss) before corporate income tax		**8,540**	**(2,298)**
Corporate income tax	13	-	76
Profit / (loss) for the period		**8,540**	**(2,222)**
Net loss on available for sale investments	34	(1,988)	(305)
Total comprehensive profit / (loss) for the period		6,552	(2,527)

The notes on pages 12 to 65 are an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Board

27 May 2016

STATEMENT OF FINANCIAL POSITION OF GROUP
(all amounts in thousands of euro)

	Notes	31/12/2015	31/12/2014 Adjusted
Assets			
Due from other credit institutions and Treasury	16	46,882	60,245
Investment securities - available for sale	14	88,002	102,536
Investment securities – held to maturity	14	1,541	4,911
Loans	19	201,518	215,770
Investments in venture capital funds	18	42,135	25,342
Deferred expense and accrued income	24	1,561	2,714
Investment property	15	12,247	11,704
Property, plant and equipment	22	4,628	4,822
Intangible assets	21	123	153
Deferred tax asset	13	-	253
Corporate income tax overpaid		523	26
Other assets	23	9,964	6,884
Total assets		**409,124**	**435,360**
Liabilities			
Due to credit institutions	25	67,166	80,208
Derivatives	17	345	1,218
Due to general governments	26	39,561	42,680
Deferred income and accrued expense	30	1,664	1,500
Provisions	28	17,327	14,760
Support programme funding	27	54,174	84,956
State aid	27	16,166	9,477
Other liabilities	29	8,791	4,737
Total liabilities		**205,194**	**239,536**
Capital and reserves			
Share capital	31	204,862	204,862
Reserves	20	(15,875)	(17,429)
Available for sale reserve	34	8,625	10,613
Profit / (loss) for the period		6,318	(2,222)
Capital and reserves of the Group's shareholders		**203,930**	**195,824**
Minority shareholders			-
Total capital and reserves		**203,930.**	**195,824**
Total liabilities		**409,124**	**435,360**

The notes on pages 12 to 65 are an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Board

27 May 2016

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

	Share capital	Reserves	Available for sale reserve	Retained earnings	Total capital
As at 27 December 2013	-	-	-	-	-
Issue of share capital	569	-	-	-	**569**
Increase of share capital	204,293	-	-	-	**204,293**
Reserve capital (see Note 20)	-	(17,429)	10,918	-	**(6,511)**
Other comprehensive (loss) (see Note 34)	-	-	(305)	-	**(305)**
Losses for the period	-	-	-	(2,222)	**(2,222)**
Total losses for the period	**-**	**-**	**(305)**	**(2,222)**	**(2,527)**
As at 31 December 2014	**204,862**	**(17,429)**	**10,613**	**(2,222)**	**195,824**
Changes to increase of reserve capital (see Note 20)	-	(81)	-	-	**(81)**
Increase of reserve capital (see Note 20)	-	1,635	-	-	**1,635**
Other comprehensive (loss)	-	-	(1,988)	-	**(1,988)**
Profit for the period	-	-	-	8,540	**8,540**
Total profit / (loss) for the period	**-**	**-**	**(1,988)**	**8,540**	**6,552**
As at 31 December 2015	**204,862**	**(15,875)**	**8,625**	**6,318**	**203,930**

The notes on pages 12 to 65 are an integral part of these financial statements.

CASH FLOW STATEMENT OF GROUP (all amounts in thousands of euro)

	Notes	**01/01/2015-31/12/2015**	**27/12/2013-31/12/2014**
Profit / (loss) before taxes		8,540	(2,222)
Amortisation of intangible assets and depreciation of property, plant and equipment	20, 21	564	287
Increase in provisions for impairment	12	5,148	2,243
Revaluation of investments in venture capital funds		(1,543)	(980)
Increase in deferred income and accrued expense		164	538
Increase in deferred expense and accrued income		1,153	6,030
Decrease / (increase) of other assets		(5,075)	2,999
Increase in other liabilities		(33,167)	22,777
Decrease of cash and cash equivalents used before changes in assets and liabilities		**(24,216)**	**31,672**
Due from credit institutions (increase)/decrease		7,064	(10,230)
Decrease of loans		13,057	10,008
Due to credit institutions increase / (decrease)		(3,119)	(33,029)
Corporate income tax		-	(37)
Net cash flow from operating activities		**(7,214)**	**(1,616)**
Cash flows from investment activities			
Sale of investment securities, net		18,099	7,640
Acquisition of property, plant and equipment and intangible assets		(340)	(160)
Purchase of investment properties		(991)	-
Investments in venture capital funds, net		(17,488)	(5,283)
Net cash flow of investment activities		**(720)**	**2,197**
Cash flows from financing activities			
Increase in share capital		1,635	569
Net cash flow from financing activities		**1,635**	**569**
Acquired through reorganisation process		**-**	**48,865**
Increase in cash and cash equivalents		**(6,299)**	50,015
Cash and cash equivalents at the beginning of period		50,015	-
Cash and cash equivalents at the end of period	33	**43,716**	**50,015**

NOTES TO FINANCIAL STATEMENTS

APPROVAL OF FINANCIAL STATEMENTS

The management of the Group has approved these financial statements on 27 May 2016. The Commercial Law of the Republic of Latvia as well as Development Finance Institution Law stipulates that the shareholders' meeting is entitled to pass a decision on approval of the financial statements. The shareholders of the Group have the power to amend the financial statements after issue.

1 GENERAL INFORMATION

(1) Background information

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

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

The establishment of the integrated Development Finance Institution was accomplished in two stages. The first stage was the transferring of the equity of RDF, LGA and ALTUM to the Company, thus establishing a group of development finance institutions (hereinafter – Group). This stage was accomplished successfully on 11 September 2014, when all shares of ALTUM, LGA and RDF were invested in the equity capital of the Company as investment in kind
The second stage encompassed reorganization of the Company, ALTUM, LGA and RDF thus establishing an integrated development finance institution. For this purpose, on 28 October 2014, ALTUM, LGA and RDF signed a reorganization agreement on merging these companies with JSC Development Finance Institution.
This stage was successfully completed by registration with the Enterprise Register of the Republic of Latvia on 15 April 2015. As a result, ALTUM, LGA, RDF and Company's accounting records were merged on 1 April 2015. The newly established integrated development finance institution will implement the existing state aid programmes and financial instruments of ALTUM, LGA and RDF and, together with policy makers, develop new programmes and financial instruments.

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

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

2 ACCOUNTING POLICIES

(1) Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union, on a going concern basis. In preparation of the financial statements on a going concern basis the management considered the Group's financial position, access to financial resources and analysed the impact of the external factors on future operations of the Group.

The financial statements are prepared under the historical cost convention as modified by the fair valuation of financial assets held as available-for-sale, trading securities, derivative financial instruments and investment properties.
The preparation of financial statements in accordance with the general accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and valuation of the off—balance items at the date of the financial statements and the reported amounts of revenues and expenses recognized during the reporting period. Although these estimates are based on the Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2 ACCOUNTING POLICIES (continued)

NOTES TO FINANCIAL STATEMENTS

(1) Basis of preparation (continued)

In the financial statements the amounts are given in thousands of euros, unless specified otherwise. The functional currency of the Group has been the euro.

(2) Consolidation and investments in subsidiaries

Consolidation

The subsidiaries where the Group has direct or indirect control over the financial and operational policies and whose operational volumes are substantial have been consolidated in these statements by merging the respective assets, liabilities, income and expense items.

The consolidated financial statement doesn't contain the mutual balances and transactions presented in the profit or loss statement of the consolidated companies forming the Group, inter alia interest income and expense and unrealised profit and loss on reciprocal transactions. Where necessary, the accounting policies of the subsidiaries were altered to comply with the policies adopted by Group.

When purchasing or investing of the subsidiary's shares was done among the parties controlled by the same entity or entities, the difference between the investments in the subsidiary's equity in the Group's unconsolidated financial statement and subsidiary's net asset value at the acquisition date was recognised straight into the consolidated equity capital as Reserve capital.

Reorganisation

When merging the accounting of LGA, RDF and Altum, the Company relied on the audited financial closing statements of the financial position as at 31 March 2015. The statements of financial position and comprehensive income of LGA, RDF and ALTUM closing financial statements are available under Note 43 to this report.

When the accounting policies used by LGA, RDF and ALTUM differed from the Company's accounting policy, the accounting policy of the Company was applied.

The acquisition method for business combinations, as described in IFRS 3, was not applied. The Group has not reviewed the comparative financial data of a comparable period before acquisition of control.

Investments in associates

Associates are all entities over which the Company has significant influence but no control. The investments in associates are accounted for using the equity method.

(3) Foreign currency translation

During the reporting period the transactions in foreign currencies were converted into euro based on the foreign exchange rate of the European Central Bank effective on the day of the transaction. The monetary assets and liabilities as well as off-balance sheet claims and foreign currency liabilities were converted in euro based on the foreign exchange rate of the European Central Bank effective at the end of the reporting period. Income or loss on foreign exchange rate fluctuations was included in the statement of comprehensive income of the reporting period.

The applicable rates for the principal currencies at the end of the reporting period were the following:

As at 31 December 2015:
1 USD = EUR 1.08870
1 GBP = EUR 0.73395
1 CHF = EUR 1.08350
1 NOK = EUR 9.60300

2 ACCOUNTING POLICIES (continued)

(4) Income and expense recognition

NOTES TO FINANCIAL STATEMENTS

Income and expense accounting of the Group is based on accrual basis and the principle of prudency, i.e.:

- income and expense, pertaining to the reporting period, are included in the statement of comprehensive income regardless of the day of their receipt or settlement;
- income is included in the statement of comprehensive income, when obtained, or there is no doubt about receiving it on the expected time, and expense is accounted as soon as there is evidence clearly indicating the occurrence of expense.

Income and expense in foreign currency are measured and presented in euro based on the foreign exchange rate of the European Central Bank on the respective day.

Income and expense due to exchange rate fluctuations are recognised in the profit or loss of the reporting period.

Any material income and expense are recognised in profit or loss on an accrual basis using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability based on allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, including any transaction costs and all other premiums or discounts.

Interest accrued on loans is included in profit or loss based on the following complementary principles:

- interest accrual calculation uses various day accounting methods, specified in agreements with customers (30/360 or actual days / 360);
- when loan is more than 90 days past due, the interest accrued past 90 days is presented in the off-balance sheet, rather than recognised in the statement of financial position and profit or loss. The management considers that after 90 days the financial standing of the borrower becomes uncertain and, based on the principle of prudency, believes that receipt of interest income after 90 days is unlikely. Also the lending institutions of Latvia adhere to a similar principle.

The following principles are applied with respect to contractual penalties (late payment charge):

- contractual penalties are calculated for each day;
- included in the profit or loss only when being paid by the customer;
- subject to grace days – i.e., if customer pays the entire amount in full within 3 days after the scheduled payment date, contractual penalties are not calculated.

Commissions from advancing loans and their management are included in profit or loss based on the following principles:

- loan processing and disbursement commissions (including loan application fee) together with related direct costs – straight line over the loan term;
- other commissions (loan account management, amendment of terms, reservation fee, etc.) – are recognised on an accrual basis.

Commissions from granting and maintenance of financial guarantees are included in the profit or loss following the principles below:

- commissions from granted financial guarantees – according to principles described in Note 2 (21);
- other commissions – are recognised on an accrual basis.

Other commission income and expense, which are not related to financial guarantees, are recognized in the profit or loss on the day of the underlying transaction.

2 ACCOUNTING POLICIES (continued)

(5) Financial instruments - initial recognition and subsequent measurement

(i) Date of recognition

NOTES TO FINANCIAL STATEMENTS

Purchase and sale of trading securities and investment securities that require delivery within the time frame established by regulation or market convention ("regular way" purchase and sale), are recognised on the settlement date, which is the date, when the asset is delivered or given to the Group. Any change in the fair value of the asset during the period between the purchase date and settlement date is recognised in the profit or loss or statement of other comprehensive income, as appropriate. Otherwise, such transactions are treated as derivatives until the settlement time.

(ii) Initial measurement of financial instruments

Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions for the same instrument.

(iii) Trading and investment securities

Trading and investment securities are comprised of the following categories:

- *Trading securities* comprise debt securities and listed equity shares held by the Group for trading purposes with an aim to profit from short-term price fluctuations. They are accounted for at fair value and all gains and losses arising from revaluation or trading are included in the profit or loss as part of net trading income.
- *Investment securities available-for-sale* comprise treasury bills and other debt securities held by the Group for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates. They are stated at fair value with all gains and losses from revaluation recognised in the other comprehensive income, except for impairment losses, which are recognized in the profit or loss. The cumulative change recognised as other income, which is not included in the profit or loss, is presented as Available for sale reserve under equity. The Group reviews its debt securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires estimates similar to those applied to the individual assessment of loans and advances. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price fluctuations and duration and extent to which the fair value of an investment is less than its cost.
- *Investment securities held-to-maturity* comprises debt securities with fixed or determinable payments and fixed maturities that the Group has a positive intention and ability to hold to maturity. They are carried at amortised cost, that is calculated based on the purchase price of the securities adjusted by discount or premium amortised over the term of the securities, using the effective interest rate method. If the Group was to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity, the entire category would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(5) Financial instruments - initial recognition and subsequent measurement (continued)

(iv) Investment in venture capital funds

The Group has significant influence over the venture capital funds in which it participates. The Group's investments in venture capital funds are treated as associates. An associate is a company in which the Group has significant influence. Significant influence is defined as the power to affect the financial and operating policy decisions of the investee without entitlement to control any such policies. Significance of influence is classified based on similar parameters that are applied to the branches. The Group's investments in an associate are initially recognised at acquisition cost using the equity method. The carrying value of the investment is adjusted to recognise changes in the Group's net assets in the associate since acquisition date. Associate-related goodwill risk is included in the carrying value of investment without verifying impairment. The profit or loss shows the Group's share in the operational results of the associate. Changes to the investees' other comprehensive income are presented as part of the Group's other comprehensive income.

Moreover, if the changes have been recognised directly in the capital of the associate, the Group, if required, recognises its share of changes in the statement of changes in equity. The unrealised gains and losses on transactions between the Group and associate are eliminated in proportion to the equity share in the associate. The financial statements of the associate and Group cover the same reporting period. Adjustments are made, if necessary, to co-ordinate the accounting policy of the associate with accounting policy of the Group.

Once the equity method has been applied, the Group decides on recognition of impairment of the investments in the associate. On the reporting dates the Group establishes whether there is an impartial evidence of impairment of the investments in the associate.

The Group makes sure that the venture capital fund has a business plan for the investment or other supporting and sufficient information confirming that the recoverable amount is not below the carrying value. Based on the available information, the Company subsequently establishes whether the operations of the enterprise proceed as planned (for example, if losses are earmarked in the estimated cash flows for the first years, it has to be verified that the actual losses are not significantly higher and that operational results meet the proposed targets). Should materially adverse differences be identified in the actual operations, the Group has to establish whether the venture capital fund possesses adequate supporting information confirming that the investment is not facing value impairment. The Group has to decide whether, for example, deviations may result in the investee's inability to achieve the planned results. The fact that the actual cash flows tally with the estimated indicates an absence of value impairment of the investment. The actual cash flows used for making of the estimates are assessed by comparing them with the available financial statements. If the recoverable amount of the venture capital fund investment has been established based on the discounted cash flow calculation, the calculation and supporting data are verified.

If the impairment test is prepared by a third party, the Group checks that the assessment has not been done more than a year ago.

Should another method be used, the Group checks on the substantiation of the choice of the method provided by the fund's manager, data and indicators used.

If there is evidence of value impairment, the Group calculates impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the loss in the profit or loss calculation.

The management fees of the venture capital funds referring to the reporting period (previous periods) are treated as received service and included in the profit or loss calculation.

As foreseen by the new wording of the agreement No 2015/15 On Implementation of the Holding Fund dated 23 December 2015 concluded between the Group and Ministry of Economics, the Group is reimbursed from the funding of the Ministry of Economics for the following:

- management fees of the financial intermediaries for implementation of the financial engineering instruments;
- value impairment of the investments of the financial engineering instruments due to valuation or revaluation.

The above risk cover mechanism is valid only for the second and third 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 and Expansion Capital Fund (Note 18).

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(5) Financial instruments - initial recognition and subsequent measurement (continued)

(v) Loans and receivables

For purposes of this section, loans are:

- direct lending products, i.e., the Group grants a loan to a borrower, who is the end beneficiary of funds;
- indirect lending products without assuming risk, i.e., the Group grants a loan to a borrower, who is an intermediary. The intermediary then grants the received loan further to borrowers, who are the end beneficiaries of funds. The Group recognizes loan impairment loss only when resulting from solvency problems of the intermediary;
- indirect lending products with risk assumption, i.e., the Group grants a loan to a borrower, who is an intermediary. The intermediary then grants the received loan further to borrowers, who are the end beneficiaries of funds. The Group recognizes loan impairment loss both when resulting from solvency problems of the intermediary, as well as when resulting from solvency problems of the end beneficiary, proportionate to the share of risk.

The loans granted to customers are accounted for as loans. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables initially are recognised at fair value and subsequently at amortised cost.

The loans and receivables are recognised in the financial statements of the Group when cash is advanced to borrowers. Granted, but not yet disbursed loans are recognised as off-balance sheet liabilities.

Management considers risks for all loans to determine the provision for loan impairment and possible losses. Provisions for individual loan impairment are established if there is objective evidence that it will not be possible to collect all amounts due according to the original contractual terms of the loan. The amount of the provision is the difference between the carrying amount and the recoverable amount, being determined as the present value of expected cash flows, including amounts recoverable from guarantees and collateral. Impairment losses are recognised through an allowance account.

In addition to provisions for individual loans, provisions for homogeneous groups of loans based on similarities of credit risk involved, loan size, quality and loan terms are also established. The provisions for loan impairment losses for the loans included in homogeneous groups have been estimated based upon historical patterns of losses in each group, including the historic pattern of timeliness of payments, the extent of losses and current economic climate in which the borrowers operate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account, and recognized in the profit or loss as decrease in the provision for impairment loss.

The methodology and assumptions used to determine the provision for loan impairment and possible losses are reviewed regularly to eliminate any differences between loss estimates and actual loss experience.

When a loan or receivable is not recoverable, it is written off against the pre-arranged provisions for loan or receivable impairment, further recovery of this loan or receivable is stated as earnings in the profit or loss.

When the Group has doubts about receipt of interest income on loans in due time, provisions are built for the accrued interest income.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(5) Financial instruments - initial recognition and subsequent measurement (continued)

(vi) Due from other credit institutions and Treasury

Amounts due from other credit institutions and Treasury are recorded when the Group advances money to a credit institution with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from credit instructions are carried at amortised cost.

(vii) Derivative financial instruments

Derivative financial instruments including foreign currency swaps are initially recognised at fair value and subsequently measured at their fair value. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate. All derivatives are carried as assets when their fair value is positive and liabilities when the fair value is negative. Changes in the fair value of derivatives are reported in the profit or loss. The Group does not use hedge accounting.

(viii) Financial liabilities carried at amortised cost

Financial liabilities carried at amortised cost are mainly amounts due to the Treasury and credit institutions. These are initially recognised at cost, less the repaid principal and adding back any difference between net proceeds and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method, less any impairment. In cases of early repayment, any difference between the refunded and carried amounts is immediately included in the profit or loss.

(6) Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

(7) Fair values of financial assets and liabilities

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Fair values of financial assets and liabilities, including derivative financial instruments, are based on market prices quoted in active markets.

If the market for a financial asset or liability (and for unlisted securities) is not active, the Group establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis, option pricing models and recent comparative transactions as appropriate. Where, in the opinion of the Management of the Group, the fair values of financial assets and liabilities differ materially from their book values, such fair values are separately disclosed in the notes to the accounts.

The Group measures financial instruments, such as derivatives, and non-financial assets, such as investment properties, at fair value at each balance sheet date. Information about financial instruments and non-financial assets that are measured at fair value or whose fair values are disclosed is summarised in the following notes:

• Disclosures for valuation methods, significant estimates and assumptions	Note 2 (5), (12), (18), (22), (23)
• Quantitative disclosures of fair value measurement hierarchy	Note 37
• Investment property	Note 2 (13)
• Financial instruments (including those carried at amortised cost)	Note 2 (5), (9), (21)

2 ACCOUNTING POLICIES (continued)

NOTES TO FINANCIAL STATEMENTS

(8) Off-setting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

(9) Impairment of financial assets

The Group first assesses whether objective evidence of impairment exists individually for financial assets at amortised cost (such as due from credit institutions, loans and held-to-maturity investments) and assesses whether each individual financial asset should be considered significant. Financial assets are considered impaired, supported by objective evidence, when loss events have occurred and they are highly likely not fully recoverable. Such include overdue financial assets, i.e., that have their regular principal and interest payments past due, as well as financial assets with other defaulted significant agreement terms. Financial assets are not considered impaired when having sufficient collateral, the disposal of which would result in full recovery of the financial asset.

Impaired financial assets that each are considered significant, are assessed individually and are not included in homogenous groups of financial assets for collective assessment of their impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment. For the purposes of a collective evaluation of impairment the loans are grouped on a basis of similar credit risk characteristics.

The cumulative impairment loss - measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate - is reduced through use of an allowance account and the amount of the loss is recognised in the profit and loss. Interest income continues to be accrued on the reduced carrying amount at the interest rate used to discount the future cash flows for the purpose of measuring impairment loss, and is recognised as 'Interest income'. When a loan is uncollectible, it is written off against the related allowances for credit losses; subsequent recoveries, if any, are credited to the profit or loss.

The Group reviews impairment of its financial assets at least once a quarter. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgments as to whether there is any objective indication that the decrease in the estimated future cash flows is possible and measurable before the decrease can be identified with an individual financial asset. The Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and current economic climate in which the borrowers operate. The methodology and assumptions used are reviewed regularly to reduce any differences between impairment loss estimates and actual loss experience. Nevertheless, it is reasonably possible, based on the current experience and existing knowledge that outcomes within the next financial year will differ from the current assumptions, whereby the carrying amount of the asset or liability affected might require a material adjustment.

(i) Available for sale financial instruments

At each balance sheet date the Group assesses whether there is objective evidence that available-for-sale securities are impaired. If any such evidence exists, for available for sale investments the cumulative impairment loss - measured as the difference between the amortised cost of the asset and the current fair value, less any impairment loss previously recognised - is removed from other comprehensive income and recognised in the profit or loss.

Impairment losses recognised in the profit or loss are subsequently reversed if a fair value increase is observed that can be objectively related to an event occurring after the impairment loss was recognised. The assessment of the evidence for impairment and determination of the amount of impairment or its reversal require application of management's judgement and estimates.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(9) Impairment of financial assets (continued)

The Group reviews its debt securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price fluctuations and duration and extent to which the fair value of an investment is less than its cost.

(ii) Restructured loans

Where possible, the Group seeks to restructure loans rather than take possession of collateral. This mostly involves adjusting payments made by a borrower in a manner matching such a borrower's financial capacity (temporarily reducing principal repayments, extending payment terms) and agreement of new loan conditions. Once the terms have been renegotiated and executed a loan is no longer considered non-performing as long as a borrower complies with the renegotiated terms and conditions. Such loans are continuously reviewed to ensure that all criteria are met and that future payments are likely to occur and interest and fee income is accrued and recognised as for other performing loans. If the terms of the financial assets have been reviewed, each restructured loan is assessed quarterly to identify possible impairment that otherwise would be treated as overdue or impaired. When a loan is restructured, it is also assessed for derecognition (See Note 2 (6)).

(10) Intangible assets

Acquired computer software and licences are recognised as intangible assets on the basis of the costs incurred to acquire and bring to use the software. These costs are amortised on the basis of their expected useful lives (5 years). The costs associated with developing or maintaining computer software programs are recognised as an expense when incurred.

(11) Property, plant and equipment and depreciation

All property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided using the straight-line method to write off the cost of each asset to its residual value over the estimated useful life of the asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The annual depreciation rates are as follows:

Category	Depreciation rate
Land and buildings	2% p.a.
Furniture and fittings	10 - 20% p.a.
Computers and equipment	10 - 33% p.a.
Vehicles	17% p.a.
Leasehold improvements	over the term of the lease agreements

Where the recoverable amount of an asset is greater than its estimated recoverable amount, the carrying amount is written down to its recoverable amount. Gains and losses on disposals of property and equipment calculated as a difference between the disposal proceeds and the carrying value are recognised in the profit or loss. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Property, plant and equipment are periodically reviewed for impairment.

2 ACCOUNTING POLICIES (continued)

(12) Impairment of non-financial assets

NOTES TO FINANCIAL STATEMENTS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss. Goodwill impairment losses cannot be reversed over the next reporting periods.

(13) Investment property

Investment property comprises land or buildings, which are held in order to earn rentals or for capital appreciation or both, and which are not occupied by the Group or otherwise held for sale. Property held for the operating lease purposes is classified as investment property if, and only if, it meets the definition of an investment property.

Investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, to any difference in the nature, location or condition of the asset. The fair value of investment property is based on a valuation by an independent and experienced valuator who holds a relevant professional qualification. If this information is not available, the Group uses alternative valuation methods such as discounted cash flow projections. Changes in the fair value of investment property are recorded in the profit or loss as part.

(14) Inventory (included in Other assets)

Inventory includes movable assets, lands and buildings that have been acquired in the debt collecting process and are being held for the purpose to sell in an ordinary course of business. Inventory is reported at the lower of cost or net realizable value. Net realizable value is an estimated selling price during an ordinary course of business of the Group less selling expenses. Depreciation of Inventory is not calculated. Changes in carrying value of Inventory are recognised in the statement of profit or loss. The value of Inventory is measured at least once per year. The inventory consists of properties taken over with an aim to sell them in the near future.

(15) Leases - when the Group is a lessor

The income from operating lease is included in the profit or loss for the duration of the lease contract using the straight-line method and is recognised under item Other operating income.

Lease income is recognized evenly over the term of the lease using the net investment method which reflects a constant periodic rate of return.

Assets under operating leases are recognised as property, plant and equipment at historical cost net of accumulated depreciation. The property, plant and equipment of the Group are used in its ordinary course of business. Depreciation is calculated on a straight-line basis over the estimated useful life of property, plant and equipment to write off the cost of each asset to its estimated residual value that is determined based on useful lives of similar assets of the Group.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(16) Corporate income tax

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with tax legislation of the Republic of Latvia.

Deferred tax is provided in full, using liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax is calculated based on currently enacted tax rates that are expected to apply when the temporary differences reverse. The principal temporary differences arise from different fixed asset depreciation rates, revaluation of investment properties, as well as tax losses carried forward.

Where an overall deferred taxation asset arises, it is only recognised in the financial statements where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(17) Due from other credit institutions and Treasury

Item *Due from other credit institutions and Treasury* comprises cash and demand deposits equivalent to cash with other credit institutions, deposits with other credit institutions with original maturity of 3 months or less (See Note 33),claims against other credit institutions and deposits with other credit institutions with original maturity of more than 3 months.

(18) Provisions

The Group utilises off-balance sheet financial instruments that include granting loans, financial guarantees and commercial letters of credit. Such financial transactions are recorded in the financial statements as of the respective agreement dates.
Provisions for such off-balance sheet financial instruments are recognised when the Group has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Movements in provisions are recognised in the profit or loss.

(19) Vacation reserve

Provisions for employee leaves are recognised on an accrual basis.

The volume of provisions for leaves is calculated, based on the number of leave days earned but unused by the staff members of the Group, and following the principles listed below:

- provisions are built for payment for all unused leave days of staff members;
- the value of one unused leave day is defined as the staff members' average salary per day at the end of the reporting year, plus the appropriate compulsory social insurance contributions;
- movements in provisions are recognised in the profit or loss.

(20) Employee benefits

The Group pays social security contributions for state pension insurance and to the state funded pension scheme in accordance with Latvian legislation. State funded pension scheme is a defined contribution plan under which the Group pays fixed contributions determined by the law and has no legal or constructive obligations to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

(21) Financial guarantees

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.
The Group accounts for the guarantee commissions received in deferred income, to the extent they relate to prepayment for upcoming 12-18 months, and linearly recognizes the income in profit or loss

2 ACCOUNTING POLICIES (continued)

NOTES TO FINANCIAL STATEMENTS

(21) Financial guarantees (continued)

. The difference between the present value of total commissions receivable for the guarantee and market price of those commissions, is recognised as a loss in profit or loss on the day of guarantee issuance, and written off on a straight line basis as commission income over the life of the guarantee.

Under IAS 37, the best estimate of expenditure required to settle the commitment at a balance sheet date is stated as provisions for financial guarantees and is determined in full, when reliable information is obtained about a necessity to settle particular assumed liabilities (for instance, a request to cover an issued guarantee is received).

(22) State aid

The Group implements the state aid programmes by pursuing the government's policy in the national economy and supporting specific branches of the national economy where the market instruments fail to provide the required accessibility of funds or where other aims crucial for development of the economy are not attained.

Now, just as earlier, the implementing body of each state aid programme is identified as a result of selection of applicants. The management of each applicant, including also JSC Development Finance Institution Altum (or any of 3 companies existing before reorganisation and establishment of the Company – state-owned JSC Latvian Development Finance Institution ALTUM, Ltd Latvian Guarantee Agency or state-owned JSC Rural Development Fund), decides to participate in the selection by signing and submitting on behalf of the respective company the project application and business plan for the selection of the implementing body of the specific state aid programme.

The funding of the state aid programmes may be comprised of (i) the following public funding sources –European Union funds, other foreign financial aid, funding from the state budget as well as (ii) own funds of the very implementing body. The conditions for use of the public funding of each state aid programme, including covering of the management expenses and credit risk losses, are stipulated by agreement between the implementing body and the respective line ministry and/or state-owned Central Finance and Contracting Agency. According to IAS 20 this type of state aid granted to the implementing body of the state aid programme is treated as a government grant. When the public funding for implementation of the state aid programmes is given with an interest rate below the effective market rate, the effect of such favourable interest rate is treated by IAS 20 as additional government assistance.

The Group recognises the state aid when there is reasonable assurance of receipt of the government grant and compliance with all the related conditions. According to IAS 20.12 the government grants are recognised on a systematic basis as income over the period necessary to match them with the related costs, for which they are intended to compensate. The Group receives government grants provided it complies with all the grant related conditions and obligations. For this reason the grants are recognised in income and matched with the related expenses for which they are intended to compensate. Thus the Group applies the income method to the recognition of the government grants. The government grants related to assets are carried as deferred income and recognised in income in equal amounts over the useful life of the asset. The additional government assistance of the favourable interest rate is recognised as income during implementation of the state aid programmes.

(23) Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of the assets and liabilities in the next financial year. The estimates and assumptions are evaluated regularly and are based on the historic experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Such estimates are made below:

- ***Impairment losses of loans and advances***. In order to assess impairment allowance, the management needs to make assumptions regarding the estimated cash flows and their timing related to loans. Significant estimates need to be made by the management in relation to value of the collateral of the loans and advances. The management has not significantly changed the estimates during the reporting period;

- ***Impairment of non-financial assets***. The Group has evaluated its non-financial assets for impairment. Given the ongoing reorganisation of the Group, the management has identified that property, plant and

2 ACCOUNTING POLICIES (continued)

(23) Critical accounting estimates and judgements (continued)

NOTES TO FINANCIAL STATEMENTS

equipment and other assets, not within the scope of IAS 39, could be subject to impairment due to uncertainties with the structure of the Group in the future. As this group of assets has been measured as one cash generating unit, the management has assessed the need for impairment by comparing the fair value less cost to sell to the carrying value of the group of assets, except for certain Property, plant and equipment which will not be used in the Group's operations and have been impaired as disclosed in Notes 2 (12), (21), (22).

- ***Impairment allowance for securities held to maturity and available for sale***. The Group performs credit risk evaluation of the issuer of securities on a regular basis for a timely identification of eventual loss events, which might occur due to issuer's default. The Group uses the following criteria for evaluation of quality of securities and building of provisions:
  - changes in credit risk of the issuer of securities since the moment of financial asset procurement, upon evaluation of changes in internal or external international credit ratings;
  - changes in the fair value of the respective security and potential losses, if the respective security would be sold at a market price on a regulated market;
  - changes in estimated future cash flow and date of maturity due to late payments (except for cases when delays were caused by payment system errors) or due to negative changes in creditworthiness of the issuer, bankruptcy, liquidation or reorganization of the issuer.

Such judgments are outlined below:

- ***Classification of venture capital funds***. The Group has significant influence over venture capital funds and the Group's investments in venture capital funds are classified as financial assets being measured in accordance with equity method. The Group has invested in several venture capital funds having ownerships of 20% and 33% in two of the funds and 64%- 100% in rest of them (for more details, please see Note 18). The main reason for the Group to invest in these funds is to implement a public funding function imposed by the government. Despite the high direct investments and ownership above 50% in most of the funds, Altum's ability to exercise its power over the venture capital funds is limited by the terms of the agreements signed between Altum and the fund managers. Altum is forbidden to take part in the management of the Funds' businesses. However, Altum's representatives are present in different bodies of the funds (e.g. Advisory Board, Investment Committee, etc.) granting it a right to approve or reject certain limited transactions and advising the fund manager. Altum doesn't control the funds, but can exercise significant influence over them. Altum is obliged to implement the Investment Fund in line with the business plan and agreement signed with the State. Altum has to monitor the implementation of financing instruments, select financial intermediaries according to legal acts and aim to increase the amount of Investment Fund. The Group could stop the cooperation with the fund managers only in cases when the fund managers cease their operations or illegal actions would be discovered. Under these circumstances, the funds in question would be closed - the liquidation process would be initiated, no new investments would be made or a search for a new fund manager would be initiated through public tender. The selection of a fund manager for implementation of the state aid programmes requires following the legislation on public tenders, as would the change of fund managers. According to the law, the replacement of the fund manager can occur only as a result of reorganization and selection procedure is costly and time-consuming. The disruption of the cooperation with the fund manager would put under threat the implementation of State and EU support programs which is the main goal of the Group given it is a finance development institution. The Group's management considers that the monetary amounts required to change the fund manager are material and substantial (the estimated expenses and penalties for fund manager removal would range from 2.6% to 5.9% of the net investment in the fund) and along with the abovementioned circumstances constitute an obstacle to exercising its power over the venture capital funds.

2 ACCOUNTING POLICIES (continued)

(23) Critical accounting estimates and judgements (continued)

- ***Deferred tax asset.*** Deferred tax assets are recognized in respect to tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgement is required to determine

NOTES TO FINANCIAL STATEMENTS

the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

- ***Agent vs. Principal.*** For the purposes of income recognition in the profit or loss, the Group is considered to act as a *Principal*. The management of the Group believes that the Group is a *Principal* since the loan agreements concluded with the clients entail contractual rights to loan repayments from the borrowers or other beneficiaries of the investments. Moreover, the loan agreements are concluded for full amount of the loan and granted loans are carried as assets in the Group's statement of financial position. The investments made comply with a definition of an asset. The Group is responsible for providing of the service and can affect the interest rate. However, some programmes have been imposed a limit on the interest rates that cannot be exceeded.

  The Group recognises its expenses due to impairment of the loans, guarantees or venture capital funds in profit or loss for the portion of impairment that refers to the Group (ranging from 20% to 50%). The portion of losses that the government reimburses by decreasing the amount of the loan repayable to the government, does not affect the Group's profit or loss as the loan received from the government is debited.

  The Group acts as a *Principal* in all state aid programmes except for the Loan Fund Programme where the Group acts as an *Agent*. In this case the Group is an intermediator and no risk is borne.

  The interest income received on the loans issued from the Loan Fund includes the amounts collected on behalf of and for the benefit of other entities that do not increase the equity capital of the Group and therefore cannot be considered as the Group's income. For this reason, the Group carries as income only that part of the financial resources of the Loan Fund that is used to cover the management costs of the Loan Fund and this amount is included in the profit or loss calculation.

- **Below market rate loans.** The Group implements the state aid programs by pursuing the government's policy in the national economy and supporting small and medium sized entities (SMEs). The funding of the state aid programs may be comprised of the following public funding sources – (i) European Union funds, other foreign financial aid, funding from the state budget as well as (ii) own funds of the very implementing body. The financing received for implementation of the programs, i.e. for issuing loans to SMEs, is interest free. When the public funding for implementation of the state aid programmes is given with an interest rate below the effective market rate, the effect of such favourable interest rate, i.e. the difference between the fair value of the liability and proceeds received is treated as income-generating government grant.

  Although a fraction of the public funding of some of the state aid programmes implemented by Group may include the state budget funds and funds from Group's shareholders, this type of the government grant is not treated as a shareholder's equity contribution since the amount of the public funding earmarked for implementation of the specific state aid programme is received *in the capacity of the implementing body of the specific state aid programme chosen as a result of public selection* and not in the capacity of entity implementing the assignment or instructions of its shareholder.
  For more details on the accounting policy applied, see Note 2 (22). Further details on guarantees are disclosed in Notes 12, 18, 30, 32.

  The funding received from the state can be classified into three categories – equity financing (guarantees, see Notes 2 (22), 12, 18, 30, 32, loans (Notes 26, 27) and grants (state aid, Note 27).

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(24) Adoption of new or revised standards and interpretations and new accounting pronouncements

Standards issued but not yet effective

Adoption of new and/or revised interpretations of the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC)

The following new and/or amended IFRSs have been adopted by the Group as of 1 January 2015:

- Annual Improvements to IFRSs 2011 – 2013 Cycle;
- IFRIC Interpretation 21: Levies.

Annual Improvements to IFRSs 2011 – 2013 Cycle is a collection of amendments to the following IFRSs:

- **IFRS 3 *Business Combinations*:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- **IFRS 13 *Fair value Measurement:*** This improvement clarifies that the scope of the portfolio exception defined in IFRS 13 with regard to a group of financial assets and liabilities, includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- **IAS 40 *Investment property*:** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

IFRIC Interpretation 21 Levies
This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The implementation of this standard had no effect on the financial statements of the Group.

Standards issued but not yet effective
The Group has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective:

Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016)

The **amendments to IAS 1** further encourage the Group to apply professional judgment in determining what information to disclose and how to structure it in its financial statements. The Group has not yet evaluated the impact of the implementation of this standard.

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

The amendments improve information provided to users of financial statements about an entity's financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The implementation of these amendments will not have any impact on the financial position or performance of the Group but may result in changes in disclosures.

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

The amendments clarify how to account for deferred tax assets for unrealized losses on debt instruments measured at fair value. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization* (effective for financial years beginning on or after 1 January 2016)

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(24) Adoption of new or revised standards and interpretations and new accounting pronouncements (continued)

The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of this amendment will have no impact on the financial statements of the Group, as the Group does not use revenue-based depreciation and amortisation methods.

Amendments to IAS 16 ***Property, Plant & Equipment*** **and IAS 41** ***Agriculture: Bearer plants*** (effective for financial years beginning on or after 1 January 2016)
The amendments clarify that bearer plants are to be recognised in accordance with IAS 16 Property, Plant & Equipment and are subject to all the requirements of the standard. The implementation of this amendment will have no impact on the financial statements of the Group, as the Group does not have any bearer plants.

Amendments to IAS 19 ***Employee Benefits*** (effective for financial years beginning on or after 1 February 2015)

The amendments address accounting for the employee contributions to a defined benefit plan. Since the Group's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Group.

Amendments to IAS 27 ***Equity method in separate financial statements*** (effective for financial years beginning on or after 1 January 2016)
The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 11 ***Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations*** (effective for financial years beginning on or after 1 January 2016)
IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group has not yet evaluated the impact of the implementation of this amendment.

IFRS 9 ***Financial Instruments*** (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)
IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 10, IFRS 12 and IAS 27 - ***Investment Entities: Applying the consolidation exception*** (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)
The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The Group has not yet evaluated the impact of the implementation of this amendment.

Amendments to IFRS 10 and IAS 28 – ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** (endorsement deferred indefinitely)
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business and partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The management has evaluated that implementation of this standard will not impact the financial statements of the Group.
This is a temporary standard that provides the first-time IFRS adopters with relief from derecognizing rate-regulated assets and liabilities.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(24) Adoption of new or revised standards and interpretations and new accounting pronouncements

(continued)

IFRS 14 ***Regulatory Deferral Accounts*** (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)
IFRS 14 provides first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The implementation of this standard will not have any impact on the Group.

IFRS 15 ***Revenue from Contracts with Customers*** (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)
IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group has not yet evaluated the impact of the implementation of this amendment.

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

IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The implementation of this standard will not have any impact on the Group.

Improvements to IFRSs
In December 2013 the International Accounting Standards Board (IASB) issued the Annual Improvements to IFRSs 2010 – 2012 Cycle (effective for financial years beginning on or after 1 February 2015):

- IFRS 2 *Share-based Payment*;
- IFRS 3 *Business Combinations*;
- IFRS 8 *Operating Segments;*
- IFRS 13 *Fair Value Measurement;*
- IAS 16 *Property, Plant and Equipment*;
- IAS 24 *Related Party Disclosures;*
- IAS 38 *Intangible Assets.*

In September 2014 IASB issued the Annual Improvements to IFRSs 2012 – 2014 Cycle (effective for financial years beginning on or after 1 January 2016):

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IAS 19 *Employee Benefits*;
- IAS 34 *Interim Financial Reporting.*

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Group.
The Group plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

(25) Changes and adjustments for errors in comparative indicators

The accounting methods of fair value of the guarantee contracts and investments in venture capital funds were changed in the financial statements for year 2015. As a result of in-depth analysis, the methods were aligned with IFRS to improve implementation transparency and understanding of the results of the state aid programmes.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(25) Changes and adjustments for errors in comparative indicators (continued)

The historical cost of guarantee contracts is established using a method that measures the underived income that the Group will not receive on the guarantees that have been issued within the state aid programs at the below-market rates, as stipulated by the provisions of these programs. The underived income includes the underived funds at discounted value calculated as the difference between actual income to be received over the term of the guarantee as per concluded guarantee contracts, and income that would be derived had these guarantees been issued at the market rate. With regard to the underived funds, the Group accumulates provisions for the onerous contracts and recognises this expense in the profit or loss (see Note 2 (21) and Note 28).

In the consolidated financial statements of year 2014 the underived income was calculated based on a different model – discounted value of the receivable premiums and recorded on the balance-sheet under Other assets and Deferred expense and accrued income without impact on the equity capital.

The investments in venture capital funds were presented at fair value in the consolidated financial statements of year 2014. The in-depth analysis concluded that, despite the Group's substantial participation in the equity of the venture capital funds, the Group has no control, but significant influence in these entities. In accordance with IFRS such investments are treated as associates and measured using the equity method (see Note 2 (5) (iv)).

For more information on the accounting methodology of the fair value of the guarantee contracts see Note 2 (21) and for information on the accounting methodology for the investments in venture capital funds see Note 2 (5) (iv).

Impact of the incorrectly applied accounting methodologies was corrected retrospectively that resulted in consequent changes to the balances / turnovers in the financial statements of the previous reporting period.

Details about the adjustments made are available below:

	Notes	Initial amount as at 31/12/2014 (EUR, thsd)	Adjustment (EUR, thsd)	Adjusted amount as at 31/12/2014 (EUR, thsd)
Items adjusted in Financial Position Statement:				
Retained earnings for the period		95	(2,317)	(2,222)
Investments in venture capital funds	Note 18	28,384	(3,042)	25,342
Deferred expense and accrued income	impact from the new guarantee accounting methodology Note 24, the new methodology explained in Note 2 (21)	6,168	(3,454)	2,714
Other assets	error in guarantee accounting methodology Note 23, the new methodology explained in Note 2 (21)	8,730	(1,846)	6,884
Due to general governments	Note 26, reclassification of amount	51,765	(9,085)	42,680
Provisions	impact from the new guarantee accounting methodology, Note 28, the new methodology explained in Note 2 (21)	6,322	8,438	14,760
Support programme funding	Note 27, reclassification of amount	75,871	9,085	84,956
Reserve capital	Note 20	7,952	(25,381)	(17,429)
Revaluation reserve on available-for-sale investments	Note 20, Note 34, reclassification of amount	-	10,613	10,613

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(25) Changes and adjustments for errors in comparative indicators (continued)

	Notes	Opening balance in 2014	Adjustment	Amount of adjustment in 2014
Items adjusted in Comprehensive Income Statement:				
Fee and commission income	Impact from the new guarantee accounting, Note 6, the new methodology explained in Note 2 (21).	477	(13)	464
Fee and commission expense	Reclassification of amount from item *Administrative expense* as well as adjustment of amount by EUR 33 thsd, Note 7.	(145)	(400)	(545)
Revaluation result on investments in venture capital funds	Impact from the equity method, Note 18, the new methodology explained in Note 2 (21).	443	(1,423)	(980)
Administrative expense	Sum total of the item *Administrative expense* was reduced by EUR 443 thsd due to management fees of the venture capital funds. The amount was adjusted to EUR 400 thsd and reclassified to the item *Fee and commission expense* (Note 7). At the same time the sum total of the item *Administrative expense* was increased by EUR 144 thsd due to revaluation of the properties taken over that was reclassified from Note 12 *Provisions for Impairment, net,* Note 11.	(2,158)	299	(1,859)
Provisions for impairment, net	Changes to the item *Provisions for Impairment*: - EUR 144 thsd related to the provisions for value impairment of the taken-over real estate were excluded from this item. The amount was reclassified to *Administrative expense* (Note 11); - the provisions for guarantees were increased from EUR 411 thsd to EUR 1,628 thsd due to the change of the guarantee accounting methodology (see the new methodology in Note 2 (21)); - the item was supplemented by EUR 229 thsd due to value impairment of the venture capital funds (see Note 18). The item *Release of impairment expense* was increased under sub-item *Guarantees* from EUR 1,002 thsd to EUR 1,528 thsd. The difference of EUR 526 thsd is due to the change of the guarantee accounting methodology (the new methodology explained in Note 2 (21)).	(1,463)	(780)	(2,243)

NOTES TO FINANCIAL STATEMENTS

3 RISK MANAGEMENT

For risk management, the Group has developed a risk management system that takes into account its size, structure and operational characteristics as well as restricted options for management of certain risks. The Group manages the risks affecting its operations in compliance with the risk management internal regulatory documents approved by the Group that detail and establish the aggregate of measures used in management of the risks inherent to its operations.

The following major risk management principles are followed:

- risk management is a component of every-day functions;
- the Group identifies and assesses the probable risks before launching of new products or services;
- while assuming the risks the companies forming the Group are capable of long-term pursuit of the delegated aims and assignments;
- the Group does not enter into transactions, operations, etc. entailing risks that endanger its operational stability or may result in substantial damage to its reputation.

In its risk management the Group makes use of various risk analysis methods and instruments as well as establishes risk limits and restrictions.

The major risks that the Group is exposed to are: credit, liquidity and operational risks.

Credit Risk

The credit risk is a risk that a customer or cooperation partner of the Group is unable or unwilling to meet its liabilities towards the Group in full and within the established term. Since the Group is delegated implementation of the state aid programmes, it is mainly exposed to credit risk through its lending, guarantees to the third parties and other off-balance liabilities towards the third parties. The Group is also subject to the credit risk due to its investment activities.

The key principle of credit risk management in the Group is the ability of the customers or cooperation partners to meet their liabilities towards the Group, which is achieved by assessment of the customer and co-operation partner prior to transaction, as well as further continuous monitoring and evaluation. The Group reduces its exposure to credit risk by securing a pledge or other collateral adequate to the risk transaction and provisions of the target programme.

Within the framework of credit risk management, the Group has set risk limits for transactions, which includes decision-making limits; in the event of significant risks being involved the decisions are made by credit committees or boards of directors of the companies.

The analysis of the assets and off-balance sheet liabilities subject to the credit risk is outlined in Note 36 to the financial statements.

Liquidity Risk

The liquidity risk entails the risk that the Group might fail to meet legally valid claims of its customers and other creditors in due time and that, in case of necessity, the resources might not be available to it on the market, and/or it might be unable to dispose of positions (for example, sell the assets) without considerable losses and in a short period of time.

The goal of liquidity risk management is to provide adequate liquidity in normal operating environment as well as stress situations without material expenses or losses. The Group maintains liquid assets sufficient for meeting its liabilities at all times.

The Group performs the term structure assessment of its assets and liabilities to evaluate the liquidity risk, as well as cash flow analysis whereby the volume of minimum required liquid assets is established.

Note 38 to the financial statements provides data on the Group's assets and liabilities by maturity profile.

NOTES TO FINANCIAL STATEMENTS

Operational Risk

The operational risk results from intentional or unintentional deviations from the standards adopted in daily operation of the Group, for example human mistake or fraud, malfunction of information systems, insufficient control procedures or their ignorance altogether, etc.

The goal of the operational risk management is timely identification of the potential operational risks and implementation of countermeasures to minimize the effect of operational risk on the Group's financials as much as possible and maintain the Group's operational continuity. The Group achieves the established goal via identification of operational risk causes and taking preventive and corrective measures to eliminate them.

NOTES TO FINANCIAL STATEMENTS

4 INTEREST INCOME

	01/01/2015 - 31/12/2015	27/12/2013 - 31/12/2014
Interest income:		
- interest on balances due from credit institutions	142	102
- interest on loans and guarantees	11,314	3,496
including on impaired loans (see Note 19)	*1 076*	*366*
- interest on investments of venture capital funds		
- interest on securities at amortised cost	175	1,544
- interest on securities at fair value	3,743	1
- other interest income*	3,236	-
	18,610	**5,143**

*Item *Other interest income* includes state aid interest of EUR 3,192 thsd. In July 2015 the Group signed amendments to the agreement No 2DP/2.2.1.4/09/IPIA/EM/001/001 concluded with the Ministry of Economics concerning the updated investments of the parties in the Loan Fund. As a result, the amount of the state aid was recalculated for the Structural Funds' investments in the capital of the Group.

5 INTEREST EXPENSE

	01/01/2015 - 31/12/2015	27/12/2013 - 31/12/2014
Interest expense:		
- interest on balances due to credit institutions	479	242
- other interest expense	1,863	953
	2,342	**1,195**

6 FEE AND COMMISSION INCOME

	01/01/2015 - 31/12/2015	27/12/2013 - 31/12/2014 Adjusted
Fee and commission income:		
- from lending activities	526	240
- other fee and commission income	177	224*
	703	**464**

* Item *Other fee and commission income* was adjusted for 13 thsd euros due to the changes to the guarantee accounting methodology (see Note 2 (25)).

NOTES TO FINANCIAL STATEMENTS

7 FEE AND COMMISSION EXPENSE

	01/01/2015 - 31/12/2015	27/12/2013 - 31/12/2014 Adjusted
Fee and commission expense:		
- on venture capital fund management fee*	479	400
- on securities portfolio maintenance	51	10
- on administration of land programme	-	67
- other fee and commission expense	22	68
	552	**545**

* As regards the Holding Fund Programme the expenses of the Group for the reporting period include management fees of the venture capital funds amounting to EUR 1,599 thsd (2014: EUR 980 thsd) of which EUR 1,396 thsd were reimbursed (no reimbursements in 2014). The reimbursement scheme is stipulated by the new wording of the agreement No 2011/15 On Implementation of the Holding Fund dated 23 December 2015.
Item *Fee and commission expense* was adjusted for the previous reporting period under item *Venture capital fund management fee* (see Note 2 (25)).

8 NET TRADING INCOME

	01/01/2015 - 31/12/2015	27/12/2013 - 31/12/2014
Profit from sales of available for sale securities	1,120	726
Dividends	-	64
Loss on trade and revaluation of other financial instruments and foreign exchange, net	(137)	(378)
	983	**412**

9 OTHER INCOME

	01/01/2015 - 31/12/2015	27/12/2013 - 31/12/2014
Income from property privatisation services	572	185
Compensations*	906	201
Rental income**	144	55
Revaluation of investment properties	-	32
Other income ***	5,672	1,009
	7,294	**1,482**

* Compensations include the compensation of EUR 394 thsd for the management expenses of the state aid programs implemented by the Group according to the terms and budget approved for each programme.

Whereas EUR 263 thsd are related to reimbursement of the organisation expenses of the Innovative Business Conference 'Access to Finance for Research, Innovation and SMEs 2015' held during Latvian Presidency of the Council of the European Union. The conference was organized on behalf of the Ministry of Economics based on the decision of the Group's Council dated 15 October 2014. The total amount of the compensation consists of EUR 57 thsd for remuneration of staff (Note 10) and EUR 206 thsd – administrative expenses (Note 11).

The remaining EUR 249 thsd are compensation of the Holding Fund's management expenses. The total amount of the compensation consists of EUR 161 thsd for remuneration of staff (Note 10) and EUR 88 thsd – administrative expenses (Note 11).

**A significant portion of the rental income is derived from the real estates of the Group that are classified as property and equipment in this financial statement, whereas the only property that was classified as an investment property yielded insignificant rentals.

NOTES TO FINANCIAL STATEMENTS

9 OTHER INCOME (continued)

***Item *Other income* includes compensations from the loan funds for the provisions of EUR 351 thsd built by the Group. In the reporting period the loan funds under Group's management wrote off 1,137 thsd euros of loan principals of which only 51 thsd euros were reimbursed (2014: EUR 696 thsd).
Item *Other income* includes a compensation of EUR 4,815 thsd for the management fees of the venture capital funds that originated until reorganization date due to reduction of non-current liabilities in respect of the Ministry of Economics (Note 18).

10 STAFF COSTS

	01/01/2015 - 31/12/2015	27/12/2013 - 31/12/2014
Remuneration to the Council and the Board	224	163
Remuneration to staff	5,164	2,032
Social security contributions	1,291	495
	6,679	**2,690**

Item *Remuneration to staff* includes the Group's expenses of EUR 57 thsd related to organization of the Innovative Business Conference 'Access to Finance for Research, Innovation and SMEs 2015' held during Latvian Presidency of the Council of the European Union to be 100% reimbursed by the European Union (Note 9).

The Group has concluded an agreement No.Lig-2015/15 with the Ministry of Economics On Implementation of the Holding Fund. In accordance with the agreement the Group is reimbursed the management expenses of the Holding Fund of which EUR 161 thsd are personnel remuneration, including social insurance contributions (Note 9).

During the reporting period the Group employed 282 employees on average (2014: 298).

11 ADMINISTRATIVE AND OTHER OPERATING EXPENSE

	01/01/2015 - 31/12/2015	27/12/2013 - 31/12/2014 Adjusted
Premises and equipment maintenance expense	886	258
Information system and communication expense	1,062	292
Accrued reorganization expense*	-	195
Professional services	205	40
Advertising and public relations	445	112
Training and other staff expense	339	51
Real estate tax	189	45
Revaluation of assets taken over **	402	144
Expense of assets taken over	303	-
Conference expense***	1,298	722
Other expenses	**5,129**	**1,859**

*Item *Accrued reorganisation expense* includes expenses for probable litigation due to interpretation of Article 6.10. of LGA collective agreement.

** The accounting policy of the assets that have been taken over in the debt collection process is described in Note 2 (14).

*** The Group's expenses of EUR 206 thsd (Note 9) related to organization of the Innovative Business Conference 'Access to Finance for Research, Innovation and SMEs 2015' held during Latvian Presidency of the Council of the European Union have been reimbursed by the European Union in 2015. The last payment of EUR 94 thsd is expected in 2016.

The Group has concluded an agreement No Lig.-2015/15 with the Ministry of Economics On Implementation of the Holding Fund. In accordance with the agreement the Group is reimbursed the management expenses of the Holding Fund of which EUR 88 thsd are administrative expense (Note 9).

NOTES TO FINANCIAL STATEMENTS

Item *Administrative and other operating expense* was adjusted for the previous period (for more details see Note 2 (25)).

12 IMPAIRMENT PROVISIONS, NET

	01/01/2015 - 31/12/2015	27/12/2013 - 31/12/2014 Adjusted
Provisions for impairment on:		
- loans	6,094	4,075
- other assets	6,968	515
- investments in venture capital funds	125	229
- guarantees	10,032	1,628
	23,219	**6,447**
Release of provisions for impairment on:		
- loans	(3,314)	(625)
- debt securities	(195)	(208)
- other assets	(4,769)	-
- guarantees	(8,208)	(1,528)
	(16,486)	**(2,361)**
Recovery of loans written off in previous periods	**(1,585)**	**(1,843)**
Total provisions for impairment	**5,148**	**2,243**

Item *Provisions for impairment* was adjusted for the previous period (see Note 2 (25)).

13 CORPORATE INCOME TAX

	01/01/2015 - 31/12/2015	27/12/2013 - 31/12/2014
Corporate income tax	-	-
Deferred tax	-	(76)
Total corporate income tax (income)	**-**	**(76)**

NOTES TO FINANCIAL STATEMENTS

13 CORPORATE INCOME TAX (continued)

Change in provisions for deferred tax assets:

	31/12/2015	31/12/2014
Deferred tax asset at the beginning of the reporting year	**253**	**-**
Taken over as part of establishment of Group	-	177
Change in deferred tax asset	(253)	76
Deferred tax asset at the end of the reporting year	**-**	**253**

Calculation of deferred tax:

	31/12/2015	31/12/2014
Deferred tax liabilities:	**(531)**	**(589)**
Temporary difference of depreciation of property, plant and equipment	(531)	(587
Other temporary differences	-	(2)
Deferred tax assets:	**44,203**	**40,694**
Provision for employee holiday pay	48	59
Other temporary differences	1,697	1942
Tax loss carried forward	42,458	38,693
Provisions for unrecognized deferred tax asset	(43,672)	(39,852)
Recognized deferred tax asset *	**-**	**253**

* Deferred tax asset was not fully recognized according to Note 2 (23).

Once the reorganization was completed the Group took over the accrued corporate income tax losses of ALTUM, RDF and LGA. According to Latvian legislation, losses calculated for taxation purposes can be settled from future profits over an unlimited period of time.

NOTES TO FINANCIAL STATEMENTS

14 INVESTMENT SECURITIES

	31/12/2015	31/12/2014
Held to maturity		
Latvian Treasury bills and government bonds	439	392
Non-OECD government bonds	1,027	3,423
Bonds of OECD credit institutions	4,852	4,544
Bonds of non-OECD credit institutions	-	1,026
Total securities held to maturity	**6,318**	**9,385**
Impairment allowance	(4,777)	(4,474)
Net securities held to maturity	**1,541**	**4,911**
Available for sale		
Latvian Treasury bills and government bonds	88,002	101,997
OECD government bonds	-	539
Total securities available-for-sale	**88,002**	**102,536**
Total investment securities	**89,543**	**107,447**

When making investments in securities, the Group analyses the external credit ratings assigned to these financial institutions and entities and their financial and operational standing. Once the business relations are initiated, the Group monitors the monetary financial institutions and follows the compliance of the imposed limits to the credit risk rating.

The following table provides the Group's debt securities profile by the assigned long-term credit ratings (*Moody`s Investors Service*) as at 31 December 2015:

	Available-for-sale	Held to maturity	Total net
A1 - A3			
Baa1 - Baa3	88,002	439	88,441
Below Baa3	-	1,027	1,027
Unrated		75	75
Total	**88,002**	**1,541**	**89,543**

The following table provides the Group's debt securities profile by the assigned long-term credit ratings (*Moody`s Investors Service*) as at 31 December 2014:

	Available-for-sale	Held to maturity	Total net
A1 - A3			
Baa1 - Baa3	101,997	3,815	105,812
Below Baa3	539	1,026	1,565
Unrated	-	70	70
Total	**102,536**	**4,911**	**107,447**

All securities are quoted. As at 31 December 2015 the average yield on debt securities was 4% (2014: 4,3%).

NOTES TO FINANCIAL STATEMENTS

15 INVESTMENT PROPERTY

	31/12/2015	31/12/2014
Carrying amount at the beginning of period	**11,704**	-
Acquired through reorganisation	-	11,690
Acquired during the period	991	-
Net gain from fair value adjustment	(448)	14
Carrying amount at the end of period	**12,247**	**11,704**

16 DUE FROM OTHER CREDIT INSTITUTIONS AND TREASURY

	31/12/2015	31/12/2014
Due from credit institutions registered	8	9
in OECD countries*	46,874	60,236
in Latvia and Treasury	**46,882**	**60,245**

*When placing funds with monetary financial institutions and Treasury of the Republic of Latvia and imposing the limits on the financial transactions, the Group analyses the external credit ratings assigned to these financial institutions and their financial and operational standing. Once the business relations are initiated, the Group monitors the monetary financial institutions and follows that the imposed limits comply with credit risk rating.

The distribution of Group's balances due from credit institutions and Treasury of the Republic of Latvia as at 31 December 2015:

Moody`s ratings	Aaa	Aa1-Aa3	A1-A3	Baa1-Baa3	Ba1-Ba3	B1-B3	Caa-C	WR	Total
Due from credit institutions registered in OECD countries	-	-	8	-	-	-	-	-	**8**
Due from credit institutions registered in Latvia	-	8,241	34,516	-	-	4,117	-	-	**46,874**
Total	**-**	**8,241**	**34,524**	**-**	**-**	**4,117**	**-**	**-**	**46,882**

The distribution of Group's balances due from credit institutions and Treasury of the Republic of Latvia as at 31 December 2014:

Moody`s ratings	Aaa	Aa1-Aa3	A1-A3	Baa1-Baa3	Ba1-Ba3	B1-B3	Caa-C	WR	Total
Due from credit institutions registered in OECD countries	-	-	9	-	-	-	-	-	**9**
Due from credit institutions registered in Latvia	-	13,707	20,200	911	-	25,418	-	-	**60,236**
Total	**-**	**13,707**	**20,209**	**911**	**-**	**25,418**	**-**	**-**	**60,245**

As at 31 December 2015 the Group had accounts with 6 banks and Treasury of the Republic of Latvia.

As at 31 December 2015 the average yield on balances due from credit institutions was 0.029% (2014: 0.09%).

For cash and cash equivalents, please refer to Note 33.

NOTES TO FINANCIAL STATEMENTS

17 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	31/12/2015			31/12/2014		
	Notional contract value	Fair value		Notional contract value	Fair value	
		Assets	Liabilities		Assets	Liabilities
Currency swaps	12,153	-	345	12,690	-	1,218
Total		**-**	**345**		**-**	**1,218**

18 INVESTMENTS IN VENTURE CAPITAL FUNDS

	31/12/2015	31/12/2014 Adjusted
Carrying amount at the beginning of period	**26,258**	**-**
Taken over as part of establishment of Group	-	21,955
Invested	18,603	5,468
Refunded	(1,115)	(185)
Revaluation result	1,543	(980)
Carrying amount at the end of period	**45,289**	**26,258**
Provisions	(3,154)	(916)
Net value at the end of period	**42,135**	**25,342**

In the previous reporting period the Group measured the investments in venture capital funds at fair value based on IFRS compliant method. Accordingly the management fees of venture capital funds were recognised initially in the profit or loss. However, when measuring the venture capital fund investment at fair value at the end of the reporting period and recording the fair value increase (if any) of the investment in the profit of loss, the net impact on the profit or loss was nearly neutral, resulting in an increase of the book value of the investments in venture capital funds. Whereas in year 2015, in view of the relatively new investment portfolio of venture capital funds and fact that the funds were in the active investment phase, when it is difficult to apply the fair value model, the Group changed the method for measurement of the investments in venture capital funds to equity method. The equity method is suitable for entities where the Group has significant influence, but not control (see Note 2 (5)). By not applying fair value changes to investments, the initially recognised fund management fees remain presented in the profit or loss. Upon reorganisation of the Group, when presenting the carrying value of LGA portfolio of investments in venture capital funds, pursuant to the current accounting policy of the Group, the funds' management fees of EUR 5,500 thsd referring to the reporting periods prior to the reorganisation were excluded from the investment value. In accordance with the agreement dated 23 December 2015 regarding amendments to the Agreement on Implementation of the Holding Fund concluded with the Ministry of Economics, the management fees were linked to EUR 4,815 thsd reduction of the liabilities towards the Ministry of Economics (see Note 9).

The Group presented the management fees of EUR 1 599 thsd originated in 2015 as expense in the profit or loss of which EUR 1,396 thsd were reimbursed in accordance with the aforementioned agreement reducing the Group's non-current liabilities towards the Ministry of Economics (see Note 7).

Item *Investments in venture capital funds* was adjusted for the previous period (see Note 2 (25)).

NOTES TO FINANCIAL STATEMENTS

18 INVESTMENTS IN VENTURE CAPITAL FUNDS (continued)

The table below provides analytical information on the Group's investments into venture capital funds as at 31 December 2015:

	Opening balance, EUR, thsd	Investments/ refunds, EUR, thsd	Revaluation result, EUR, thsd	Closing balance, EUR, thsd
KS ZGI Fonds	741	-	(703)	38
KS Otrais Eko Fonds	1,057	-	-	1,057
KS Invento	-	-	-	-
KS Baltcap Latvia Venture Capital Fund	10,517	2,680	1,969	15,166
KS Imprimatur Capital Seed Fund	4,744	844	(417)	5,171
KS Imprimatur Capital Technology Venture Fund	2,636	94	168	2,898
KS Expansion Capital Fund	2,777	5,014	196	7,987
KS ZGI-3	905	3,104	208	4,217
KS Flycap Investment Fund	1,658	4,201	144	6,003
Baltic Innovation Fund	1,223	1,551	(22)	2,752
Total	**26,258**	**17,488**	**1,543**	**45,289**

The table below provides information on the value impairment of the venture capital funds in the reporting period:

	Closing gross value, EUR, thsd	Provisions for reporting period, EUR, thsd	Provisions for previous reporting period, EUR, thsd	Net value, EUR, thsd
KS ZGI Fonds	38	-	-	38
KS Otrais Eko Fonds	1,057	(125)	(269)	663
KS Invento	-	-	-	-
KS Baltcap Latvia Venture Capital Fund	15,166	(1,258)	(137)	13,771
KS Imprimatur Capital Seed Fund	5,171	-	(510)	4,661
KS Imprimatur Capital Technology Venture Fund	2,898	-	-	2,898
KS Expansion Capital Fund	7,987	(78)	-	7,909
KS ZGI-3	4,217	(349)	-	3,868
KS Flycap Investment Fund	6,003	(428)	-	5,575
Baltic Innovation Fund	2,752	-	-	2,752
Total	**45,289**	**(2,238)**	**(916)**	**42,135**

*The total provisions for value impairment of the venture capital funds built in year 2015 amounted to EUR 2,238 thsd, of which EUR 2,113 thsd were reimbursed based on the Agreement No Lig-2015/15 on Implementation of the Holding Fund concluded with the Ministry of Economics.

NOTES TO FINANCIAL STATEMENTS

18 INVESTMENTS IN VENTURE CAPITAL FUNDS (continued)

The table below provides analytical information on the Group's investments into venture capital funds from 11 September 2014 to 31 December 2014:

	Opening balance, EUR, thsd	Investments/ refunds, EUR, thsd	Revaluation result, EUR, thsd	Closing balance, EUR, thsd
KS ZGI Fonds	1,079	-	(338)	741
KS Otrais Eko Fonds	2,339	-	(1,282)	1,057
KS Invento	-	-	-	-
KS Baltcap Latvia Venture Capital Fund	9,196	233	1,088	10,517
KS Imprimatur Capital Seed Fund	4,894	340	(490)	4,744
KS Imprimatur Capital Technology Venture Fund	2,188	637	(189)	2,636
KS Expansion Capital Fund	547	2,276	(47)	2,776
KS ZGI-3	661	295	(51)	905
KS Flycap Investment Fund	153	1,502	3	1,658
Baltic Innovation Fund	898	-	326	1,224
Total	**21,955**	**5,283**	**(980)**	**26,258**

The table below provides information on the value impairment of the venture capital funds from 11 September 2014 to 31 December 2014:

	Closing gross value, EUR, thsd	Provisions for reporting period, EUR, thsd	Provisions for previous reporting period, EUR, thsd	Net value, EUR, thsd
KS ZGI Fonds	741	-	-	741
KS Otrais Eko Fonds	1,057	(67)	(202)	788
KS Invento	-	-	-	-
KS Baltcap Latvia Venture Capital Fund	10,517	(34)	(103)	10,380
KS Imprimatur Capital Seed Fund	4,744	(128)	(382)	4,234
KS Imprimatur Capital Technology Venture Fund	2,636	-	-	2,636
KS Expansion Capital Fund	2,776	-	-	2,776
KS ZGI-3	905	-	-	905
KS Flycap Investment Fund	1,658	-	-	1,658
Baltic Innovation Fund	1,224	-	-	1,224
Total	**26,258**	**(229)**	**(687)**	**25,342**

NOTES TO FINANCIAL STATEMENTS

19 LOANS

The loan portfolio of the Group can be attributed to the following state aid activities:

- *State aid programmes.* Group provides support by means of financial instruments, primarily – loans. Beneficiaries of the promotional programmes are entrepreneurs, primarily – SMEs and business start-ups.
    - *Start-up programme,*
    - *Microlending programme,*
    - *Microlending programme of small and medium enterprises (SME),*
    - *SME growth loans,*
    - *Programme for improvement of competitiveness of businesses,*
    - *Working capital loans to farmers.*

  The gross volume of the portfolio comprising all the above loans, as well as the total of inactive programme portfolios is EUR 171,766 thsd as at 31 December 2015.
    - *Loans for Acquisition of Land.* Under this activity, the Group grants loans to rural entrepreneurs for acquisition of agricultural land. Funds for implementation of the programme according to the loan agreement concluded on 25 June 2012, the Group borrows from the Treasury and further grants loans to aid beneficiaries. The gross value of the Land Acquisition loan portfolio is EUR 32,649 thsd as at 31 December 2015.
- *Loan Fund loans.* By 2013, the Loan Fund granted loans to rural entrepreneurs for agricultural, rural and fish-farming development investment projects via credit institutions. At present, no new loans are granted under the Loan Fund. The gross volume of the Loan Fund is EUR 3,406 thsd as at 31 December 2015;
- *Mezzanine loans.* Under the Mezzanine loan programme, the Group grants loans subordinated to loans granted by commercial banks, to small and medium enterprises of Latvia. The gross volume of mezzanine loans is EUR 9,213 thsd as at 31 December 2015.
- *Loans to credit institutions for further lending to SMEs.* The Group's loan portfolio includes loans of EUR 1,246 thsd, which are part of the Holding fund that LGA took over from the European Investment Fund on 2 January 2012. Under this activity, the Group granted loans to credit institutions for further commercial lending to small and medium enterprises by these credit institutions. Two credit institutions are involved in this programme – SEB and Swedbank, as well as two non-bank lending companies – Ltd Grand Credit and Ltd Capitalia. No new loans are issued under this programme.
- *Other loans that didn't meet accepted programme criteria.* The Group maintains the loan portfolio that hadn't been approved by Ministry of Economics; this portfolio's gross volume was EUR 282 thsd as at 31 December 2015.

Loans by type of borrower:

	31/12/2015	**31/12/2014**
Private companies	192,474	211,538
Individuals	24,895	25,497
Local governments	397	1,061
Public and religious institutions	218	441
Accrued interest	578	928
Total gross loans	**218,562**	**239,465**
Allowance for impairment loss	(17,044)	(23,695)
Total net loans	**201,518**	**215,770**

NOTES TO FINANCIAL STATEMENTS

19 LOANS (continued)

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

Granted loans by branches of economy:

	31/12/2015	31/12/2014
Manufacturing	47,956	59,470
Agriculture and forestry	74,938	73,567
Retail and wholesale	19,385	21,540
Private individuals	24,895	23,271
Electricity, gas and water utilities	7,773	9,093
Hotels and restaurants	9,044	9,871
Transport, warehousing and communications	5,294	4,979
Real estate	6,532	6,191
Construction	3,285	5,378
Fishing	614	659
Municipal authorities	397	449
Financial intermediation	3,363	10,767
Other industries	14,508	13,302
Accrued interest on loans	578	928
Total gross loans	**218,562**	**239,465**

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

	31/12/2015	31/12/2014
Number of customers	29	36
Total credit exposure of customers	52,338	75,202
Percentage of total gross portfolio of loans	23.8%	31%

Loans issued by the Group by type of assessment:

	31/12/2015			31/12/2014		
	Individuals	**Companies**	**Total loans**	**Individuals**	**Companies**	**Total loans**
Individually assessed loans	6,841	148,631	155,472	7,129	171,367	178,496
Collectively assessed loans	18,137	44,953	63,090	16,142	44,827	60,969
Total gross loans	**24,978**	**193,584**	**218,562**	**23,271**	**216,194**	**239,465**
Allowance for impairment loss - individually assessed	(1,151)	(15,769)	(16,920)	(1,169)	(22,400)	(23,569)
Allowance for impairment loss - collectively assessed	(63)	(61)	(124)	(46)	(80)	(126)
Total net loans	**23,764**	**177,754**	**201,518**	**22,056**	**193,714**	**215,770**

NOTES TO FINANCIAL STATEMENTS

19 LOANS (continued)

Loans granted by the Group by their quality assessment:

	31/12/2015			31/12/2014		
	Individuals	**Companies**	**Total loans**	**Individuals**	**Companies**	**Total loans**
Neither past due nor impaired	19,534	135,688	155,222	17,470	148,656	166,126
Past due but not impaired	2,676	19,324	22,000	2,687	28,755	31,442
Impaired	2,768	38,572	41,340	3,114	38,782	41,897
Total loans	**24,978**	**193,584**	**218,562**	**23,271**	**216,193**	**239,465**
Allowance for impairment loss	(1,214)	(15,830)	(17,044)	(1,216)	(22,478)	(23,695)
Total net loans	**23,764**	**177,754**	**201,518**	**220,55**	**193,715**	**215,770**

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

	31/12/2015			31/12/2014		
	Individuals	**Companies**	**Total loans**	**Individuals**	**Companies**	**Total loans**
Past due up to 30 days	1,524	13,668	15,192	1,516	20,247	21,763
Past due 30 – 60 days	260	1,039	1,299	309	1,229	1,538
Past due 60 – 90 days	69	243	312	133	397	530
Past due over 90 days	823	4,374	5,197	729	6,882	7,611
Total gross loans	**2,676**	**19,324**	**22,000**	**2,687**	**28,755**	**31,442**

Movement in the Group's impairment allowance for loans:

	31/12/2015	31/12/2014
Provisions at the beginning of period	**23,695**	**-**
Acquired through company's reorganisation	-	33,801
Impairment allowance increase	8,219	4,075
Impairment allowance decrease	(3,314)	(625)
Accrued interest (Note 4)	(1,076)	(366)
Write-off of loans	(10,480)	(13,190)
Provisions at the end of period	**17,044**	**23,695**

The calculation of loss on asset impairment that has occurred due to default on loan principal or interest payments or other events resulting in losses relies on collateral, including real estates and commercial pledges assessed at market value as well as the risk coverage pertinent to the products in question. The assessment is based on valuations performed by accredited independent valuer.

As at 31 December 2015 the average annual interest rate of the Group's loan portfolio was 4.22% (2014: 4.8%).

NOTES TO FINANCIAL STATEMENTS

20 RESERVE CAPITAL

On 11 September 2014, the equity shares of Latvian Guarantee Agency Ltd (LGA) and shares of JSC Rural Development Fund (RDF) and state-owned JSC Latvian Development Finance Institution ALTUM (ALTUM) were invested in the equity capital of the Group as investment in kind. The goal of the investment was merging RDF, LGA and ALTUM into a single aid providing institution. The value of the investment in kind was established based on valuation of subsidiaries as at 30 June 2014, carried out by independent certified valuators. For more information see Note 1 (1).

The movement of the Group's reserve after merging of LGA, RDF and ALTUM into the Group:

	Investment value	Difference, carried to Group's reserve **before adjustment**	Available for sale revaluation reserve (ASRR)	Difference, carried to Group's reserve **without ASRR before adjustment**	Difference, carried to Group's reserve **after adjustment* 31/12/2014**
	1.	2.	3.	4.=2.-3.	5.
Latvian Guarantee Agency Ltd	111,417	7,093	9,378	(2,285)*	(17,053)*
State-owned JSC Rural Development Fund	12,850	916	-	916	916
State-owned JSC Latvian Development Finance Institution ALTUM	80,026	(57)	1,235	(1,292)	(1,292)
Total	**204,293**	**7,952**	**10,613**	**(2,661)**	**(17,429)**

The table below explains and justifies the changes made:
The changes refer only to LGA reorganization reserve that was re-calculated due to change of the accounting methods for venture capital funds and guarantee fees.

*** Summary of changes:**

LGA difference recognized in the Group's reserve without ASRR	**(2,285)**
Impact from the previous accounting method for guarantee fees withdrawn	(4,007)
Adjustments due to change of accounting method for venture capital funds	(2,021)
Impact from the new guarantee fees' method	(7,747)
Impact from impairment of venture capital funds (Note 18)	(687)
Other adjustments	(306)
LGA adjusted difference recognized in the Group's reserve without ASRR	**(17,053)**

For more information on the changes in the previous reporting period see Note 2 (25).

The Group's shareholders increased its reserve capital by EUR 1,635 thsd to implement the Housing Guarantee Programme.

NOTES TO FINANCIAL STATEMENTS

21 INTANGIBLE ASSETS

The following is included in the net book value of intangible assets:

	31/12/2015	31/12/2014
Computer software	123	153
Total intangible assets	**123**	**153**

The following table presents movements in the Group's net book value of intangible assets:

	31/12/2015	31/12/2014
Historical cost		
At the beginning of period	5,703	-
Taken over as part of establishment of Group	-	5,706
Additions	69	9
Disposals	(15)	(12)
As at 31 December	**5,757**	**5,703**
Accumulated amortisation		
At the beginning of period	**5,398**	**-**
Taken over as part of establishment of Group	-	5,335
Amortisation charge for the period	208	75
Disposals	(12)	(12)
As at 31 December	**5,594**	**5,398**
Impairment provision*		
At the beginning of period	**(152)**	**-**
Taken over as part of establishment of Group	-	(200)
Changes in provisions	112	48
As at 31 December	**(40)**	**(152)**
Net book value at the beginning of period	**153**	**-**
Net book value as at 31 December	**123**	**153**

* Impairment provision policy is described in Note 2 (12).

Fully depreciated assets

A number of assets that have been fully depreciated are still in active use by the Group. The total value of these assets as at the end of the year was EUR 4,368 thsd.

NOTES TO FINANCIAL STATEMENTS

22 PROPERTY, PLANT AND EQUIPMENT

The table below reflects changes in property, plant and equipment of the Group in the reporting period:

	Land and buildings	Vehicles	Office equipment*	Leasehold improvements	Total
Historical cost					
At the beginning of period	5,387	1,005	7,920	381	14,693
Additions	133	-	138	-	271
Disposals	-	(11)	(232)	(1)	(244)
As at 31 December 2015	5,520	994	7,826	380	14,720
Accumulated depreciation					
At the beginning of period	1,377	959	7,086	280	9,702
Depreciation charge for the period	116	24	379	16	535
Disposals	-	(7)	(233)	-	(240)
As at 31 December 2015	1,493	976	7,232	296	9,997
Impairment provision					
At the beginning of period	-	-	(98)	(71)	(169)
Changes in provisions	-	-	64	10	74
As at 31 December 2015	-	-	(34)	(61)	(95)
Net book value at the beginning of period	4,010	46	736	30	4,822
Net book value as at 31 December 2015	4,027	18	560	23	4,628

23 OTHER ASSETS

	31/12/15	31/12/14 Adjusted
Financial assets	24,730	2,592
Other assets	6,896	4,637
Total other assets (gross)	**31,626**	**7,229**
Impairment provision for other assets	(21,662)	(345)
Total other assets (net)	**9,964**	**6,884**

Item *Financial assets* includes the following assets generated by:

- disbursed state-guaranteed compensations amounting to EUR 14,851 thsd for which provisions of EUR 13,983 thsd were accumulated. The position includes a claim of EUR 1,164 thsd against one debtor, arising under *Liabilities Settlement Procedure Agreement* of 30 December 2011, defining the procedure for recovery of the disbursed amount of guarantee compensation. The repayment deadline is 31 December 2016;
- term deposits of EUR 7,648 thsd of JSC *Latvijas Krājbanka* (Savings Bank of Latvia) being in liquidation that were 100% provisioned for;
- financial assets of EUR 46 thsd. provisioned for EUR 31 thsd. The financial assets comprise the payments made on behalf of clients, as stipulated by loan agreements;
- other financial assets of EUR 2,185 thsd.

Item *Other assets* - assets that have been taken over in the debt collection process and held for sale in an ordinary course of business. The accounting method of such assets is described in Note 2 (14).

Item *Total other assets (gross)* was adjusted for the previous period (see Note (25)).

NOTES TO FINANCIAL STATEMENTS

24 DEFERRED EXPENSE AND ACCRUED INCOME

	31/12/2015	31/12/2014 Adjusted
Deferred expense	572	2,360
Accrued income	989	354
Total	**1,561**	**2,714**

The largest amounts under the item *Deferred expense* account for management fees of EUR 141 thsd paid in advance for the following venture capital funds: limited partnerships *BaltCap* Latvia Venture Capital Fund and *Imprimatur* Capital Seed Fund.

Item *Accrued income* primarily consists of income from implementation of state aid loan programmes of EUR 690 thsd.

The items *Deferred expense* and *Accrued income* were adjusted for the previous periods (see Note (25)).

25 DUE TO CREDIT INSTITUTIONS

	31/12/2015	31/12/2014
Due to credit institutions registered in OECD countries	67,166	78,199
Due to credit institutions registered in Latvia	-	2,009
Total	**67,166**	**80,208**

Item *Due to credit institutions registered in OECD countries* includes loans for EUR 67,166 thsd that the Group has received from the European Investment Bank (EIB). The Ministry of Finance has guaranteed the borrowings.

As at 31 December 2015 the average interest rate for the item *Due to credit institutions* was 0.33% (2014: 0.86%).

26 DUE TO GENERAL GOVERNMENTS

	31/12/2015	31/12/2014 Adjusted
Due to government entities	3,769	7,043
Loans received from Rural Support Service	12,979	14,496
Loans received from the Treasury	22,813	21,141
Total due to general governments	**39,561**	**42,680**

Item *Due to government entities* includes liabilities worth EUR 3,769 thsd that originated from reduction of capital of ERDFII and ESFII loan funds effected in year 2013 by ALTUM, whereby a share of public financing of ERDFII and ESFII was not repaid to the investors (state companies), although an agreement was reached with the investors about recording the amount outside the Financial Position Statement of ERDFII and ESFII loan funds, i.e. on the liabilities side of the ALTUM Financial Position Statement.

Item *Loans received from Rural Support Service* – based on the Cabinet Regulation No 664 of 20 July 2010 *Procedure for administrating and monitoring the national and European Union support to development of agriculture, rural and fish-farming* and agreement concluded between the Ministry of Agriculture, Rural Support Service (RSS) and RDF on 7 September 2010, the Loan Fund was established. On 16 September 2010, RDF received from RSS for Loan Fund management the EU funds assigned by the Ministry of Agriculture – EUR 37,596 thsd for programmes' EAFRD activities and EUR 7,114 thsd for EFF activities.

As at December 31, 2015 the item *Due to Rural Support Service* includes accrued interest of EUR 66 thsd.
The granted financing is to be repaid by 31 December 2030.

Item *Loans received from the Treasury of Latvia* includes the loan of EUR 22,814 thsd received by RDF for implementation of the land acquisition programmes. On 25 June 2012 the Republic of Latvia and RDF concluded the loan agreement *No A1/1/F12/296* with the Treasury, as stipulated by Articles 9 and 13 of the Cabinet Regulation No 381 *Procedure for Granting State Aid for Procurement of Agricultural Land for Production of Agricultural*

NOTES TO FINANCIAL STATEMENTS

26 DUE TO GENERAL GOVERNMENTS (continued)

Produce dated 29 May 2012.
As at 31 December 2015 the Group has granted 725 loans for EUR 32,820 thsd. The loan matures on 31 December 2040 with its interest rate consisting of the cost of the Treasury's resources - 0.149% and Treasury's fee for origination and maintenance of the loan - 0.50% (fifty hundredths per cent) per annum.

Item *Loans received from the Treasury* was adjusted for the previous reporting period (see Note 2 (25)).

27 SUPPORT PROGRAMME FUNDING AND STATE AID

	31/12/2015	31/12/2014 Adjusted
Support programme funding	**54,174**	**84,956**
State aid	**16,166**	**9,477**

The co-financing received by ALTUM and LGA for implementation of state aid programmes. The major state aid programmes benefiting from the received financing are:

- ERDFII – EUR 38,502 thsd;
- ESFII – EUR 7,749 thsd;
- Holding Fund - EUR 8,408 thsd;
- Transition facilities – EUR 15,681 thsd.

The terms for use of the public funding of each state aid programme, including covering of the management expenses and credit risk losses, are stipulated by agreement between the implementing body and line ministry and/or state-owned Central Finance and Contracting Agency. See Note 2 (22).

The maturities of the co-financing received by ALTUM and LGA for implementation of the largest state aid programs are presented below:

- ERDFII – end of 2020;
- ESFII – end of 2020;
- Holding Fund – end of 2026.

Item *Support programme funding* was adjusted for the previous reporting period (see Note 2 (25)).

28 PROVISIONS

	31/12/2015	31/12/2014 Adjusted
Provisions for:		
Loan and export guarantees	8,517	6,322
Onerous contracts	8,810	8,438
	17,327	**14,760**

The provisions for loan guarantees account for EUR 8,158 thsd of the total provisions whereas provisions for export guarantees make up EUR 359 thsd.
Item *Provisions for onerous contracts* includes concession loss which is the discounted difference between sum total of actual receivable commissions and sum total of commissions under market rate. Onerous contracts relate to the issued guarantees which are measured at fair value based on equivalent market rates. For accounting treatment of financial guarantees see Note 2 (21).

Guarantee gross and net amounts

	31/12/2015	31/12/2014
Gross guarantees (Note 32)	131,120	122,450
Provisions for guarantees	(8,517)	(6,322)
Total net guarantees (Note 32)	**122,603**	**116,128**

NOTES TO FINANCIAL STATEMENTS

28 PROVISIONS (continued)

For information on amounts and categories of guarantees see Note 32.
For information on the method for guarantee accounting see Note 2 (21).

29 OTHER LIABILITIES

	31/12/2015	31/12/2014
Due to customers of the Group	3,233	1,460
Other liabilities	5,558	3,277
	8,791	**4,737**

Item *Due to customers of the Group* includes current liabilities connected with privatization processes and other liabilities.

Item *Other liabilities* includes funds received from clients to be used for repayment of the loans at a later stage.

30 DEFERRED INCOME AND ACCRUED EXPENSE

	31/12/2015	31/12/2014
Deferred income	604	287
Accrued expense	1,060	1,213
Total	**1,664**	**1,500**

Item *Deferred income* consists of the Group's commission income on the guarantees where EUR 120 thsd is the discounted deferred income for the commissions receivable, which have been attributed to the period starting on 1 January 2017.
Item *Accrued expense* includes the accrued expense for the bonuses to the Group's employees and Board amounting to EUR 397 thsd (including the social tax), expenses for audit services amounting to EUR 36 thsd and other expenditure related to the economic activities of the Group.

31 SHARE CAPITAL

The share capital of the Group:

	31/12/2015		31/12/2014	
	Quantity	**EUR**	**Quantity**	**EUR**
Fully paid share capital				
Ordinary shares	204,862,332	204,862,332	204,862,332	204,862,332
Total fully paid share capital	**204,862,332**	**204,862,332**	**204,862,332**	**204,862,332**

The Company (the parent company of the Group) was established based on the decision of the Cabinet of Ministers of the Republic of Latvia dated 17 December 2013. The Company was registered with the Commercial Register on 27 December 2013 with the share capital amounting to LVL 400,130 thsd which corresponds to EUR 569,334 thsd.

A capital increase was made on 11 September 2014 by investing the equity shares of Latvian Guarantee Agency Ltd, State-owned JSC Latvian Development Finance Institution ALTUM and State-owned JSC Rural Development Fund. The amount of share capital after its increase was EUR 204,862,333. The face value of each share is EUR 1.

All the shares of JSC Development Finance Institution Altum are owned by the Government of Latvia. The Ministry of Finance was the appointed shareholder until 28 February 2015. According to the Development Finance Institution Law effective as of 1 March 2015, the Ministry of Finance holds 40% of the shares, the Ministry of Economics - 30% and the Ministry of Agriculture - 30%.

NOTES TO FINANCIAL STATEMENTS

32 OFF BALANCE SHEET ITEMS AND CONTINGENT LIABILITIES

The guarantees issued by Group account for the largest sum in the Group's off-balance sheet items.
The guarantees, just as another financial instrument – loans, have been granted to the Group's clients within the framework of the state aid programmes.

- *Loan guarantees to rural entrepreneurs* are issued for loans granted by credit institutions to rural entrepreneurs having insufficient loan collateral. There were 244 loan guarantees worth EUR 14,222 thsd outstanding as at 31 December 2015.
- The Group issues guarantees under the *Mezzanine loan programme* - loan and financial lease guarantees for the loans issued by Latvian credit institutions and export credit guarantees for foreign partner defaults. As at 31 December 2015 the Group's guarantee portfolio was worth EUR 32,239 thsd.
- *Guarantee programme* includes loan and export credit guarantees. As at 31 December 2015 the volume of the guarantee portfolio was EUR 37,226 thsd. No new guarantees are issued under this programme.
- *Housing Guarantee Programme* within the framework of which state guarantees are extended to the housing loans taken out by families with children. As at 31 December 2015 there were 1,176 guarantees issued. The value of the programme's guarantee portfolio is EUR 7,225 thsd.
- *Other guarantee programmes* includes guarantees for the old, closed guarantee programmes as well as guarantees unrelated to the state aid programmes. As at 31 December 2015 the value of this guarantee portfolio was EUR 40,209 thsd.

	31/12/2015	31/12/2014
Contingent liabilities		
outstanding guarantees	131,120	122,450
Financial commitments	5,899	
unutilised loan facilities	34,320	4,200
other liabilities	137	124
Total	**171,476**	**126,774**

For information on the provisions built for the issued guarantees see Note 28.

33 CASH AND CASH EQUIVALENTS

	31/12/2015	31/12/2014
Demand deposits with other credit institutions	37,426	39,332
Deposits with credit institutions with original maturity of less than 3 months	6,290	10,683
	43,716	**50,015**

NOTES TO FINANCIAL STATEMENTS

34 MOVEMENT IN REVALUTION RESERVE OF INVESTMENT SECURITIES AVAILABLE FOR SALE

	31/12/2015	31/12/2014
As at 1 January	10,613	-
Taken over as part of establishment of Group*	-	10,918
(Profit) from sales (Note 8)	(1,120)	-
(Loss) from changes in fair value	(868)	(305)
Other comprehensive income	**(1,988)**	**(305)**
As at 31 December	**8,625**	**10,613**

* As a result of reorganisation, the revaluation reserve of ALTUM and LGA financial instruments classified as available for sale was taken over. ALTUM share in the reorganisation reserve amounted to EUR 1,706 thsd and that of LGA – EUR 9,212 thsd.

For information on revaluation of securities see Note 2 (5).

35 RELATED PARTY TRANSACTIONS

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

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

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

In the reporting period the remuneration of the members of the Group's Council and Board amounted to EUR 282 thsd (2014: EUR 163 thsd).

The Group has entered into a number of transactions with other government entities. The most significant being obtaining financing from the Investment and Development Agency of Latvia, Ministry of Finance, Rural Support Service and Central Finance and Contracting Agency, which is used to co-finance the development programmes of the Group. The total amount of financing is provided in Note 27.

NOTES TO FINANCIAL STATEMENTS

36 MAXIMUM EXPOSURE TO CREDIT RISK

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

	31/12/15	31/12/14 Adjusted
Statement of financial position assets exposed to credit risk		
Investment securities – held to maturity	1,541	4,911
Investment securities - available for sale	88,002	102,536
Due from other credit institutions and Treasury	46,882	60,245
Loans	201,518	215,770
Investments in venture capital funds*	42,135	25,342
Other assets	3,068	2,247
Total	**383,146**	**411,051**
Off-balance sheet items exposed to credit risk		
Contingent liabilities	131,120	122,450
Financial commitments	40,356	4,324
Total	**171,476**	**126,774**

As at 31 December 2015 a part of the Group's assets was pledged. On 16 June 2015 the commercial pledge stemming from the loan agreement No A/1/F12/296 and its amendments concluded between the Group and Ministry of Finance of the Republic of Latvia was renewed. The commercial pledge is related to the loans granted by Group in compliance with the Cabinet Regulation No 381 dated May 29, 2012 *Procedure for Granting State Aid when Acquiring Farmland for Agricultural Production* as well as future components of the aggregation of property. The maximum claim amount is EUR 40 000 thsd.

Transactions with derivatives, effective as from 31 December 2015, had been concluded seeking to cushion the effect of exchange rate fluctuations on the value of balance-sheet assets (see Note 17).

Loans are mostly secured by real estate collateral, to a lesser extent – by other assets or commercial pledge. Some loans, granted during lending campaigns, are partially covered by guarantees of state aid programmes. Loan loss impairment estimates take into account the expected cash flows from collateral. Loan quality is described in Note 19.

As at 31 December 2015 the total amount of the Group's entitlements considered as an aggregate property in favour of the Ministry of Finance was EUR 67,013 thsd (2014: EUR 77,964 thsd).
* Item *Investments in venture capital funds* was adjusted for the previous period (see Note 2 (25)).

NOTES TO FINANCIAL STATEMENTS

37 FAIR VALUES OF ASSETS AND LIABILITIES

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

	31/12/2015 Carrying amount	31/12/2015 Fair value	31/12/2014 Carrying amount adjusted	31/12/2014 Fair value adjusted
Assets				
Due from other credit institutions and Treasury	46,882	46,882	60,245	60,245
Debt securities	88,002	88,002	102,536	102,536
Investment securities - available for sale	88,002	88,002	102,536	102,536
Individuals	23,764	23,811	24,393	24,489
Companies	177,754	177,333	191,387	188,909
Loans	201,518	201,144	215,780	213,398
Debt securities	1,541	1,890	4,911	13,998
Investment securities – held to maturity	1,541	1,890	4,911	13,998
Investments in venture capital funds*	42,135	42,135	25,342	25,342
Investment property	12,247	12,247	11,704	11,704
Liabilities				
Due to credit institutions	67,166	67,166	80,208	79,103
Derivatives	345	345	1,218	1,218
Due to general governments	39,561	39,561	42,680	42,680
Support program funding	54,174	54,174	84,956	84,956

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

Liabilities
The fair value of financial liabilities at amortised cost such as *Due to credit institutions* has been estimated based on the discounted cash flow model using year-end interest rates for similar products. The fair value of financial liabilities with a demand feature or having a floating interest rate (e.g. *Due to credit institutions*) has been estimated to be approximately equal to carrying amount.

* Item *Investments in venture capital funds* was adjusted for the previous period (see Note 2 (25)).

NOTES TO FINANCIAL STATEMENTS

37 FAIR VALUES OF ASSETS AND LIABILITIES (continued)

The following table shows the hierarchy of the Group's financial assets and liabilities assessed and recognised at fair value as at 31 December 2015:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investment property (Note 15)	-	-	12,247	**12,247**
Debt securities - available for sale (Note 14)	63,213	24,789	-	**88,002**
Assets for which fair values are disclosed:				
Loans (Note 19)	-	-	201,144	**201,144**
Due from other credit institutions and Treasury (Notes 16, 33)	46,882	-	-	**46,882**
Total	**110,095**	**24,789**	**213,391**	**348,275**
Liabilities measured at fair value:				
Derivatives (Note 17)	-	345	-	**345**
Liabilities for which fair values are disclosed:				
Due to credit institutions (Note 25)	-	-	67,166	**67,166**
Due to general governments (Note 26)	-	-	39,561	**39,561**
Support program funding (Note 27)	-	-	54,174	**54,174**
Total	**-**	**345**	**160,901**	**161,247**

The following table shows the hierarchy of the Group's financial assets and liabilities assessed and recognised at fair value as at 31 December 2014:

	Level 1	Level 2	Level 3	Total adjusted
Assets measured at fair value:				
Investment property (Note 15)	-	-	11,704	**11,704**
Debt securities - available for sale (Note 14)	93,546	8,990	-	**102,536**
Assets for which fair values are disclosed:				
Loans (Note 19)	-	-	213,398	**213,398**
Due from other credit institutions and Treasury (Notes 16, 33)	60,245	-	-	**60,245**
Total	**153,791**	**8,990**	**225,102**	**387,883**
Liabilities measured at fair value:				
Derivatives	-	1,218	-	**1,218**
Liabilities for which fair values are disclosed:				
Due to credit institutions	-	-	79,103	**79,103**
Due to general governments*	-	-	42,680	**42,680**
Support program funding	-	-	84,965	**84,956**
Total	**-**	**1,218**	**206,739**	**207,957**

* Items *Investments in venture capital funds* and *Due to general governments* were adjusted for the previous period (see Note 2 (25)).

Fair value hierarchy of financial assets and liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

37 FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Debt securities

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

Derivatives

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

Investments in venture capital funds

Measuring of investments in venture capital funds is explained in Note 2 (5) (iv).

Investment property

Investments in real estate are evaluated in accordance with Latvian and International Valuation Standards (IVS) for real estate involving an independent and professional committee of experts.

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

(a) comparable sales method;

(b) the capitalization of cash-flow method;

(c) cost approach.

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

38 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below provides the maturity structure of undiscounted future cash flows of the Group's financial liabilities, off-balance liabilities and liquid assets as at 31 December 2015:

	Up to 1 year	1 to 5 years	Over 5 years and w/o date	**Total**
Due to credit institutions	11,521	36,262	21,170	68,953
Due to general governments	126	504	42,080	42,710
Support programme funding			54,174	54,174
Other liabilities	-	-	8,791	8,791
Total financial liabilities	**11,647**	**36,766**	**126,215**	**174,628**
Off-balance items and contingent liabilities	66,196	66,701	38,579	171,476
Total financial liabilities, off-balance items and contingent liabilities	**77,843**	**103,467**	**164,794**	**346,104**
Liquid assets	**72,234**	**10,202**	**53,990**	**136,425**

NOTES TO FINANCIAL STATEMENTS

38 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

The table below provides the maturity structure of undiscounted future cash flows of the Group's financial liabilities, off-balance liabilities and liquid assets as at 31 December 2014:

	Up to 1 year	1 to 5 years	Over 5 years and undated	Total adjusted
Due to other credit institutions	11,620	39,399	32,224	**83,243**
Due to general governments*	-	-	42,680	**42,680**
Support programme funding*	-	-	84,956	**84,956**
Other liabilities	-	-	4,737	**4,737**
Total financial liabilities	**11,620**	**39,399**	**164,597**	**215,616**
Off-balance items and contingent liabilities	41,861	61,431	23,482	126,774
Total financial liabilities, off-balance items and contingent liabilities	**53,481**	**100,830**	**188,079**	**342,390**
Liquid assets	**86,594**	**34,158**	**46,940**	**167,692**

* Items *Due from general governments* and *Support programme funding* were adjusted for the previous period (see Note 2 (25)).

39 ASSETS AND LIABILITIES BY CURRENCY PROFILE

The table below provides data of the Group's assets, liabilities, shareholders' equity and reserves as well as off-balance sheet items outstanding as at 31 December 2015 by currency profile:

	EUR	USD	Other	Total
ASSETS				
Due from other credit institutions and Treasury	46,882	-	-	**46,882**
Investment securities	76,766	12,777	-	**89,543**
Loans	200,935	583	-	**201,518**
Investments in venture capital funds	42,135	-	-	**42,135**
Deferred expense and accrued income	1,560	1	-	**1,561**
Investment property	12,247	-	-	**12,247**
Property, plant and equipment	4,628	-	-	**4,628**
Intangible assets	123	-	-	**123**
Overpaid corporate income tax	523	-	-	**523**
Other assets	9,964	-	-	**9,964**
Total assets	**395,763**	**13,361**	**-**	**409,124**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to credit institutions	67,166	-	-	**67,166**
Derivatives	345	-	-	**345**
Due to general governments	39,561	-	-	**39,561**
Deferred income and accrued expense	1,662	2	-	**1,664**
Support programme funding	54,174	-	-	**54,174**
State aid	16,166			**16,166**
Provisions for off-balance sheet commitments	17,241	86	-	**17,327**
Other liabilities	8,791	-	-	**8,791**
Capital and reserves	202,408	1,522	-	**203,930**
Total liabilities	**407,514**	**1,610**		**409,124**
Forward foreign exchange receivables / (payables)	(2,905)	2,560	-	(345)
Currency position	**(14,656)**	**14,311**	**-**	**(345)**

NOTES TO FINANCIAL STATEMENTS

39 ASSETS AND LIABILITIES BY CURRENCY PROFILE (continued)

The table below provides data of the Group's assets, liabilities, shareholders' equity and reserves as well as off-balance sheet items outstanding as at 31 December 2014 by currency profile:

	EUR	USD	Other	**Total adjusted**
ASSETS				
Due from other credit institutions and Treasury	59,672	571	2	**60,245**
Investment securities	93,925	13,522	-	**107,447**
Loans	215,200	570	-	**215,770**
Investments in venture capital funds*	25,342	-	-	**25,342**
Deferred expense and accrued income*	2,712	2	-	**2,714**
Investment property	11,704	-	-	**11,704**
Property, plant and equipment	4,822	-	-	**4,822**
Intangible assets	153	-	-	**153**
Deferred tax asset	253	-	-	**253**
Overpaid corporate income tax	26	-	-	**26**
Other assets*	6,884	-	-	**6,884**
Total assets	**420,693**	**14,665**	**2**	**435,360**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to credit institutions	80,208	-	-	**80,208**
Derivatives	1,218	-	-	**1,218**
Due to general governments*	42,680	-	-	**42,680**
Deferred income and accrued expense	1,500	-	-	**1,500**
Provisions for off-balance sheet commitments	14,760	-	-	**14,760**
Support programme funding*	84,956	-	-	**84,956**
State aid	9,477			**9,477**
Other liabilities	4,737	-	-	**4,737**
Capital and reserves*	195,824	-	-	**195,824**
Total liabilities	**435,360**	**-**	**-**	**435,360**
Spot foreign exchange receivables / (payables)	(9,978)	9,095	-	**(883)**
Forward foreign exchange receivables / (payables)	(3,034)	2,699	-	**(335)**
Currency position	**(27,679)**	**26,459**	**2**	**(1,218)**

40 MINIMUM FUTURE LEASE PAYMENTS

The table below discloses minimum future lease payments for premises (there are other lease payments as well, but those are relatively minor):

	Group
Year 2016	64
Year 2017	62
Year 2018	55
Year 2019	50
Year 2020	46
Total for 5 years	**277**
Year 2021 and later	**126**

NOTES TO FINANCIAL STATEMENTS

41 FINANCIAL ASSETS AND LIABILITIES BY CLASSIFICATION PRINCIPLES

The assets and liabilities of the Group as at 31 December 2015 by classification principles are as follows:

	Financial assets un liabilities held for trading	Financial assets available for sale	Amortised cost	Total book value
ASSETS				
Investment securities	-	88,002	1,541	89,543
Due from other credit institutions and Treasury	-	-	46,882	46,882
Loans	-	-	201,518	201,518
Venture capital funds	-	-	42,135	42,135
Other financial assets	-	-	3,068	3,068
Total financial assets	**-**	**88,002**	**295,144**	**383,146**
Non-financial assets	-	-	25,978	25,978
Total assets	**-**	**88,002**	**321,122**	**409,124**
LIABILITIES				
Due to credit institutions	-	-	67,166	67,166
Due to general governments	-	-	39,561	39,561
Support programme funding	-	-	54,174	54,174
State aid			16,166	16,166
Derivatives	345	-	-	345
Other financial liabilities	-	-	8,791	8,791
Total financial liabilities	**345**	**-**	**185,858**	**186,203**
Non-financial liabilities	-	-	222,921	222,921
Total liabilities	**345**	**-**	**408,779**	**409,124**

The assets and liabilities of the Group as at 31 December 2014 by classification principles are as follows:

	Financial assets un liabilities held for trading	Financial assets available for sale	Amortised cost	Total book value
ASSETS				
Investment securities	-	102,536	4,911	107,447
Due from other credit institutions and Treasury	-	-	60,245	60,245
Loans	-	-	215,770	215,770
Venture capital funds	-	-	25,342	25,342
Other financial assets	-	-	2,247	2,247
Total financial assets	**-**	**102,536**	**308,515**	**411,051**
Non-financial assets	11,704	-	12,605	24,309
Total assets	**11,704**	**102,536**	**321,120**	**435,360**
LIABILITIES				
Due to credit institutions	-	-	80,208	80,208
Due to general governments	-	-	42,680	42,680
Support programme funding			84,956	84,956
State aid			9,477	9,477
Derivatives	1,218	-	-	1,218
Other financial liabilities	-	-	4,737	4,737
Total financial liabilities	**1,218**	**-**	**222,058**	**223,276**
Non-financial liabilities	-	-	212,084	212,084
Total liabilities	**1,218**	**-**	**434,142**	**435,360**

NOTES TO FINANCIAL STATEMENTS

42 SUBSEQUENT EVENTS

On February 22, 2016 the Central Finance and Contracting Agency (hereinafter CFCA) passed a decision on repayment of non-eligible expenditure of EUR 216 thsd. CFCA informed that it had received a report No OF/2013/1112/B5 (hereinafter – Report) from the European Anti-Fraud Office (hereinafter – OLAF). According to the Report, OLAF had investigated the project No VPD1/ERAF/CFLA/05/NP/2.4.3./0001/000001 Development of Venture Capital System (hereinafter – Project) under measure 2.4. Access to Finance for SMEs of 2004 – 2006 programming period. OLAF established that the venture capital fund *Otrais Eko fonds* (hereinafter the Fund) had made investments (co-financed within the framework of the Project by European Regional Development Fund) in the companies connected to the Board members of the Fund's manager (JSC *Eko investors*) resulting in a conflict of interest. Since the Fund's manager had entered a conflict of interests, as defined by Article 52 (2) of the Council Regulation No 1995/2006, due to investing in JSC *PET Baltija* and JSC *Eko Riga*, the ERDF co-financing of EUR 216 thsd that the Fund had invested in JSC *PET Baltija* and JSC *Eko Riga* was considered non-eligible expenditure. Based on Section 20 of the Cabinet of Ministers Regulations No 706 of June 30, 2009 *Procedure for Reporting Irregularities in Implementation of the Projects Financed by Structural Funds and Deciding on Usage of the Allotted Financing*, CFCA ordered the Group, having taken over the obligations of LGA, to repay the non-eligible expenditure by May 23, 2016.

On February 8, 2016 the extraordinary meeting of shareholders decided to increase the reserve capital of the Group by EUR 700 000 (seven hundred thousand) to provide for further implementation of the First Housing Program and covering of the estimated losses.

On May 3, 2016, the Republic of Latvia Enterprise Register ruled on liquidation of the Group's subsidiary SIA Riska Investīciju Sabiedrība.

There are no other subsequent events since the last day of the reporting year, which would have a significant effect on the financial position of the Group, except the aforementioned information.

NOTES TO FINANCIAL STATEMENTS

43 LGA, RDF AND ALTUM ABRIDGED CLOSING FINANCIAL STATEMENTS

LGA abridged closing financial statement:

Statement of other comprehensive income for the period from 1 January 2015 to 31 March 2015

	01/01/2015 - 31/03/2015 EUR	2014 EUR
Net turnover	1,231,883	6,149,581
Cost of services received	(101,669)	(302,239)
Gross profit	**1,130,214**	**5,847,342**
Administrative expense	(348,189)	(951,315)
Other operating income	995, 233	1,234,782
Other operating expense	(1,449,434)	(3,290,669)
Profit before taxes	**327,824**	**2,840,140**
Corporate income tax	243,400	(243,400)
Net profit for the reporting period	**571,224**	**2,596,740**

Statement of financial position as at 31 March 2015

	31/03/2015 EUR	31/12/2014 EUR
Assets		
Non-current assets		
Intangible assets	2,954	3,527
Property and equipment	22,001	26,695
Non-current financial assets	103,124,551	101,218,807
Total non-current assets:	**103,149,506**	**101,249,029**
Current assets		
Accounts receivable	2,526,388	2,177,164
Current financial assets	17,233,097	19,935,531
Cash:	6,942,794	6,395,450
Total current assets:	**26,702,279**	**28,508,145**
Total assets:	**129,851,785**	**129,757,174**
Liabilities		
Equity capital:		
Share capital	112,549,206	112,549,206
Other reserves	1	1
Retained earnings/ (accrued losses):		
1) losses brought forward	(6,971,017)	(9,567,757)
2) profit for the period	571,224	2,596,740
Total equity capital:	**106,149,414**	**105,578,190**
Total provisions:	**5,738,318**	**5,930,294**
Liabilities:		
Deferred income	12,828	16,403
Current liabilities	17,951,225	18,232,287
Total liabilities:	**17,964,053**	**18,248,690**
Total equity and liabilities:	**129,851,785**	**129,757,174**

NOTES TO FINANCIAL STATEMENTS

43 LGA, RDF AND ALTUM ABRIDGED CLOSING FINANCIAL STATEMENTS (continued)

RDF abridged closing financial statement:

Statement of other comprehensive income for the period from 1 January 2015 to 31 March 2015

	01/01/2015 - 31/03/2015 EUR	2014 EUR
Net turnover	191,814	592,152
Gross profit or loss	**191,814**	**592,152**
Administrative expense	(182,407)	(580,544)
Other operating income	104,430	81
Other operating expense	(22,507)	(81,017)
Interest receivable and similar income	43,033	183, 636
Interest payable and similar expense	(7,852)	(34,904)
Profit before taxes	**126,511**	**79,404**
Corporate income tax for the reporting period	-	-
Profit for the reporting period	**126,511**	**79,404**

Statement of financial position as at 31 March 2015

Assets	31/03/2015 EUR	2014 EUR
Non-current assets		
Intangible assets	823	1,153
Property, plant and equipment	3,202	4,294
Non-current financial assets	33,274,605	31,284,995
Total non-current assets:	**33,278,630**	**31,290,442**
Current assets		
Inventories	-	47
Receivables	16,507,968	11,867,166
Cash and cash equivalents	**2,182,142**	**8,328,706**
Total current assets	**18,690,110**	**20,195,919**
Total assets:	**51,968,740**	**51,486,361**
Liabilities		
Equity		
Share capital	16,363,026	16,363,026
Reserves:		
reserves according to the Articles of Association	4,291,246	4,291,246
other reserves	-	-
Retained earnings:		
brought forward	(6,926,505)	(7,005,909)
for the reporting period	126,511	79,404
Total equity	**13,854,278**	**13,727,767**
Total provisions	**1,626,696**	**2,055,055**
Liabilities		
Non-current liabilities	34,748,222	33,953,631
Current liabilities	1,739,544	1,749,908
Total liabilities	**36,487,766**	**35,703,539**
Total equity and liabilities:	**51,968,740**	**51,486,361**

NOTES TO FINANCIAL STATEMENTS

43 LGA, RDF AND ALTUM ABRIDGED CLOSING FINANCIAL STATEMENTS (continued)

ALTUM abridged closing financial statement:

Statement of other comprehensive income for the period from 1 January 2015 to 31 March 2015

	01/01/2015 - 31/03/2015	01/01/2014 - 31/12/2014
Net turnover	2,798,776	13,101,996
Cost of services received	(1,115,898)	(3,769,244)
Gross profit	**1,682,878**	**9,332,752**
Administrative expense	(2,344,778)	(11,231,287)
Other operating income	1,424,710	12,324,416
Other operating expense	(671,875)	(8,673,959)
Profit before taxes	**90, 935**	**1,751,922**
Corporate income tax	-	-
Net profit for the reporting period	**90, 935**	**1,751,922**

	31/03/2015	31/12/2014
Assets		
Non-current assets		
Intangible assets	116,465	148,493
Property and equipment	4,719,336	4,787,479
Non-current financial assets	124,455,899	133,639,440
Total non-current assets	**129,291,700**	**138,575,412**
Total current financial assets	**77,491,338**	**79,553,552**
Total current assets	**3,202,181**	**3,032,618**
Due from other credit institutions and Treasury	**36,617,918**	**31,552,055**
Total assets	**246,603,137**	**252,713,637**
Capital and reserves		
Share capital	308,195,899	308,195,899
Reserve capital	2,935,801	2,935,801
Revaluation reserve on available for sale investments	1,182,515	1,235,122
Accumulated loss	(233,345,942)	(233,436,877)
Total equity and reserves	**78,968,273**	**78,929,945**
Total provisions	**47,207**	**47,207**
Total non-current financial liabilities	**140,856,640**	**147,802,868**
Total current financial liabilities	**26,731,017**	**25,933,617**
Total liabilities	**246,603,137**	**252,713,637**

JSC DEVELOPMENT FINANCE INSTITUTION ALTUM

Annual report of the Group for the period from 1 January 2016 to 31 December 2016 (the 3rd reporting period)

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JSC DEVLOPMENT FINANCE INSTITUTION
REPORT OF THE BOARD OF DIRECTORS OF THE GROUP

Activity during reporting period

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

- complement the financial market;
- fill in the market gaps and rectify the market failures;
- operate, as delegated by the state, in the defined areas and segments;
- implement the programmes jointly with private market participants.

The Development Finance Institution Law governs the operations of the Group. The Ministry of Finance holds 40% of the Group's shares, the Ministry of Economics and Ministry of Agriculture – 30% each.
During 12 months of 2016 the Group made a profit of 2,170 mln euros.

Operational Volumes

As at 31 December 2016 the Group's books and records held a portfolio of the financial instruments granted within the state aid programmes for the total value of 430,9 mln euros made up of 11,449 projects, including:

- guarantee portfolio of 147,2 mln euros, the total number of transactions – 4 937;
- loan portfolio of 217,4 mln euros, the total number of transactions – 6 327;
- investments in venture capital funds for the total value of 58,5 mln euros, the total number of projects financed by funds – 185.

Promotion of Business

In the reporting period lasting from 1 January 2016 till 31 December 2016 the funding granted within the state aid programmes amounted to 131,5 mln euros (increase by 11.4% compared to year 2015), the total number of supported projects – 4 461 (increase by 58.2% compared to year 2015). In year 2016 the increase in the number of projects was due to the high demand for the Housing Guarantee Programme developed for families with children. In year 2016, apart from the aid provided to natural persons (Housing Guarantee Programme), the aid provided to businesses amounted to 111,6 mln euros supporting 1643 business projects.
Fund of funds. On 8 June 2016, in order to introduce new financial instruments for the benefit of the Latvian companies, the Group signed a covenant with the Central Finance and Contracting Agency (CFCA) on implementation of the Fund of funds. It is estimated that the total funding of the European Regional and Development Fund (ERDF) available through the aid programmes under the Fund of funds will amount to 126 mln euros. In addition, private funds will be attracted to implementation of the Fund of funds programmes increasing the total funding available to the entrepreneurs under these programmes to 376 mln euros.
The Start-up Programme, Micro-lending Programme, Credit Guarantee Programme for Businesses and Parallel Loan Programme were launched within the framework of the Fund of funds in June, 2016. By December-end the Fund of funds programmes had approved 134 loans totalling 2,86 mln euros and issued 68 guarantees for 13,6 mln euros.
European Strategic Investment Fund. As part of promoting use of the funds of the European Strategic Investment Fund (EFSI) in Latvia and implementation of the large investment projects (above 50 mln euros), the Group, in co-operation with the European Investment Bank and Representation of the European Commission in Latvia, organises on a regular basis informative campaigns and consults the large projects on EFSI funds. On 14 October 2016 the Group concluded an agreement with the European Investment Fund (EIF) on the counter-guarantees of InnovFIN Facility for the guarantee portfolio worth 30 mln euros. The risk cover provided by counter-guarantees allows the Group to issue guarantees to the eligible projects at lower rates, thus reducing the costs for attracting financing for these projects. As at December 31, 2016 there were 2 guarantees for 0.8 mln euros issued under InnovFIN Facility. Within EFSI co-operation framework the Group has submitted to EIF an application for COSME programme to obtain counter-guarantees for the guarantee portfolio worth 15 mln euros.
Venture capital investments. In the reporting period the following expansion venture capital funds - Expansion Capital, FlyCap and ZGI-3 funds, having been in the business since 2013, closed their investment periods.

REPORT OF THE BOARD OF DIRECTORS (continued)

The aforementioned funds were financed within the Structural Funds 2007-2013 Programming Period with Altum being the largest investor. The funding of the European Union Structural Funds earmarked for investments in companies has been fully absorbed with 35,7 mln euros invested in 81 companies. In terms of branch representation, the majority of investments – 44% were made in development of production projects.
Starting a business. Promotion of start-ups is a significant business segment of the Group. In the reporting period the start-ups were granted loans totalling 4,3 mln euros financing 223 start-ups projects under the Start-ups Programme. In year 2016, in order to inform the start-ups about the state aid options, the Group, having involved the governmental and private sector partners, organised free of charge informative workshops in Riga and regional cities.

Aid for Improvement of Energy Efficiency of Multi-apartment Buildings

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

In April 2016 the Group opened stage one of the programme – consulting about the conditions, aid options and required documents. In view of the structure of the programme and project implementation conditions, extensive free of charge consultations were provided in co-operation with the Ministry of Economics and other partners in the cities of Latvia and Altum Competence Centre. In year 2016, to consult about the programme:

- 54 workshops with 2 350 participants were organized in 21 towns of Latvia;
- 694 consultations were held at the Altum Competence Centre.

On 13 September 2016 a co-operation agreement on participation in the programme and receipt of grant was signed with CFCA whereby the Group was entitled to conclude co-operation agreements with the commercial banks. On 28 September 2016 the Group started to accept the grant, loan and guarantee applications for the Energy Efficiency Programme of Multi-apartment Buildings.

Support to Families with Children for Buying Housing

As at 31 December 2016, the Housing Guarantee Programme had granted 4 106 guarantees worth 27 mln euros to the families with children. The demand for guarantees has remained high throughout the reporting period with an upward tendency. Around 75% of the volume of guarantees has been granted to the families residing in Rīga and adjacent regions. Breakdown of data by cities shows that guarantees for the housing loans are used actively also by families with children in Liepāja, Jelgava, Ventspils, Jūrmala and Daugavpils. The families having received programme's guarantees have 6122 children among them.

Activities of Land Fund of Latvia

As at 31 December 2016, the balance sheet of the Land Fund administered by Group enlisted 112 properties with the total land area of 2,038 ha worth 4,635 mln euros.
In year 2016 the activities of the Land Fund had exceeded the estimated figures both in terms of property acquisition offers and demand for lease of the land parcels owned by the fund. As at 31 December 2016, 92% of the fund's properties had been found the lessees – farmers, including ten newly established farmers, in need of agricultural land for development of their economic activities.

The Land Fund has bought agricultural land in all regions of Latvia:

- in Zemgale – 863 ha;
- in Vidzeme – 475 ha;
- in Kurzeme – 238 ha;
- in Latgale – 180 ha;
- in Rīga region – 282 ha.

In the reporting period the preparations were made for introduction of new type of state aid under the Land Fund – reverse rent whereby a farmer could sell its property to the Land Fund and continue using it for production purposes by subsequently renting the property from the fund.

REPORT OF THE BOARD OF DIRECTORS (continued)

Risk Management

In order to have an adequate risk management, 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, Group remains capable of implementing the established operational targets and assignments in the long run. In its risk management Group makes use of various risk management methods and instruments as well as establishes risk limits and restrictions. The risk management methods are chosen based on materiality of the particular risk and its impact on Group's operations. The Development Finance Institution Law stipulates that a finance institution has to prepare an assessment of the programme's impact, risks and expected losses, financial results and implementation costs prior to its approval by Cabinet of Ministers.
The Cabinet of Ministers approves the programmes and lays down their implementation procedures, funding, eligible operations and expenditure, including funding for covering the expenses of the finance institution.

Future Outlook

The Group, based on the market gap analysis and in co-operation with the responsible ministries, drafts and implements new state aid programmes.
Within the framework of the Fund of funds the Group has initiated selection process of the managers of accelerator funds. Acceleration is an activity not yet practised in Latvia intended to support the companies being in a very early development stage. ERDF funding of 15 mln euros is earmarked for the activity. Around 120 perspective ideas will receive accelerator and investment services. Selection of financial intermediaries for the seed, start-up and expansion-stage funds is scheduled to start in year 2017.
In year 2017 the volume of new transactions performed with Group 's financial instruments is estimated at 180 mln euros with support to be provided to more than 5 500 business projects. The financed projects will create more than 3100 new work places. The total investment of the Group's financial instruments, including the co-financing of the aid beneficiaries, in the national economy, is expected to be around 290 mln euros.

Reinis Bērziņš
Chairman of the Board

24 April 2017

SUPERVISORY COUNCIL AND BOARD OF DIRECTORS

The Supervisory Council

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

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

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

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

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

STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT

Riga 24 May 2017

Group Management is responsible for preparing the consolidated financial statements from the books of prime entry of the Group for each financial period that present fairly the state of affairs of the Group as at the end of the financial period and the results of their operations and cash flows for that period according to the International Financial Reporting Standards as adopted by the European Union. The judgments and estimates made by the Management in the preparation of the financial statements have been prudent and reasonable.

The Management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements on pages 7 to 73 for the period from 1 January 2015 to 31 December 2016. The Management also confirms that applicable International Financial Reporting Standards as adopted in the EU have been used in preparation of the financial statements and that these financial statements have been prepared on a going concern basis.

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

Reinis Bērziņš
Chairman of the Board

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

	Notes	**01/01/2016 - 31/12/2016**	**01/01/2015- 31/12/2015** Restated
Interest income	4	12,584	18,610
Interest expense	5	(1,707)	(2,342)
Net interest income		**10,877**	**16,268**
Fee and commission income	6	446	703
Fee and commission expense	7	(299)	(552)
Net income from fees and commissions		**147**	**151**
Net trading income	8	(203)	983
Share of (loss) of investment in joint venture and associate	18	(1,758)	(2,198)
Other income	9	5,528	7,294
Operating income before operating expenses		**14,591**	**22,498**
Staff costs	10	(6,782)	(6,679)
Administrative expense	11	(5,581)	(5,129)
Amortisation of intangible assets and depreciation of property, plant and equipment	21, 22	(529)	(743)
Net impairment provisions	12	471	(5,023)
Profit / (loss) before corporate income tax		**2,170**	**4,924**
Corporate income tax	13	-	-
Profit for the period		**2,170**	**4,924**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net profit / (loss) on available for sale investments	35	467	(1,988)
Total comprehensive income for the period		**2,637**	**2,936**

The notes on pages 11 to 73 are an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Board

Marina Baranovska
Chief accountant

24 April 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF GROUP

(all amounts in thousands of euro)

	Notes	31/12/2016	31/12/2015 Restated	31/12/2014 Restated
Assets				
Due from other credit institutions and Treasury	16	89,553	46,882	60,245
Investment securities - available for sale	14	64,294	88,002	102,536
Investment securities – held to maturity	14	1,531	1,541	4,911
Loans and receivables	19	201,250	201,518	215,770
Investments in venture capital funds – associates	18	58,296	39,929	24,638
Deferred expense and accrued income	24	2,059	1,561	2,714
Investment property	15	17,087	12,247	11,704
Property, plant and equipment	22	3,507	4,628	4,822
Intangible assets	21	168	123	153
Deferred tax asset	13	-	-	253
Corporate income tax overpaid		-	523	26
Other assets	23	4,014	9,964	6,884
Assets held for sale	25	1,367	-	-
Total assets		**443,126**	**406,918**	**434,656**
Liabilities				
Due to credit institutions	26	56,195	67,166	80,208
Derivatives	17	854	345	1,218
Due to general governments	27	46,914	39,561	42,680
Deferred income and accrued expense	31	1,975	1,664	1,500
Provisions	29	16,864	17,327	14,760
Support programme funding	28	96,822	56,288	84,956
State aid	28	6,849	16,166	9,477
Other liabilities	30	6,559	8,791	4,737
Total liabilities		**233,032**	**207,308**	**239,536**
Capital and reserves				
Share capital	32	204,862	204,862	204,862
Reserves	20	(8,235)	(16,082)	(17,636)
Available for sale reserve	35	9,092	8,625	10,613
Accumulated profit		4,375	2,205	(2,719)
Total capital and reserves		**210,094**	**199,610**	**195,120**
Total liabilities, capital and reserves		**443,126**	**406,918**	**434,656**

The notes on pages 11 to 73 are an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Board

Marina Baranovska
Chief accountant

24 April 2017

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

	Share capital	Reserves (Restated)	Available for sale reserve	Retained earnings (Restated)	Total capital
As at 31 December 2014	**204,862**	**(17,636)**	**10,613**	**(2,719)**	**195,120**
Other comprehensive (loss)	-	-	(1,988)	-	**(1,988)**
Profit for the period	-	-	-	4,924	**4,924**
Total comprehensive income / (loss) for the period	**-**		**(1,988)**	**4,924**	**2,936**
Changes to increase of reserve capital (see Note 20)	-	(81)	-	-	**(81)**
Increase of reserve capital (see Note 20)	-	1,635	-	-	**1,635**
As at 31 December 2015	**204,862**	**(16,082)**	**8,625**	**2,205**	**199,610**
Other comprehensive increase	-	-	467	-	**467**
Profit for the period	-	-	-	2,170	**2,170**
Total comprehensive income for the period	**-**	**-**	**467**	**2,170**	**2,637**
Changes to increase of reserve capital (see Note 20)	-	458	-	-	**458**
Increase of reserve capital (see Note 20)	-	5,560	-	-	**5,560**
Distribution of 2015 year profit	-	1,829	-	-	**1,829**
As at 31 December 2016	**204,862**	**(8,235)**	**9,092**	**4,375**	**210,094**

The notes on pages 11 to 73 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT OF GROUP (all amounts in thousands of euro)

	Notes	01/01/2061-31/12/2016	01/01/2015-31/12/2015 Restated
Profit before taxes		2,170	4,924
Amortisation of intangible assets and depreciation of property, plant and equipment	20, 21	529	564
Interest income	4	(12,584)	(18,610)
Interest received		10,713	13,088
Interest expenses	5	1,707	2,342
Interests paid		(720)	(2,425)
(Decrease) / increase in provisions for impairment	12	(471)	5,023
Revaluation of investments in venture capital funds		1,758	2,198
Increase in deferred income and accrued expense		311	164
(Decrease) / increase in deferred expense and accrued income		(497)	1,153
Decrease / (increase) of other assets		7,736	(5,075)
Increase / (decrease) in other liabilities		20,386	(29,892)
(Decrease) / increase of cash and cash equivalents used before changes in assets and liabilities		**31,038**	**(26,546)**
Due from credit institutions (increase)/decrease		(1,832)	7,064
(Increase) / decrease of loans		(2,042)	13,633
Due to credit institutions increase / (decrease)		7,354	(3,119)
Corporate income tax		-	-
Net cash flow from operating activities		**34,518**	**(8,966)**
Cash flows from investment activities			
Sale of investment securities, net		25,521	19, 851
Acquisition of property, plant and equipment and intangible assets		(777)	(340)
Purchase of investment properties		(3,615)	(991)
Investments in venture capital funds, net		(20,370)	(17,488)
Net cash flow of investment activities		**759**	**1,032**
Cash flows from financing activities			
Increase in share capital		5,560	1,635
Net cash flow from financing activities		**5,560**	**1,635**
Increase in cash and cash equivalents		**40, 837**	**(6,299)**
Cash and cash equivalents at the beginning of period		43,716	50,015
Cash and cash equivalents at the end of period	34	**84,553**	**43,716**

NOTES TO FINANCIAL STATEMENTS

APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The management of the Group has approved these financial statements on 24 May 2017. The Commercial Law of the Republic of Latvia as well as Development Finance Institution Law stipulates that the shareholders' meeting is entitled to pass a decision on approval of the financial statements.

1 GENERAL INFORMATION

(1) Background information

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

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

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

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

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

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

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

2 ACCOUNTING POLICIES

(1) Basis of preparation

These financial statements are consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union, on a going concern basis. In preparation of the financial statements on a going concern basis the management considered the Group's financial position, access to financial resources and analysed the impact of the external factors on future operations of the Group.

The financial statements are prepared under the historical cost convention as modified by the fair valuation of financial assets held as available-for-sale, trading securities, derivative financial instruments and investment properties.

The preparation of financial statements in accordance with International Financial Reporting Standards as adopted by European Union requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(1) Basis of preparation (continued)

revenues and expenses during the reporting period. Although these estimates are based on the Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

In the financial statements the amounts are given in thousands of euros, unless specified otherwise. The functional and presentation currency of the Group has been the euro.

(2) Consolidation, reorganisation and investments in subsidiaries

Consolidation

The subsidiaries where the Group has direct or indirect control over the financial and operational policies and whose operational volumes are substantial have been consolidated in these statements by merging the respective assets, liabilities, income and expense items.

The consolidated financial statement doesn't contain the mutual balances and transactions presented in the profit or loss statement of the consolidated companies forming the Group, inter alia interest income and expense and unrealised profit and loss on reciprocal transactions.

The Group controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an subsidiary if and only if the investor has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Investments in associates

Associates are all entities over which the Group has significant influence but no control. The investments in associates are accounted for using the equity method.

(3) Foreign currency translation

During the reporting period the transactions in foreign currencies were converted into euro based on the foreign exchange rate of the European Central Bank effective on the day of the transaction. The monetary assets and liabilities as well as off-balance sheet claims and foreign currency liabilities were converted in euro based on the foreign exchange rate of the European Central Bank effective at the end of the reporting period. Income or loss on foreign exchange rate fluctuations was included in the statement of comprehensive income of the reporting period.

The applicable rates for the principal currencies at the end of the reporting period were the following:

as on 31 December 2016	as on 31 December 2015
1 USD = EUR 1.05410	1 USD = EUR 1.08870
1 GBP = EUR 0.85618	1 GBP = EUR 0.73395
1 CHF = EUR 1.07390	1 CHF = EUR 1.08350
1 NOK = E UR 9.08630	1 NOK = EUR 9.60300

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(4) Income and expense recognition

Income and expense accounting of the Group is based on accrual basis, i.e.:

- income and expense, pertaining to the reporting period, are included in the statement of comprehensive income regardless of the day of their receipt or origination;
- income is included in the statement of comprehensive income, when obtained, or there is no doubt about receiving it on the expected time, and expense is accounted as soon as there is evidence clearly indicating the occurrence of expense.

Foreign income and expense are calculated and presented in euro based on the foreign exchange rate of the European Central Bank on the respective day.

Foreign exchange income and expense are recognised in the profit or loss of the reporting period.

Interest income and expense are recognised in profit or loss for all interest bearing instruments on an accrual basis using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest accrued on loans is included in profit or loss based on the following complementary principles:

- interest accrual calculation uses various day accounting methods, specified in agreements with customers (30/360 or actual days / 360);

The following principles are applied with respect to contractual penalties (late payment charge):

- contractual penalties are calculated for each day;
- included in the profit or loss only when being paid by the customer;
- subject to grace days – i.e., if customer pays the entire amount in full within 3 days after the scheduled payment date, contractual penalties are not calculated.

Commissions from advancing loans and their management are included in profit or loss based on the following principles:

- loan processing and disbursement commissions (including loan application fee) together with related direct costs – straight line over the loan term;
- other commissions (loan account management, amendment of terms, reservation fee, a.o.) – are recognised on an accrual basis.

Commissions from granting and maintenance of financial guarantees are included in the profit or loss following the principles below:

- commissions from granted financial guarantees – according to principles described in Note 2 (21);
- other commissions – are recognised on an accrual basis.

Interest accrued on loans and commissions from financial guarantees exclude pricing for credit risk if such is covered by allocated support programme funding. See Note 28.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(4) Income and expense recognition (continued)

Other commission income and expense, which are not related to financial guarantees, are recognized as they occur. Income and expense in foreign currencies are calculated and presented in euro by the official exchange rate as set by the European Central Bank on the respective day.

The income and expense resulting from changes in exchange rates are included in the profit or loss for the period.

(5) Financial instruments - initial recognition and subsequent measurement

(i) Date of recognition

Purchase and sale of trading securities and investment securities that require delivery within the time frame established by regulation or market convention ("regular way" purchase and sale), are recognised on the settlement date, which is the date, when the asset is delivered or given to the Group. Any change in the fair value of the asset during the period between the purchase date and settlement date is recognised in the profit or loss or statement of other comprehensive income, as appropriate.

(ii) Initial measurement of financial instruments

Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions for the same instrument.

(iii) Trading and investment securities

Trading and investment securities are comprised of the following categories:

- *Trading securities* comprise fixed income securities and equity shares held by the Group for trading purposes. They are accounted for at fair value and all gains and losses arising from changes in the fair value are included in the profit or loss as part of net trading income.
- *Investment securities available-for-sale* comprise treasury bills and other fixed income securities held by the Group for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. They are stated at fair value with all gains and losses from revaluation recognised in the other comprehensive income, which is reclassified to profit/loss in subsequent periods, except for impairment losses, which are recognized in the profit or loss until derecognition. The cumulative change recognised as other comprehensive income is presented as Available for sale reserve under equity. The Group reviews its debt securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires estimates similar to those applied to the individual assessment of loans and advances. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price fluctuations and duration and extent to which the fair value of an investment is less than its cost.
- *Investment securities held-to-maturity* comprise debt securities with fixed or determinable payments and fixed maturities that the Group's management has a positive intention and ability to hold to maturity. They are carried at amortised cost, that is calculated based on the purchase price of the securities adjusted by discount or premium amortised over the term of the securities, using the effective interest rate method. If the Group was to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(5) Financial instruments - initial recognition and subsequent measurement (continued)

(iv) Investment in venture capital funds

The Group has significant influence over the venture capital funds in which it participates. The Group's investments in venture capital funds are treated as associates. An associate is a company in which the Group has significant influence, but not control. Significant influence is defined as the power to affect the financial and operating policy decisions of the investee. Significance of influence is classified based on the same parameters that are applied to the branches. The Group's investments in an associate are initially recognised at acquisition cost using the equity method. The carrying value of the investment is adjusted to recognise changes in the Group's net assets in the associate since acquisition date. Associate-related goodwill risk is included in the carrying value of investment without verifying impairment. The profit or loss shows the Group's share in the operational results of the associate. Changes to the investees' other comprehensive income are presented as part of the Group's other comprehensive income.

Moreover, if the changes have been recognised directly in the capital of the associate, the Group, if required, recognises its share of changes in the statement of changes in equity. The unrealised gains and losses on transactions between the Group and associate are eliminated in proportion to the ownership investment in the associate. The financial statements of the associate and Group cover the same reporting period. Adjustments are made to co-ordinate the accounting policy of the associate with accounting policy of the Group.

Once the equity method has been applied, the Group decides on recognition of impairment of the investments in the associate. On the reporting dates the Group establishes whether there is an impartial evidence of impairment of the investments in the associate.

The Group makes sure that the venture capital fund has a business plan for the investment or other supporting and sufficient information confirming that the recoverable amount is not below the carrying value. Based on the available information, the Group subsequently establishes whether the operations of the enterprise proceed as planned (for example, if losses are earmarked in the estimated cash flows for the first years, it has to be verified that the actual losses are not higher and that operational results follow the proposed targets). Should materially adverse differences be identified in the actual operations, the Group has to establish whether the venture capital fund possesses adequate supporting information confirming that the investment is not facing value impairment. The Group has to decide whether, for example, deviations point to the investee's inability to achieve the planned results. The fact that the actual cash flows tally with the estimated indicates an absence of value impairment of the investment. The actual cash flows used for making of the estimates are assessed by comparing them with the available financial statements. If the recoverable amount of the venture capital fund investment has been established based on the discounted cash flow calculation, the calculation and supporting date are verified.

If the impairment test is prepared by a third party, the Group checks that the assessment has not been done more than a year ago.

Should another method be used, the Group checks on the substantiation of the choice of the method provided by the fund's manager, data and indicators used.

If there is evidence of value impairment, the Group calculates impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the loss in the profit or loss calculation.

The management fees of the venture capital funds referring to the reporting period (previous periods) are treated as received service and included in the profit or loss calculation.

As foreseen by the new wording of the agreement No 2015/15 On Implementation of the Holding Fund dated 23 December 2015 concluded between the Group and Ministry of Economics, the Group is reimbursed from the funding of the Ministry of Economics for the following:

- management fees of the financial intermediaries for implementation of the financial engineering instruments;
- value impairment of the investments of the financial engineering instruments due to valuation or revaluation.

The above risk cover mechanism is valid only for the second and third 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 and Expansion Capital Fund (Note 18).

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(5) Financial instruments - initial recognition and subsequent measurement (continued)

(v) Loans and receivables

For purposes of this section, loans are:

- direct lending products, i.e., the Group grants a loan to a borrower, who is the end beneficiary of funds;
- indirect lending products without assuming risk, i.e., the Group grants a loan to a borrower, who is an intermediary. The intermediary then grants the received loan further to borrowers, who are the end beneficiaries of funds. The Group recognizes loan impairment loss only when resulting from solvency problems of the intermediary;
- indirect lending products with risk assumption, i.e., the Group grants a loan to a borrower, who is an intermediary. The intermediary then grants the received loan further to borrowers, who are the end beneficiaries of funds. The Group recognizes loan impairment loss both when resulting from solvency problems of the intermediary, as well as when resulting from solvency problems of the end beneficiary, proportionate to the share of risk.

The loans granted to customers are accounted for as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables initially are recognised at fair value and subsequently at amortised cost.

The loans and receivables are recognised in the financial statements of the Group when cash is advanced to borrowers. Granted, but not yet disbursed loans are recognised as off-balance sheet liabilities.

Management considers risks for all loans to determine the provision for loan impairment. Provisions for individual loan impairment are established if there is objective evidence that it will not be possible to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being determined as the present value of expected cash flows, including amounts recoverable from guarantees and collateral. Impairment losses are recognised through an allowance account.

In addition to provisions for individual loans, provisions for homogeneous groups of loans based on similarities of credit risk involved, loan size, quality and loan terms are also established. The provisions for loan impairment losses for the loans included in homogeneous groups have been estimated based upon historical patterns of losses in each group, the historic pattern of timeliness of payments and current economic climate in which the borrowers operate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss and disclosed as part of provision for impairment loss.

The methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a loan or receivable is not recoverable, it is written off against the pre-arranged provisions for loan or receivable impairment, further recovery of this loan or receivable is stated as earnings in the profit or loss.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(5) Financial instruments - initial recognition and subsequent measurement (continued)

(vi) Due from other credit institutions and Treasury

Amounts due from other credit institutions and Treasury are recorded when the Group advances money to a credit institution with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from credit instructions are carried at amortised cost.

(vii) Derivative financial instruments

Derivative financial instruments including foreign currency swaps are initially recognised at fair value and subsequently measured at their fair value. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and liabilities when the fair value is negative. Changes in the fair value of derivatives are reported in the profit or loss. The Group does not use hedge accounting.

(viii) Financial liabilities carried at amortised cost

Financial liabilities carried at amortised cost are mainly amounts due to the Treasury and credit institutions. These are initially recognised at cost, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost and any difference between net proceeds and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method, less any impairment. In cases of early repayment, any difference between the refunded and carried amounts is immediately included in the profit or loss.

(6) Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

(7) Fair values of assets and liabilities

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Fair values of financial assets and liabilities, including derivative financial instruments, are based on market prices quoted in active markets.

If the market for a financial asset or liability (and for unlisted securities) is not active, the Group establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis, option pricing models and recent comparative transactions as appropriate. Where, in the opinion of the Management of the Group, the fair values of financial assets and liabilities differ materially from their book values, such fair values are separately disclosed in the notes to the accounts.

The Group measures financial instruments, such as AFS securities, derivatives, and non-financial assets, such as investment properties, at fair value at each balance sheet date. The information about financial and non-financial assets, which are measured at fair value or which values are disclosed, are summarised in the following notes:

• Disclosures for valuation methods, significant estimates and assumptions	Note 2 (5), 2 (12), 2 (18), 2 (22), 2 (23)
• Quantitative disclosures of fair value measurement hierarchy	Note 38
• Investment property	Note 2 (13)
• Financial instruments (including those carried at amortised cost)	Note 2 (5), 2 (9), 2 (21)

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(8) Off-setting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

(9) Impairment of financial assets

The Group first assesses whether objective evidence of impairment exists individually for financial assets at amortised cost (such as due from banks, loans and held-to-maturity investments) and assesses whether each individual financial asset should be considered significant. Financial assets are considered impaired, supported by objective evidence, when loss events have occurred and they are highly likely not fully recoverable. Such include overdue financial assets, i.e., that have their regular principal and interest payments past due, as well as financial assets with other defaulted significant agreement terms. Financial assets are not considered impaired when having sufficient collateral, the disposal of which would result in full recovery of the financial asset.

Impaired financial assets that each are considered significant, are assessed individually and are not included in homogenous groups of financial assets for collective assessment of their impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment. For the purposes of a collective evaluation of impairment the loans are grouped on a basis of similar credit risk characteristics.

The cumulative impairment loss - measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate - is reduced through use of an allowance account and the amount of the loss is recognised in the profit and loss. Interest income continues to be accrued on the reduced carrying amount at the interest rate used to discount the future cash flows for the purpose of measuring impairment loss, and is recognised as 'Interest income'. When a loan is uncollectible, it is written off against the related allowances for credit losses; subsequent recoveries, if any, are credited to the profit or loss.

The Group reviews impairment of its financial assets at least once a quarter. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgments as to whether there is any objective indication that there is a measurable decrease in the estimated future cash flows before the decrease can be identified with an individual financial asset. The Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and current economic climate in which the borrowers operate. The methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Nevertheless, it is reasonably possible, based on the current experience and existing knowledge that outcomes within the next financial year will differ from the current assumptions, whereby the carrying amount of the asset or liability affected might require a material adjustment.

(i) Available for sale financial instruments

At each balance sheet date the Group assesses whether there is objective evidence that available-for-sale securities are impaired. If any such evidence exists, for available for sale investments the cumulative impairment loss - measured as the difference between the amortised cost of the asset and the current fair value, less any impairment loss previously recognised - is removed from other comprehensive income and recognised in the profit or loss.

Impairment losses recognised in the profit or loss are subsequently reversed if a fair value increase is observed that can be objectively related to an event occurring after the impairment loss was recognised. The assessment of the evidence for impairment and determination of the amount of impairment or its reversal require application of management's judgement and estimates.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(9) Impairment of financial assets (continued)

The Group reviews its debt securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances. The Group also records impairment charges on available-for- sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price fluctuations and duration and extent to which the fair value of an investment is less than its cost. No reversal of impairment is applicable.

(ii) Restructured loans

Where possible, the Group seeks to restructure loans rather than take possession of collateral. This mostly involves adjusting payment made by a borrower in a manner matching such a borrower's financial capacity (temporarily reducing principal repayments, extending payment terms) and agreement of new loan conditions. Once the terms have been renegotiated and executed a loan is no longer considered non-performing as long as a borrower complies with the renegotiated terms and conditions. Such loans are continuously reviewed to ensure that all criteria are met and that future payments are likely to occur and interest and fee income is accrued and recognised as for other performing loans. If the terms of the financial assets have been reviewed, each restructured loan is assessed quarterly to identify possible impairment that otherwise would be treated as overdue or impaired. When a loan is restructured, it is also assessed for derecognition (See Note 2 (6) on derecognition policy of assets).

(10) Intangible assets

Acquired computer software and licences are recognised as intangible assets on the basis of the costs incurred to acquire and bring to use the software. Intangible assets are amortised on the basis of their expected useful lives (5 years) and less impairment, if there is an indication that intangible asset may be impaired. The costs associated with developing or maintaining computer software programs are recognised as an expense when incurred.

(11) Property, plant and equipment and depreciation

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment, if any. Depreciation is provided using the straight-line method to write off the cost of each asset to its residual value over the estimated useful life of the asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.
The annual depreciation rates are as follows:

Category	Depreciation rate
Land and buildings	2% p.a.
Furniture and fittings	10 - 20% p.a.
Computers and equipment	10 - 33% p.a.
Vehicles	17% p.a.
Leasehold improvements	over the term of the lease agreements

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals of property and equipment are recognised in the profit or loss in the period of disposal. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Property, plant and equipment are periodically reviewed for impairment.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(12) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss. Goodwill impairment losses cannot be reversed over the next reporting periods.

(13) Investment property

Investment property comprises land or buildings, which are held in order to earn rentals or for capital appreciation or both, and which are not occupied by the Group or otherwise held for sale. Property held under operating lease is classified as investment property if, and only if, it meets the definition of an investment property.

Investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, to any difference in the nature, location or condition of the asset. The fair value of investment property is based on a valuation by an independent valuator who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued. If this information is not available, the Group uses alternative valuation methods such as discounted cash flow projections. Changes in the fair value of investment property are recorded in the profit or loss as part of Operating income.

Revenue on sale of investment properties is recognised at sale as the difference between revaluation and acquisition cost as at the moment of sale.

(14) Inventory (included in Other assets)

Inventory includes movable assets, lands and buildings that have been acquired in the debt collecting process, for the purpose to hold them and sell in an ordinary course of business. Inventory is reported at the lower of cost or net realizable value. Net realizable value is a selling price during an ordinary course of business of the Group less selling expenses. Depreciation of Inventory is not calculated. Changes in value of Inventory are recognised in the statement of profit or loss. The value of Inventory is measured at least once per year. The inventory consists of properties taken over with an aim to sell them in the near future.

Realised gains and losses on sale of the properties taken over are recognised at sale as the difference between revaluation of inventory and acquisition cost as at the moment of sale.

(15) Leases - when the Group is a lessor

The income from operating lease is included in the profit or loss for the duration of the lease contract using the straight-line method and is recognised under item Operating income.

Lease income is recognized evenly over the term of the lease using the net investment method which reflects a constant periodic rate of return.

Assets under operating leases are recognised as property, plant and equipment at historical cost net of accumulated depreciation. The property, plant and equipment of the Group are used in its ordinary course of business.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(15) Leases - when the Group is a lessor (continued)

Depreciation is calculated on a straight-line basis over the estimated useful life of property, plant and equipment to write off the cost of each asset to its estimated residual value that is determined based on useful lives of similar assets of the Group.

(16) Corporate income tax

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with tax legislation of the Republic of Latvia.

The tax rate of corporate income tax in the end of reporting period is 15%.

Deferred tax is provided in full, using liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax is calculated based on currently enacted tax rates that are expected to apply when the temporary differences reverse. The principal temporary differences arise from different fixed asset depreciation rates, revaluation of investment properties, as well as tax losses carried forward.

Where an overall deferred taxation asset arises, it is only recognised in the financial statements where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(17) Due from other credit institutions and the State Treasury

Item *Due from other credit institutions and the State Treasury* comprises cash and demand deposits with the Bank of Latvia and other credit institutions with original maturity of 3 months or less (See Note 34) and demand deposits with the Bank of Latvia and other credit institutions with original maturity of more than 3 months.

(18) Provisions

The Group utilises off-balance sheet financial instruments that include commitments to grant loans and commercial letters of credit. Such financial transactions are recorded in the financial statements as of the respective agreement dates.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

(19) Vacation reserve

Provisions for employee leaves are recognised on an accrual basis.

The volume of provisions for leaves is calculated, based on the number of leave days earned but unused by the staff members of the Group, and following the principles listed below:

- provisions are built for payment for all unused leave days of staff members;
- the value of one unused leave day is defined as the staff members' average salary per day at the end of the reporting year, plus the appropriate compulsory social insurance contributions;
- movements in provisions are recognised in the profit or loss.

(20) Employee benefits

The Group pays social security contributions for state pension insurance and to the state funded pension scheme in accordance with Latvian legislation. State funded pension scheme is a defined contribution plan under which the Group pays fixed contributions determined by the law and has no legal or constructive obligations to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

(21) Financial guarantees

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(21) Financial guarantees (continued)

The Group accounts for the guarantee commissions received in deferred income, to the extent they relate to prepayment for upcoming 12-18 months, and linearly recognizes the income in profit or loss (estimated to reflect the Effective Interest rate (EIR) amortisation). The difference between the present value of total commissions receivable for the guarantee and market price of those commissions, is recognised as a loss in profit or loss on the day of guarantee issuance, and as provisions for onerous contracts in the statement of financial position. Subsequently, the financial guarantees are measured at the higher of the amount determined in accordance with IAS 37 and the amount initially recognised less cumulative amortisation, on a straight line basis over the life of the guarantee.

Under IAS 37, the best estimate of expenditure required to settle the commitment at a balance sheet date is stated as provisions for financial guarantees and is determined in full, when reliable information is obtained about a necessity to settle particular assumed liabilities (for instance, a request to cover an issued guarantee is received).

(22) State aid

The Group implements the state aid programmes by pursuing the government's policy in the national economy and supporting specific branches of the national economy where the market instruments fail to provide the required accessibility of funds or where aims crucial for development of the economy are not attained.

The funding of the state aid programmes may be comprised of (i) the following public funding sources –European Union funds, other foreign financial aid, funding from the state budget as well as (ii) own funds of the very implementing body. The conditions for use of the public funding of each state aid programme, including covering of the management expenses and credit risk losses, are stipulated by agreement between the implementing body and line ministry and/or state-owned Central Finance and Contracting Agency. According to IAS 20 this type of state aid granted to the implementing body of the state aid programme is treated as a government grant. When the public funding for implementation of the state aid programmes is given with an interest rate below the effective market rate, the effect of such favourable interest rate is treated by IAS 20 as additional government assistance.

The financing received in order to implement the programs, e.g. by issuing loans to SMEs, is interest free. In accordance with IFRS, when a financial liability is recognised initially, it shall be measured at fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. Therefore, financing received from the government is discounted using a prevailing market interest rate. The difference between the fair value of the liability and the proceeds received is considered to be a government grant according to IAS 20.

The Group recognises the state aid when there is reasonable assurance of receipt of the government grant and compliance with all the related conditions. According to IAS 20.12 the government grants are recognised on a systematic basis as income over the period necessary to match them with the related costs, for which they are intended to compensate. The Group receives government grants provided it complies with all the grant related conditions and obligations. For this reason the grants are recognised in income and matched with the related expenses for which they are intended to compensate. Thus the Group applies the income method to the recognition of the government grants. The government grants related to assets are carried as deferred income and recognised in income in equal amounts over the useful life of the asset. The additional government assistance of the favourable interest rate is recognised as income during implementation of the state aid programmes.

(23) Critical accounting estimates and judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(23) Critical accounting estimates and judgements (continued)

The estimates and assumptions are evaluated regularly and are based on the historic experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Such estimates are made below:

- ***Impairment losses of loans and advances***. In order to assess impairment allowance, the management needs to make assumptions regarding the estimated cash flows and their timing related to loans. Significant estimates need to be made in relation to value of the collateral of the loans and advances. The assessment of the collateral includes the amounts of such impairment losses covered by support programme funding provided by state, see Note 28. The management has not significantly changed the estimates made during the prior period. Further details disclosed in Note 19;

- ***Impairment losses of investments in venture capital funds.*** The Group's management checks regularly that the value of the underlying investments of the venture capital funds is properly reflected. If the information about investments' evaluation is not sufficient or does not confirm the value, the management needs to make assumptions about the value impairment of venture capital funds. The management has not significantly changed the estimates made during the prior period. Further details disclosed in Note 18.

- ***Impairment of non-financial assets***. The Group has evaluated its non-financial assets, such as property, plant and equipment and other assets (hereinafter referred to as the Group of assets), for impairment, which is not within the scope of IAS 39. The management has assessed the need for impairment by comparing the fair value less cost to sell to the carrying value of the group of assets, except for certain Property, plant and equipment which will not be used in the Group's operations and have been impaired as disclosed in Notes 2 (12), (21), (22). More information on the value of property, plant and equipment and intangible assets is disclosed in Note 22 and Note 21.

- ***Impairment allowance for securities held to maturity and available for sale***. The Group performs credit risk evaluation of the issuer of securities on a regular basis for a timely identification of eventual loss events, which might occur due to issuer's default. The Group uses the following criteria for evaluation of quality of securities and building of provisions:
  - changes in credit risk of the issuer of securities since the moment of financial asset procurement, upon evaluation of changes in internal or external international credit ratings;
  - changes in the fair value of the respective security and potential losses, if the respective security would be sold at a market price on a regulated market;
  - changes in estimated future cash flow and date of maturity due to late payments (except for cases when delays were caused by payment system errors) or due to negative changes in creditworthiness of the issuer, bankruptcy, liquidation or reorganization of the issuer.

Such judgments are outlined below:

- Revaluation of investment properties. The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2016 for investment properties. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model was used, as there is a lack of comparable market data because of the nature of the properties. In addition, it measures the office property at revalued amounts, with changes in fair value being recognised in the statement of profit or loss. The office property was valued by reference to transactions involving properties of a similar nature, location and condition. More information is provided in Notes 2 (13) and 15.

- ***Classification of venture capital funds***. The Group considers that it does not control the venture capital funds even though it owns more than 50% in majority of the funds. Instead, it has been concluded that the Group has significant influence over venture capital funds and therefore investments in venture capital funds are classified as associates and are measured at cost, less impairment, in the separate financial statements of the Group. The

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(23) Critical accounting estimates and judgements (continued)

- Group has invested in several venture capital funds having ownerships of 20% and 33% in two of the funds and 64%- 100% in rest of them (for more details, please see Note 18). The main reason for the Group to invest in these funds is to implement a public funding function imposed by the government. Despite the high direct investments and ownership above 50% in most of the funds, Group's ability to exercise its power over the venture capital funds is limited by the terms of the agreements signed between Group and the fund managers. Group is forbidden to take part in the management of the Funds' businesses. However, Group's representatives are present in different bodies of the funds (e.g. Advisory Board, Investment Committee, etc.) granting it a right to approve or reject certain limited transactions and advising the fund manager. Group doesn't control the funds, but can exercise significant influence over them. Group is obliged to implement the Investment Fund in line with the business plan and agreement signed with the State. Group has to monitor the implementation of financing instruments, select financial intermediaries according to legal acts and aim to increase the amount of Investment Fund. The Group could stop the cooperation with the fund managers only in cases when the fund managers cease their operations or illegal actions would be discovered. Under these circumstances, the funds in question would be closed - the liquidation process would be initiated, no new investments would be made or a search for a new fund manager would be initiated through public tender. The selection of a fund manager for implementation of the state aid programmes requires following the legislation on public tenders, as would the change of fund managers. According to the law, the replacement of the fund manager can occur only as a result of reorganization and selection procedure is costly and time-consuming. The disruption of the cooperation with the fund manager would put under threat the implementation of State and EU support programs which is the main goal of the Group given it is a finance development institution. The Group's management considers that the monetary amounts required to change the fund manager are material and substantial (the estimated expenses and penalties for fund manager removal would range from 2.6% to 5.9% of the net investment in the fund) and along with the abovementioned circumstances constitute an obstacle to exercising its power over the venture capital funds.

- ***Deferred tax asset.*** Deferred tax assets are recognized in respect to tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. For further details please see Note 13.

- ***Agent vs Principal.*** For majority of state aid programs, the Group acts as a *Principal*. The management of the Group believes that the Group is a *Principal* since the loan agreements concluded with the clients entail contractual rights to loan repayments from the borrowers or other beneficiaries of the investments. Moreover, the loan agreements are concluded for full amount of the loan and granted loans are carried as assets in the Group's statement of financial positon. The investments made comply with a definition of an asset. The Group is responsible for providing of the service and can affect the interest rate. However, some programmes have been imposed with a limit on the interest rates that cannot be exceeded.

  The Group believes that the Group is a *Principal* also for state aid programs, which are based on guarantee products.

  The Group recognises its expenses due to impairment of the loans, guarantees or venture capital funds in profit or loss for the portion of impairment that refers to the Group (ranging from 20% to 100%). The portion of losses that the government reimburses by decreasing the amount of the loan repayable to the government, does not affect the Group's profit or loss as the loan received from the government is debited.

  In *Loan Fund Programe*, as well as in some *Fund of funds'* and *Energy Efficiency Programe's of Multi-apartment Buildings* activities, the Group acts as an *Agent*. In this case the Group is an intermediator and no material risk is borne.

  The interest income received on the loans issued from *above mentioned activities and programs* includes the amounts collected on behalf of and for the benefit of other entities that do not increase the equity capital of the

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(23) Critical accounting estimates and judgements (continued)

Group and therefore cannot be considered as the Group's income. For this reason, the Group carries as income only that part of the financial resources of the Loan Fund that is used to cover the management costs of the Loan Fund and this amount is included in the profit or loss calculation.

- ***Below market rate loans.*** The Group implements the state aid programs by pursuing the government's policy in the national economy and supporting small and medium sized entities (SMEs). The funding of the state aid programs may be comprised of the following public funding sources – (i) European Union funds, other foreign financial aid, funding from the state budget as well as (ii) own funds of the very implementing body. The financing received for implementation of the programs, i.e. for issuing loans to SMEs, is interest free. When the public funding for implementation of the state aid programmes is given with an interest rate below the effective market rate, the effect of such favourable interest rate, i.e. the difference between the fair value of the liability and proceeds received is treated as income-generating government grant.

  Although a fraction of the public funding of some of the state aid programmes implemented by Group may include the state budget funds and funds from Group's shareholders, this type of the government grant is not treated as a shareholder's equity contribution since the amount of the public funding earmarked for implementation of the specific state aid programme is received <u>*in the capacity of the implementing body of the specific state aid programme chosen as a result of public selection*</u> and not in the capacity of entity implementing the assignment or instructions of its shareholder.
  For more details on the accounting policy applied, see Note 2 (22). Further details on guarantees are disclosed in Notes 12, 18, 33.

  The funding received from the state can be classified into three categories – equity financing (guarantees, see Notes 2 (22), 12, 18, 33, loans (Notes 27, 28) and grants (state aid, Note 28).

- ***Below market rate guarantees.*** Up to mid-2016 the state aid programmes issuing guarantees to the economic operators of Latvia were implemented with the state aid funding invested in equity capital of Group. The guarantee programmes issue guarantees to Group clients at the rate that is below the currently effective market rate. The difference between the market rate and rate used in the guarantee agreements was covered by provisioning for onerous contracts, as required by IAS 37.

  In year 2016 two guarantee programmes whose funding was attracted through non-current liabilities were included in Group's portfolio of state aid programmes. As at 31 December 2016 such programmes were: the Guarantee Programme of the Fund of funds and sub-activity 2.2.1.4.2. *Mezzanine Loans and Guarantees for Improvement of Competitiveness of Economic Operators.*

  As of 8 June 2016 no provisions for onerous contracts are built for the *Guarantee Programme of the Fund of funds* as the principle of *Agent* is applied to the programme. With regard to this programme the Group functions as an intermediary and therefore assumes no risk.

  As of 31 October 2016, with regard to the sub-activity 2.2.1.4.2. *Mezzanine Loans and Guarantees for Improvement of Competitiveness of Economic Operators*, Group is entitled to use the funding attracted to implementation of the programme to cover the implementation-related losses once the funding has been absorbed. The funding may be used both for the losses having originated from the issued guarantees and expected losses on the new guarantees (IAS 37). As at 31 December 2016 the available funding amounted to 5,3 mln euros. Since the contract stipulates that the funding earmarked for covering of the losses can be used also for the credit risk, Group holds a view that the co-financing offsets the credit risk component in the calculation of the market rate by reducing it and that the funding may be used to build the required provisions for onerous contracts. The amount of the available funding is reduced at the moment when the credit risk manifests itself i.e. when the guarantee is written off as lost or disbursed.

- ***State aid*** Now, just as earlier, the implementing body of each state aid programme is identified as a result of selection of applicants. The management of each applicant, including also JSC Development Finance Institution Altum (or any of 3 companies existing before reorganisation and establishment of the Group –

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(23) Critical accounting estimates and judgements (continued)

state-owned JSC Latvian Development Finance Institution ALTUM, Ltd Latvian Guarantee Agency or state-owned JSC Rural Development Fund), decides to participate in the selection by signing and submitting on behalf of the respective company the project application and business plan for the selection of the implementing body of the specific state aid programme.

Although a fraction of the public funding of some of the state aid programmes implemented by Group may include the state budget funds and funds from Group's shareholders, could be any of the ministries through which the public funding of the specific state aid programme is channelled, this type of the government grant has never been/currently cannot be treated as a shareholder's equity contribution since the amount of the public funding earmarked for implementation of the specific state aid programme is received *in the capacity of the implementing body of the specific state aid programme chosen as a result of public selection* and not in the capacity of entity implementing the assignment or instructions of its shareholder.

- ***Expected losses on credit risk.*** State support programmes implemented by Group are designed according to the market gap to ensure access of enterprises and residentials to finance resources in areas that the government has defined as important and to be supported, fielding national policy in to the national economy or that access is not sufficient with available financial instruments in the market. Expected loss along with programme's impact, risk assessment, financial feasibility and implementation expenses are estimated prior to approval of respective programme at the Cabinet of Ministers.

  In assessment of expected loss for the programme the Group evaluates incorporated credit risk, operational risk and other risks like market risks. For coverage of the programme's expected loss on credit risk respective portion of public funding available for that programme is allocated at full or partial extent of total expected credit loss depending on the agreed programme's structure. That public funding part allocated for the coverage of programme's expected loss on credit risk is transferred to particular support programme reserve capital within the Group's Reserve capital, for example Reserve capital for Housing Cuarantee Programme (see Note 20), or accounted separately as provisions for risk coverage (Risk coverage reserve) classified within the liabilities (see Note 28).

  If public funding classified within Risk coverage reserve for coverage of particular programme's expected loss on credit risk exceeds actual credit loss incurred during the implementation of the programme, then respective excess portion of that public funding is repayable according to the terms of programme funding agreement.

  Support programme reserve capital concept has been implemented in 2015. However *Risk coverage reserve* concept has been implemented as of 2016. Accordingly comparatives for *Risk coverage reserve* have been disclosed as at 31 December 2016, without any reclassification effect on comparatives since included in *Support programme funding* position in the liabilities both as at 31 December 2016 and 31 December 2015.

(24) Assets held for sale

Non-current assets and 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 amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as 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, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The resulting profit or loss (after taxes) is recognized separately in the statement of comprehensive income.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

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

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2016:

- **Amendments to IAS 1 Presentation of financial statements: Disclosure Initiative**

  The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The implementation of this amendment has no impact on the financial statements of the Group.

- **Amendments to IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization**

  The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of this amendment has no impact on the financial statements of the Group, as the Group does not use revenue-based depreciation and amortisation methods.

- **Amendments to IAS 19 Employee Benefits**

  The amendment addresses accounting for the employee contributions to a defined benefit plan. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The implementation of this amendment has no impact on the financial statements of the Group.

- **Amendments to IAS 27 Equity method in separate financial statements**

  The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. Management had not made use of this amendment.

- **Amendment to IFRS 11 Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations**

  IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group had no transactions in scope of this amendment.

- The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. None of these had an effect on the Group's financial statements:
  - IFRS 2 Share-based Payment;
  - IFRS 3 Business Combinations;
    IFRS 8 Operating Segments;
  - IFRS 13 Fair value Measurement;
  - IAS 16 Property, Plant and Equipment;
  - IAS 24 Related Party Disclosures;
  - IAS 38 Intangible Assets.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

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

- The IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. None of these had an effect on the Group's financial statements:
  - IFRS 7 Financial Instruments: Disclosures;
  - IAS 19 Employee Benefits;
  - IAS 34 Interim Financial Reporting.

  The implementation of the following amendment has no significant impact on the financial statements of the Group.
  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operation

Standards issued but not yet effective

The Group has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective:

IFRS 9 Financial Instruments (effective for financial years beginning on or after 01.01.2018)

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. The Group plans to adopt the new standard on the required effective date. During 2016, the Group has performed preliminary assessment of IFRS 9 to the Group's assets and liabilities classifications. The Group expects that IFRS 9 implementation will not have a significant impact on classification of financial assets and financial liabilities in the separate financial statements of Altum.

The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.
Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

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

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.
During 2016, the Group performed a preliminary assessment of IFRS 15. IFRS 15 implementation is not expected to have a significant impact on the recognition and measurement principles of Group revenue as Group has no bundled packages falling under the scope of IFRS 15. Neither the requirements for extensive disclosures is expected to have a significant impact on the financial statements as these refer mostly to disaggregation of contracts and principles applied to allocation of the transaction price.

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

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

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

practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The implementation of the following amendment is not expected to have a significant impact on the financial statements of the Group.

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

IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. Management has not assessed impact of this amendment on the financial statements of the Group.

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

The amendments improve information provided to users of financial statements about an entity's financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The implementation of these amendments will not have any impact on the financial position or performance of the Group but may result in changes in disclosures.

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

The amendments clarify how to account for deferred tax assets for unrealized losses on debt instruments measured at fair value. The Group has not yet evaluated the impact of the implementation of this standard.

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

The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Group has not yet evaluated the impact of the implementation of this standard.

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

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group has not yet evaluated the impact of the implementation of this standard.

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

The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The implementation of the following amendment will have no impact on the financial statements of the Group.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

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

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

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The implementation of the following amendment will have no impact on the financial statements of the Group.

The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. Management has assessed that there will no significant impact of the Annual Improvements on the Group's financial statements.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards**: This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

The Group plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

(26) Changes and restatement for errors in comparative indicators

A recurrent analysis of the venture capital funds' investments revealed that the values of two venture capital funds – Baltic Innovation Fund and limited partnership BaltCap Latvia Venture Capital Fund – established in the Group's reports for years 2014 and 2015 using the equity method included investment values measured at fair value that didn't comply with the Group's methodology for accounting for venture capital fund investments. Also due diligence, assessment and calculations were performed to adjust the figures from the financial statements of the venture capital funds to IFRS reporting standards.

Alongside reviewing of the aforementioned values, also the impairment measurement of the venture capital funds was reviewed. The reviewed measurement proves that the venture capital funds are not impaired and no provisioning is needed.

Impact from incorrect accounting methods was corrected retrospectively resulting in changes to the figures of balances/turnover in the report of the previous reporting period.

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(26) Changes and restatement for errors in comparative indicators (continued)

Details about the adjustments made are available below:

	Notes	Balance 31/12/2014 before restatement (EUR, thsd)	Restatement (EUR, thsd)	Restated balance as at 31/12/2014 (EUR, thsd)
Items restated in Financial Position Statement:				
Investments in venture capital funds	Note 18 – correction due to the fact that the values of two venture capital funds – Baltic Innovation Fund and limited partnership BaltCap Latvia Venture Capital Fund – presented using equity method included investment values measured at fair value that didn't comply with the Group's methodology for accounting for venture capital fund investments. Also due diligence, assessment and calculations were performed to adjust the reports of the venture capital funds to IFRS reporting standards.	25,342	(704)	24,638
Reserve capital	Note 20 – an arithmetical error occurred due to reversal of 687 thsd euros of the provisions for venture capital funds and adjustment of 894 thsd euros for the methodology applied to the venture capital funds. Adjustment of the opening balances affected the balances for the situation as at 31/12/2015 (see the respective item below).	(17,429)	(207)	(17,636)
Retained earnings for the period		(2,222)	(497)	(2,719)

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(26) Changes and restatement for errors in comparative indicators (continued)

	Notes	Balance 01/01/2015 before restatement (EUR, thsd)	Restatement (EUR, thsd)	Restated balance as at 01/01/2015 (EUR, thsd)
Items restated in Financial Position Statement:				
Investments in venture capital funds	Note 18 – correction due to the fact that the values of two venture capital funds – Baltic Innovation Fund and limited partnership BaltCap Latvia Venture Capital Fund – presented using equity method included investment values measured at fair value that didn't comply with the Group's methodology for accounting for venture capital fund investments. Also due diligence, assessment and calculations were performed to adjust the reports of the venture capital funds to IFRS reporting standards.	25,342	(704)	24,638
Reserve capital	Note 20 – an arithmetical error occurred due to reversal of 687 thsd euros of the provisions for venture capital funds and adjustment of 894 thsd euros for the methodology applied to the venture capital funds. Adjustment of the opening balances affected the balances for the situation as at 31/12/2015 (see the respective item below).	(17,429)	(207)	(17,636)
Retained earnings for the period		(2,222)	(497)	(2,719)

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(26) Changes and restatement for errors in comparative indicators (continued)

	Notes	Balance 31/12/2015 before restatement (EUR, thsd)	Restatement (EUR, thsd)	Restated balance as at 31/12/2015 (EUR, thsd)
Items restated in Financial Position Statement:				
Investments in venture capital funds	Note 18 – correction due to the fact that the values of two venture capital funds – Baltic Innovation Fund and limited partnership BaltCap Latvia Venture Capital Fund – presented using equity method included investment values measured at fair value that didn't comply with the Group's methodology for accounting for venture capital fund investments. Also due diligence, assessment and calculations were performed to adjust the reports of the venture capital funds to IFRS reporting standards.	45,289	(5,361)	39,928
Provisions for venture capital funds	Note 18 – reversal of impairment recorded following correction on the valuation methodology and policy referred to above.	(3,154)	3,154	0
Support programme funding	Note 28 – correction due to restatement of the Holding Fund's liabilities for 2,113 thsd euros following the restatement of the provision amount of the investment in venture capital funds referred to above.	70,340	2,114	72,454
Reserve capital	Note 20 – correction due to restatement of the balances for the situation as at 01/01/2015 (see the respective item below).	(15,875)	(207)	(16,082)
Retained earnings		6,318	(4,113)	2,205

NOTES TO FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES (continued)

(26) Changes and restatement for errors in comparative indicators (continued)

	Notes	Balance before restatement 2015	Restatement	Restated balance 2015
Impact of restatement in the Statement of Comprehensive income:				
Retained earnings for the period		8,540	(3,616)	4,924
Share of profit/ (loss) of investment in joint venture and associate	Impact from the equity method, Note 18, the new methodology explained in Note 2 (21).	1,543	(3,741)	(2,198)
Provisions for impairment, net	Changes to the item *Impairment Provisions*: - 125 thsd euros were reversed due to value impairment of the venture capital funds (see Note 18). Correction.	(5,148)	125	(5,023)

NOTES TO FINANCIAL STATEMENTS

3 RISK MANAGEMENT

For risk management, the Group has developed a risk management system that takes into account its size, structure and operational characteristics as well as restricted options for management of certain risks. The Group manages the risks affecting its operations in compliance with the risk management internal regulatory documents approved by the Group that detail and establish the aggregate of measures used in management of the risks inherent to its operations.

The following major risk management principles are followed:

- risk management is a component of every-day functions;
- the Group identifies and assesses the probable risks before launching of new products or services;
- while assuming the risks the companies forming the Group are capable of long-term pursuit of the delegated aims and assignments;
- the Group does not enter into transactions, operations, etc. entailing risks that endanger its operational stability or may result in substantial damage to its reputation.

In its risk management the Group makes use of various risk analysis methods and instruments as well as establishes risk limits and restrictions.
The major risks that the Group is exposed to are: credit, liquidity and operational risks.

Credit Risk

The credit risk is a risk that a customer or cooperation partner of the Group is unable or unwilling to meet its liabilities towards the Group in full and within the established term. Since the Group is delegated implementation of the state aid programmes, it is mainly exposed to credit risk through its lending, guarantees to the third parties and other off-balance liabilities towards the third parties. The Group is also subject to the credit risk due to its investment activities.

The key principle of credit risk management in the Group is the ability of the customers or cooperation partners to meet their liabilities towards the Group, which is achieved by assessment of the customer and co-operation partner prior to transaction, as well as further continuous monitoring and evaluation. The Group reduces its exposure to credit risk by securing a pledge or other collateral adequate to the risk transaction and provisions of the target programme.

Within the framework of credit risk management, the Group has set risk limits for transactions, which includes decision-making limits; in the event of significant risks being involved the decisions are made by credit committees or boards of directors of the companies.
The analysis of the assets and off-balance sheet liabilities subject to the credit risk is outlined in Note 37 to the financial statements.

Liquidity Risk

The liquidity risk entails the risk that the Group might fail to meet legally valid claims of its customers and other creditors in due time and that, in case of necessity, the resources might not be available to it on the market, and/or it might be unable to dispose of positions (for example, sell the assets) without considerable losses and in a short period of time.

The goal of liquidity risk management is to provide adequate liquidity in normal operating environment as well as stress situations without material expenses or losses. The Group maintains liquid assets sufficient for meeting its liabilities at all times.

The Group performs the term structure assessment of its assets and liabilities to evaluate the liquidity risk, as well as cash flow analysis whereby the volume of minimum required liquid assets is established.

Note 39 to the financial statements provides data on the Group's assets and liabilities by maturity profile.

NOTES TO FINANCIAL STATEMENTS

3 RISK MANAGEMENT (continued)

Operational Risk

The operational risk results from intentional or unintentional deviations from the standards adopted in daily operation of the Group, for example human mistake or fraud, malfunction of information systems, insufficient control procedures or their ignorance altogether, etc.

The goal of the operational risk management is timely identification of the potential operational risks and implementation of countermeasures to minimize the effect of operational risk on the Group's financials as much as possible and maintain the Group's operational continuity. The Group achieves the established goal via identification of operational risk causes and taking preventive and corrective measures to eliminate them.

Interest Risk

The interest rate risk is related to unfavourable impact of the changes of the market interest rates on the Company's interest income and economic value.

The management of the interest rate risk aims to measure and manage the interest rate risk ensuring that its impact on the Company's income and economic value is curbed as much as possible.

In order to measure the interest rate risk, the Company analyses regularly the interest rate risk-sensitive assets, liabilities and off-balance sheet items, their maturity structures and sensitivity to probable interest rate changes.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The management believes that the Group's exposure to foreign currency risk is not significant as the major part of transactions are made in euro. The Group manages its foreign currency risk by attracting financing and issuing financial instruments in euros.

NOTES TO FINANCIAL STATEMENTS

4 INTEREST INCOME

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
- interest on balances due from credit institutions	47	142
- interest on loans and guarantees*	10,286	11,314
including on impaired loans (see Note 19)	*1,005*	*1 076*
- interest on securities at amortised cost	78	175
- interest on securities at fair value *	2,173	3,743
- other interest income**	-	3,236
	12,584	**18,610**

* Based on the Mezzanine and Guarantee Fund Activity Agreement concluded with the Ministry of Economics (agreement No 2011/16) in year 2016, the financing given by the Ministry of Economics must be increased by income of the Mezzanine and Guarantee Fund on placement of the free funds, interest income on the loans, premium income on the issued guarantees, commissions, contractual penalties, etc. As a result, the Group's sub-item *Interest income on loans and guarantees* is reduced by 646 thsd euros and sub-item *Interest income on securities at fair value* is reduced by 531 thsd euros.
** Item *Other interest income* includes state aid interest of EUR 3,192 thsd. In July 2015 the Group signed amendments to the agreement No 2DP/2.2.1.4/09/IPIA/EM/001/001 concluded with the Ministry of Economics concerning the updated investments of the parties in the Loan Fund. As a result, the amount of the state aid was recalculated for the Structural Funds' investments in the capital of the Group.
The information about state aid interest, which refers to 2016 year, is disclosed in Note 5._For more information see Note 2 (22) and 2 (23).

5 INTEREST EXPENSE

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Interest expense:		
- interest on balances due to credit institutions	314	479
- other interest expense*	1,393	1,863
	1,707	**2,342**

* Item *Other interest expense* includes the state aid interest of 1,060 thsd euros. The increase in state aid interest is connected with new state funding received in 2016. See Note 2 (22).

6 FEE AND COMMISSION INCOME

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Fee and commission income:		
- from lending activities	433	526
- other fee and commission income	13	177
	446	**703**

NOTES TO FINANCIAL STATEMENTS

7 FEE AND COMMISSION EXPENSE

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Fee and commission expense:		
- on venture capital fund management fee*	226	479
- on securities portfolio maintenance	59	51
- on administration of land programme	-	-
- other fee and commission expense**	14	22
	299	**552**

*As regards the Holding Fund Programme the expenses of the Group for the reporting period include management fees of the venture capital funds amounting to 2,066 thsd euros (2015: 1,323 thsd euros) of which 1,840 thsd euros (2015: 1,120 thsd euros) were reimbursed. The reimbursement scheme is stipulated by the new wording of the agreement No 2011/15 On Implementation of the Holding Fund dated December 23, 2015.
The management fee of 226 thsd euros includes the management fees of the first generation venture capital funds where the fee of the limited partnership *Otrais EKO fonds* accounts for 5 thsd euros and fee of the Baltic Innovation Fund - 221 thsd euros.
** Item *Other fee and commission expense* includes asset management fee of the financial intermediaries JSC SEB and JSC Swedbank. As regards the Holding Fund Programme the expenses of the Group for the reporting period include the management fees of 43 thsd euros (2015: 54 thsd euros) of the financial intermediaries JSC SEB and JSC Swedbank that, according to the agreement No 2011/15 On Implementation of the Holding Fund, were reimbursed for 30 thsd euros (2015: 41 thsd euros).
The management fee of the financial intermediaries amounting to 13 thsd euros is considered as non-eligible and non-reimbursable expense and recognised in the Group's profit or loss. See Note 2 (5) *i.*

8 NET TRADING INCOME

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Profit from sales of available for sale securities	-	1,120
Loss on currency exchange and trade and revaluation of other financial instruments, net	(203)	(137)
	(203)	**983**

9 OTHER INCOME

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Compensations*	2,324	906
Other operating income **	2,559	5,321
Income from property privatisation services	254	572
Income from investment property revaluation	29	-
Income from lease payments for operational leases ***	195	144
Income from compensation for loan provisions****	167	351
	5,528	**7,294**

* Compensations include the compensation for management expenses of state aid programs implemented by the Group in amount of EUR 2,324 thsd. Increase in received compensations during 2016 is connected with new state aid programs' realisation such as Fund of funds and Energy Efficiency Programme of Multi-apartment Buildings.
The compensation for management expenses includes personnel expenses of 1,733 thsd euros (Note 10) and administrative and other operating expenses of 591 thsd euros (Note 11).
Expenses in amount of EUR 1,583 thsd are compensated to the Group according to terms and budget of each particular programme.

NOTES TO FINANCIAL STATEMENTS

9 OTHER INCOME (continued)

** Item *Other operating income* includes income of 2,453 thsd euros from sale of properties taken over.
***A significant portion of the income from the premises' rentals is derived from the real estates of the Group that are recognized as property and equipment in this financial statement, whereas the only property that was classified as an investment property yielded insignificant rentals.
****This item also includes compensations of loan funds for the provisions of EUR 167 thsd (2015: EUR 351 thsd) built by the Group. In the reporting period the Group wrote off the loan principals of EUR 492 thsd euros (2015: 1,137 thsd euros) from the loan funds under its management of which only 26 thsd euros (2015: 351 thsd euros) were reimbursed.

10 STAFF COSTS

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Remuneration to the Council and the Board	268	224
Remuneration to staff	5,235	5,164
Social security contributions	1,279	1,291
	6,782	**6,679**

In year 2016, based on the implementation agreements of the state aid programmes concluded with the Responsible Institutions, the Group was compensated the personnel expenses of 1,733 thsd euros (Note 9).

During the reporting period the Group employed 242 employees on average (2015: 282).

11 ADMINISTRATIVE AND OTHER OPERATING EXPENSE

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Information system and communication expense	1,086	1,062
Expense of assets that have been taken over in the debt collection process	991	303
Premises and equipment maintenance expense	857	886
Other expense*	760	-
Revaluation of assets that have been taken over in the debt collection process**	612	402
Advertising and public relations	495	445
Professional services*	388	205
Training and other staff expense	243	339
Real estate tax	149	189
Conference expense	-	1,298
	5,581	**5,129**

* Largest amounts under item *Other expense*:

- 216 thsd euros related to the decision passed by Central Finance and Contracting Agency (CFCA) on repayment of non-eligible expenditure based on the report No OF/2013/1112/B5 (Report) of the European Anti-Fraud Office (OLAF).
  CFCA informed that it had received a report No OF/2013/1112/B5 (hereinafter – Report) from the European Anti-Fraud Office (hereinafter – OLAF). According to the Report, OLAF had investigated the project No VPD1/ERAF/CFLA/05/NP/2.4.3./0001/000001 Development of Venture Capital System (hereinafter – Project) under measure 2.4. Access to Finance for SMEs of 2004 – 2006 programming period. OLAF established that the venture capital fund *Otrais Eko fonds* (hereinafter the Fund) had made investments (co-financed within the framework of the Project by European Regional Development Fund) in the companies connected to the Board members of the Fund's manager (JSC *Eko investors*) resulting in a conflict of interest. Since the Fund's manager had entered a conflict of interests, as defined by Article 52 (2) of the Council Regulation No 1995/2006, due to investing in JSC *PET Baltija* and JSC *Eko Riga*, the ERDF co-financing of 216 thsd euros that the Fund had invested in JSC *PET Baltija* and JSC *Eko Riga* was considered non-eligible

NOTES TO FINANCIAL STATEMENTS

11 ADMINISTRATIVE AND OTHER OPERATING EXPENSE (continued)

expenditure. Based on Section 20 of the Cabinet of Ministers Regulations No 706 of June 30, 2009 *Procedure for Reporting Irregularities in Implementation of the Projects Financed by Structural Funds and Deciding on Usage of the Allotted Financing*, CFCA ordered the Group, having taken over the obligations of LGA, to repay the non-eligible expenditure by May 23, 2016.
The Group complied with the requirement and repaid the aforementioned amount.

- 254 thsd euros was VAT on sale of the Group's movable property where the Group lost its right to recover the property.

In year 2016, based on the implementation agreements of the state aid programmes concluded with the Responsible Institutions, the Group was compensated the administrative and other operating expenses of 591 thsd euros (Note 9).

** The accounting policy of the assets that have been taken over in the debt collection process is described in Note 2 (14).

12 IMPAIRMENT PROVISIONS, NET

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015 Restated
Provisions for impairment on:		
- loans	6,474	6,094
- other assets	635	6,968
- debt securities	24	-
- investments in venture capital funds	246	-
- guarantees	12,397	10,032
	19,776	**23,094**
Release of provisions for impairment on:		
- loans	(2,674)	(3,314)
- other assets	(3,168)	(195)
- debt securities	(481)	(4,769)
- guarantees	(12,957)	(8,208)
	(19,280)	**(16,486)**
Recovery of loans written off in previous periods	**(967)**	**(1,585)**
Total provisions for impairment	**(471)**	**5,023**

Item *Provisions for impairment* was restated for the previous period (see Note 2 (26)).

13 CORPORATE INCOME TAX

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Corporate income tax	-	-
Deferred tax	-	-
Total corporate income tax (income)	**-**	**-**

NOTES TO FINANCIAL STATEMENTS

13 CORPORATE INCOME TAX (continued)

	31/12/16	31/12/15
Income before tax	**2,170**	**4,924**
Theoretically calculated tax at a tax rate of 15%	326	739
Net income / expenses non-deductible for tax purposes	1,443	401
Change in unrecognized deferred tax asset	(1,769)	(1,140)
Tax (income) / expense for the year ended 31 December	**-**	**-**

Change in provisions for deferred tax assets:

	31/12/2016	31/12/2015
Deferred tax asset at the beginning of the reporting year	**-**	**253**
Change in deferred tax asset		(253)
Deferred tax asset at the end of the reporting year	**-**	**-**

Calculation of deferred tax:

	31/12/2016	31/12/2015
Deferred tax liabilities:	**(493)**	**(531)**
Temporary difference of depreciation of property, plant and equipment	(493)	(531)
Other temporary differences	-	-
Deferred tax assets:	**42,396**	**44,203**
Provision for employee holiday pay	56	48
Other temporary differences	1,468	1,697
Tax loss carried forward	40,872	42,458
Net deferred tax asset	41,903	43,672
Provisions for unrecognized deferred tax asset	(41,903)	(43,672)
Recognized deferred tax asset *	**-**	**-**

* Deferred tax asset was not fully recognized according to Note 2 (23).

The Group is not subject to special tax treatment.

Significant part of the accrued corporate income tax losses of ALTUM, LAF and LGA were taken over by the Group after the reorganization was completed . Deferred tax asset was not fully recognized in respect to tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. According to Latvian legislation, losses calculated for taxation purposes can be settled from future profits over an unlimited period of time. Tax losses available for the Group to be carried forward amount to 272,480 thsd euros.

NOTES TO FINANCIAL STATEMENTS

14 INVESTMENT SECURITIES

	31/12/2016	31/12/2015
Held to maturity		
Latvian Treasury bills and government bonds	459	439
Non-OECD government bonds	1,027	1,027
OECD corporate bonds	4,516	4,852
Total securities held to maturity	**6,002**	**6,318**
Impairment allowance	(4,471)	(4,777)
Net securities held to maturity	**1,531**	**1,541**
Available for sale		
Latvian Treasury bills and government bonds	64,294	88,002
Total securities available-for-sale	**64,294**	**88,002**
Total investment securities	**65,825**	**89,543**

When making investments in securities, the Group analyses the external credit ratings assigned to these financial institutions and entities and their financial and operational standing. Once funds are placed, the Group monitors the monetary financial institutions and follows the compliance of the imposed limits to the credit risk rating.

The following table provides the Group's debt securities profile by the assigned long-term credit ratings (*Moody's Investors Service*) as at 31 December 2016:

	Available-for-sale	Held to maturity	Total net
A1 - A3			
Baa1 - Baa3	64,294	459	64,753
Below Baa3	-	1,027	1,027
Unrated	-	45	45
Total	**64,294**	**1,531**	**65,825**

The following table provides the Group's debt securities profile by the assigned long-term credit ratings (*Moody's Investors Service*) as at 31 December 2015:

	Available-for-sale	Held to maturity	Total net
A1 - A3			
Baa1 - Baa3	88,002	439	88,441
Below Baa3	-	1,027	1,027
Unrated	-	75	75
Total	**88,002**	**1,541**	**89,543**

All securities are quoted. The average yield on debt securities was 3.59% as at 31 December 2016 (2015: 4%).

NOTES TO FINANCIAL STATEMENTS

15 INVESTMENT PROPERTY

	31/12/2016	31/12/2015
Carrying amount at the beginning of period	12,247	11,704
Acquired during the period*	3,704	991
Disposals during the financial period	(89)	-
Net gain from fair value adjustment	1,225	(448)
Carrying amount at the end of period	17,087	12,247

* The Land Fund was established on July 1, 2015. According to the Cabinet of Ministers decree dated March 11, 2015 the Group is the manager of the Land Fund.

The Law "On Land Privatisation in Rural Areas" stipulated establishment of the Land Fund. The Land Fund of Latvia is one of the tools used to ensure that agricultural land is preserved and used for agricultural purposes.

In year 2016 there were 74 (2015:39) properties purchased with a total area of 1,560 ha (2015: 560 ha) and total amount of the purchases amounted to EUR 3,704 thsd (2015: EUR 991 thsd).

One real estate object of the Land Fund was sold in the reporting period.

The Group provides complete information on the operational results and financial standing of the Land Fund.

The accounting policy for Investment properties is described in Note 2 (13).

16 DUE FROM OTHER CREDIT INSTITUTIONS AND TREASURY

	31/12/2016	31/12/2015
Due from credit institutions registered	2	8
in OECD countries	89,551	46,874
in Latvia and Treasury	89,553	46,882

When placing the funds with the Treasury of the Republic of Latvia and monetary financial institutions, the external credit ratings assigned to these financial institutions are evaluated. The evaluation of the financial institutions not having been assigned an individual rating is based on the ratings assigned to their parent banks that are one notch lower as well as their financial and operational assessments. Once the contracts have been concluded, the Group supervises the monetary financial institutions and follows that the assigned limits comply with credit risk assessment:

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

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

NOTES TO FINANCIAL STATEMENTS

16 DUE FROM OTHER CREDIT INSTITUTIONS AND TREASURY (continued)

The distribution of Group's balances due from credit institutions and Treasury of the Republic of Latvia as at 31 December 2015:

Moody`s ratings	Aaa	Aa1-Aa3	A1-A3	Baa1-Baa3	Ba1-Ba3	B1-B3	Caa-C	WR	Total
Due from credit institutions registered in OECD countries	-	-	8	-	-	-	-	-	**8**
Due from credit institutions registered in Latvia and Treasury	-	8,241	34,516	-	-	4,117	-	-	**46,874**
Total	**-**	**8,241**	**34,524**	**-**	**-**	**4,117**	**-**	**-**	**46,882**

As at 31 December 2016 the Group had accounts with 6 banks and Treasury of the Republic of Latvia.

The average interest rate on balances due from credit institutions was 0.07% as at 31 December 2016 (2015:0.029%).

For amount of cash and cash equivalents, please refer to Note 34.

17 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	31/12/2016			31/12/2015		
	Notional contract value	Fair value		Notional contract value	Fair value	
		Assets	Liabilities		Assets	Liabilities
Currency swaps	12,330	-	854	12,153	-	345
Total		**-**	**854**		**-**	**345**

The contract is inforce up to 6 March of 2017. In order to minimize the impact of the currency risk, a new currency forward contract has been concluded after 6 March of 2017.

18 INVESTMENTS IN VENTURE CAPITAL FUNDS

	31/12/2016	31/12/2015 Restated
Carrying amount at the beginning of period*	**39,929**	**24,639**
Invested	21,054	18,603
Refunded	(684)	(1,115)
Share of (loss) of investment in joint venture and associate *	(1,758)	(2,198)
Carrying amount at the end of period*	**58,541**	**39,929**
Impairment*	(245)	-
Net value at the end of period *	**58,296**	**39,929**

*Item *Investments in venture capital funds* was restated for the previous period (see Note 2 (26)).

NOTES TO FINANCIAL STATEMENTS

18 INVESTMENTS IN VENTURE CAPITAL FUNDS (continued)

The table below provides analytical information on the Group's investments into venture capital funds as at 31 December 2016:

	Opening balance, EUR, thsd	Investments/ refunds, EUR, thsd	Revaluation result, EUR, thsd	Closing balance, EUR, thsd
KS ZGI Fonds	38	-	(35)	3
KS Otrais Eko Fonds	1,057	(14)	(247)	796
KS Invento	-	-	-	-
KS Baltcap Latvia Venture Capital Fund	10,391	501	(1,331)	9,561
KS Imprimatur Capital Seed Fund	5,129	938	(507)	5,560
KS Imprimatur Capital Technology Venture Fund	2,861	200	(312)	2,749
KS Expansion Capital Fund	7,987	5,289	(54)	13,222
KS ZGI-3	4,025	4,436	337	8,798
KS Flycap Investment Fund	6,004	5,761	483	12,248
Baltic Innovation Fund	2,437	3,259	(92)	5,604
Total	**39,929**	**20,370**	**(1,758)**	**58,541**

The table below provides information on the value impairment of the venture capital funds in the reporting period:

	Closing gross value, EUR, thsd	Provisions for reporting period, EUR, thsd	Provisions for previous reporting period, EUR, thsd	Net value, EUR, thsd
KS ZGI Fonds	3	-	-	3
KS Otrais Eko Fonds	796	-	-	796
KS Invento	-	-	-	-
KS Baltcap Latvia Venture Capital Fund	9,561	-	-	9,561
KS Imprimatur Capital Seed Fund	5,560	-	-	5,560
KS Imprimatur Capital Technology Venture Fund	2,749	-	-	2,749
KS Expansion Capital Fund	13,222	(245)	-	12,977
KS ZGI-3	8,798	-	-	8,798
KS Flycap Investment Fund	12,248	-	-	12,248
Baltic Innovation Fund	5,604	-	-	5,604
Total	**58,541**	**(245)**	**-**	**58,296**

NOTES TO FINANCIAL STATEMENTS

18 INVESTMENTS IN VENTURE CAPITAL FUNDS (continued)

The table below provides restated analytical information on the Group's investments into venture capital funds as at 31 December 2015:

	Opening balance, EUR, thsd	Investments/ refunds, EUR, thsd	Revaluation result, EUR, thsd	Closing balance, EUR, thsd
KS ZGI Fonds	741	-	(703)	38
KS Otrais Eko Fonds	1,057	-	-	1,057
KS Invento	-	-	-	-
KS Baltcap Latvia Venture Capital Fund	9,180	2,680	(1,469)	10,391
KS Imprimatur Capital Seed Fund	4,744	844	(459)	5,129
KS Imprimatur Capital Technology Venture Fund	2,636	94	131	2,861
KS Expansion Capital Fund	2,777	5,014	196	7,987
KS ZGI-3	905	3,104	16	4,025
KS Flycap Investment Fund	1,659	4,201	144	6,004
Baltic Innovation Fund	940	1,551	(54)	2,437
Total	**24,639**	**17,488**	**(2,198)**	**39,929**

The table below provides restated information on the value impairment of the venture capital funds in the reporting period:

	Closing gross value, EUR, thsd	Provisions for reporting period, EUR, thsd	Provisions for previous reporting period, EUR, thsd	Net value, EUR, thsd
KS ZGI Fonds	38	-	-	38
KS Otrais Eko Fonds	1,057	-	-	1,057
KS Invento	-	-	-	-
KS Baltcap Latvia Venture Capital Fund	10,391	-	-	10,391
KS Imprimatur Capital Seed Fund	5,129	-	-	5,129
KS Imprimatur Capital Technology Venture Fund	2,861	-	-	2,861
KS Expansion Capital Fund	7,987	-	-	7,987
KS ZGI-3	4,025	-	-	4,025
KS Flycap Investment Fund	6,004	-	-	6,004
Baltic Innovation Fund	2,437	-	-	2,437
Total	**39,929**	**-**	**-**	**39,929**

Venture capital funds are classified as associates in these financial statements and their accounting policy is described in Note 2 (5). For judgments made in relation to classification of the investments as associates please see Note 2 (23).

The information about commitments to venture capital funds is presented in Note 33.

All venture capital funds, except Baltic Innovation Fund, are registered in Latvia. Baltic Innovation Fund is registered in Luxembourg.

NOTES TO FINANCIAL STATEMENTS

19 LOANS

The loan portfolio of the Group can be attributed to the following state aid activities:

- *State aid programmes' loans* - Group provides support by means of financial instruments, primarily – loans. Beneficiaries of the promotional programmes are entrepreneurs, primarily – SMEs and business start-ups. The main state aid programmes are:
  - *Start-up programme,*
  - *Microlending programme,*
  - *Microlending programme of small and medium enterprises (SME),*
  - *SME growth loans,*
  - *Programme for improvement of the competitiveness of businesses,*
  - *Working capital loans to farmers.*

  This loan portfolio's gross volume is EUR 156,843 thsd as at 31 December 2016 (2015: EUR 171,766 thsd.)

  On June 8, 2016 the Group signed a covenant with the Central Finance and Contracting Agency on implementation of the Fund of funds. The Group is an implementing body of the Fund of funds. Within the framework of the Fund of funds, on June 15, 2016, the following programmes were launched: Start-up Programme, Micro-lending Programme and Credit Guarantee Programme for Businesses. As at December 31, 2016 the gross loan portfolio of the programmes of the Fund of funds totalled 1,227 thsd euros.

  On September 28, 2016 the Group started to accepting the grant, loan and guarantee applications for the Energy Efficiency Programme of Multi-apartment Buildings. As at December 31, 2016 no loans were issued under the programme.
- *Loans for Acquisition of Land* – Under this activity, Group grants loans to rural entrepreneurs for acquisition of agricultural land. Funds for implementation of the programme according to the loan agreement concluded on 25 June 2012, the Group borrows from the State Treasury and further grants loans to aid beneficiaries. The gross value of the Land Acquisition loan portfolio is EUR 44,195 thsd as at 31 December 2016 (2015: EUR 32,649 thsd).
- *Loan Fund loans* - By 2013, the Loan Fund granted loans to rural entrepreneurs for agricultural, rural and fish-farming development investment projects via credit institutions. At present, no new loans are granted under the Loan Fund. The gross volume of the Loan Fund is EUR 2,950 thsd as at 31 December 2016 (2015: EUR 3,406 thsd).
- *Mezzanine loans* – Under the Mezzanine loan programme, Group grants loans subordinated to loans granted by commercial banks, to small and medium enterprises of Latvia. The gross volume of mezzanine loans is EUR 11,355 thsd as at 31 December 2016 (2015: EUR 9,213 thsd).
- *Loans to credit institutions for further lending to SMEs* – The Group's loan portfolio includes loans of EUR 727 thsd (2015: EUR 1,246 thsd), which are part of the Holding fund that the Group (before – LGA) took over from the European Investment Fund on 2 January 2012. Under this activity, Group granted loans to credit institutions and to non-bank lending companies for further commercial lending to small and medium enterprises by these credit institutions. Two credit institutions are involved in this programme – SEB and Swedbank, as well as two non-bank lending companies – JS Crand Gredit and JS Capitalia. No new loans are issued under this programme.
- *Other loans that didn't meet accepted programme criteria* – The Group took over the loan portfolio that had't been approved by Economic Ministry, this portfolio's gross volume is EUR 132 thsd as at 31 December 2016 (2015: EUR 282 thsd).

NOTES TO FINANCIAL STATEMENTS

19 LOANS (continued)

Loans by type of borrower:

	31/12/2016	31/12/2015
Private companies	188,245	187,902
Individuals	24,490	24,895
Financial institutions	3,655	4,572
Local governments	344	397
Public and religious institutions	172	218
Accrued interest	523	578
Total gross loans	**217,429**	**218,562**
Allowance for impairment loss	(16,179)	(17,044)
Total net loans	**201,250**	**201,518**

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

Granted loans by branches of economy:

	31/12/2016	31/12/2015
Agriculture and forestry	83,048	74,938
Manufacturing	47,104	47,956
Private individuals	24,490	24,895
Retail and wholesale	16,901	19,385
Other industries	14,871	14,508
Hotels and restaurants	7,653	9,044
Electricity, gas and water utilities	6,734	7,773
Transport, warehousing and communications	4,620	5,294
Real estate	4,310	6,532
Construction	3,818	3,285
Financial intermediation	2,443	3,363
Fishing	570	614
Municipal authorities	344	397
Accrued interest on loans	523	578
Total gross loans	**217,429**	**218,562**

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

	31/12/2016	31/12/2015
Number of customers	26	29
Total credit exposure of customers	43,740	52,338
Percentage of total gross portfolio of loans	20.0%	23.8%

NOTES TO FINANCIAL STATEMENTS

19 LOANS (continued)

Loans issued by the Group by type of impairment valuation:

	31/12/2016			31/12/2015		
	Individuals	**Companies**	**Total loans**	**Individuals**	**Companies**	**Total loans**
Individually assessed loans	6,728	145,964	152,692	6,841	148,631	155,472
Collectively assessed loans	17,821	46,916	64,737	18,137	44,953	63,090
Total gross loans	**24,549**	**192,880**	**217,429**	**24,978**	**193,584**	**218,562**
Allowance for impairment loss - individually assessed	(1,105)	(14,902)	(16,007)	(1,151)	(15,769)	(16,920)
Allowance for impairment loss - collectively assessed	(57)	(115)	(172)	(63)	(61)	(124)
Total net loans	**23,387**	**177,863**	**201,250**	**23,764**	**177,754**	**201,518**

Loans granted by the Group by their quality assessment:

	31/12/2016			31/12/2015		
	Individuals	**Companies**	**Total loans**	**Individuals**	**Companies**	**Total loans**
Neither past due nor impaired	19,839	137,487	157,326	19,534	135,688	155,222
Past due but not impaired	2,376	18,217	20,593	2,676	19,324	22,000
Impaired	2,334	37,176	39,510	2,768	38,572	41,340
Total loans	**24,549**	**192,880**	**217,429**	**24,978**	**193,584**	**218,562**
Allowance for impairment loss	(1,161)	(15,018)	(16,179)	(1,214)	(15,830)	(17,044)
Total net loans	**23,388**	**177,862**	**201,250**	**23,764**	**177,754**	**201,518**

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

	31/12/2016			31/12/2015		
	Individuals	**Companies**	**Total loans**	**Individuals**	**Companies**	**Total loans**
Past due up to 30 days	1,228	10,935	12,163	1,524	13,668	15,192
Past due 30 – 60 days	337	607	944	260	1,039	1,299
Past due 60 – 90 days	121	100	221	69	243	312
Past due over 90 days	690	6,575	7,265	823	4,374	5,197
Total gross loans	**2,376**	**18,217**	**20,593**	**2,676**	**19,324**	**22,000**

Movement in the Group's impairment allowance for loans:

	31/12/2016	31/12/2015
Provisions at the beginning of period	**17,044**	**23,695**
Impairment allowance increase	6,474	8,219
Impairment allowance decrease	(2,674)	(3,314)
Accrued interest (Note 4)	(1,005)	(1,076)
Write-off of loans	(3,660)	(10,480)
Provisions at the end of period	**16,179**	**17,044**

The calculation of loss on asset impairment that has occurred due to default on loan principal or interest payments or other events resulting in losses relies on collateral, including real estates and commercial pledges assessed at market value. The assessment is based on valuations performed by accredited independent valuer.

NOTES TO FINANCIAL STATEMENTS

19 LOANS (continued)

Information about value of collateral (based on fair value as at December 31, 2016) and position against net loan portfolio as at December 31, 2016 is provided below:

	31/12/2016	**31/12/2015**
Real estate	157,796	164,639
Movable property	25,702	22,507
Guarantees	450	216
Risk coverage of loan funds	3,105	1,276
Total collateral	**187,053**	**188,638**
Loan portfolio, gross	217,429	218,562
Provisions	(16,179)	(17,044)
Loan portfolio, net	201,250	201,518
Exposed	**7.05%**	**6.39%**

According to the Group's estimates as at December 31, 2016 the loan loss provisions should amount to 19,076 thsd euros (2015: 18,085 thsd euros), apart from the risk coverage amount which equals to 3,105 thsd euros (2015: 1,276 thsd. euros).

There is not net credit risk exposure of a single transaction and cannot be negative since when calculating the fair value of the collateral never exceeds the value of the risk transaction.

The average annual interest rate for the loan portfolio of the Group was 4.15% as at 31 December 2016 (2015: 4.22%).

20 RESERVE CAPITAL

On 11 September 2014, the equity shares of Latvian Guarantee Agency Ltd (LGA) and shares of JSC Rural Development Fund (RDF) and state-owned JSC Latvian Development Finance Institution ALTUM (ALTUM) were invested in the equity capital of the Group as investment in kind. The goal of the investment was merging RDF, LGA and ALTUM into a single aid providing institution. The value of the investment in kind was established based on valuation of subsidiaries as at 30 June 2014, carried out by independent certified valuators. For more information see Note 1 (1).

The movement of the Group's reserve after merging of LGA, RDF and ALTUM into the Group:

	Investment value	Difference, carried to Group's reserve **before adjustment**	Available for sale revaluation reserve (ASRR)	Difference, carried to Group's reserve **without ASRR before adjustment**	Difference, carried to Group's reserve **after restatement 31/12/2014 restated****
	1.	2.	3.	4.=2.-3.	5.
Latvian Guarantee Agency Ltd	111,417	7,093	9,378	(2,285)*	(17,260)*
JSC Rural Development Fund	12,850	916	-	916	916
JSC Latvian Development Finance Institution ALTUM	80,026	(57)	1,235	(1,292)	(1,292)
Total	**204,293**	**7,952**	**10,613**	**(2,661)**	**(17,636)**

The table below explains and justifies the changes made:

NOTES TO FINANCIAL STATEMENTS

20 RESERVE CAPITAL (continued)

The changes refer only to LGA reorganization reserve that was re-calculated due to change of the accounting methods for venture capital funds and guarantee fees.

*** Summary of changes:**

LGA difference recognized in the Group's reserve without ASRR	**(2,285)**
Impact from the previous accounting method for guarantee fees withdrawn	(4,007)
Restatements due to change of accounting method for venture capital funds**	(2,915)
Impact from the new guarantee fees' method	(7,747)
Impact from impairment of venture capital funds (Note 18)**	-
Other adjustments	(306)
LGA restated difference recognized in the Group's reserve without ASRR	**(17,260)**

** Items *Adjustments due to change of accounting method for venture capital funds* and *Impact from impairment of venture capital funds* were restated for the previous period (see Note 2 (26)).

See information about the Group's reserves movements below:

	Difference recognised in Group's reorganisation reserve, thsd EUR	Reserve capital for Housing Guarantee Programme*, thsd EUR	Reserve capital, thsd EUR	Reserve of available for sale investments, thsd EUR	Reserves, total thsr EUR
Reserves as at 01/01/2015	(17,636)*	-	-	10,613	**(7,023)**
Changes of reserve capital	(81)				**(81)**
Increase of reserve capital	-	1,635	-	-	**1,635**
Decrease of available for sale reserve (Note 35)	-	-	-	(1,988)	**(1,988)**
Reserves as at 31/12/2015	**(17,717)**	**1,635**	**-**	**8,625**	**(7,457)**
Changes of reserve capital	458	-	-	-	**458**
Distribution of 2015 year profit	-	-	1,829	-	**1,829**
Increase of reserve capital	-	5,560	-	-	**5,560**
Increase of available for sale reserve (Note 35)	-	-	-	467	**467**
Reserves as at 31/12/2016	**(17,259)**	**7,195**	**1,829**	**9,092**	**857**

*See more information in Note 2 (23).

NOTES TO FINANCIAL STATEMENTS

21 INTANGIBLE ASSETS

The following is included in the net book value of intangible assets:

	31/12/2016	31/12/2015
Computer software	168	123
Total intangible assets	**168**	**123**

The following table presents movements in the Group's net book value of intangible assets:

	31/12/2016	31/12/2015
Historical cost		
At the beginning of period	**5,766**	**5,703**
Additions	113	69
Disposals	(88)	(15)
As at 31 December	**5,791**	**5,757**
Accumulated amortisation		
At the beginning of period	**5,603**	**5,398**
Taken over as part of establishment of Group	-	-
Amortisation charge for the period	108	208
Disposals	(88)	(12)
As at 31 December	**5,623**	**5,594**
Impairment provision*		
At the beginning of period	**(40)**	**(152)**
Taken over as part of establishment of Group	-	-
Changes in provisions	40	112
As at 31 December	**-**	**(40)**
Net book value at the beginning of period	**123**	**153**
Net book value as at 31 December	**168**	**123**

* Impairment provision policy is described in Note 2 (12).

Fully depreciated assets

A number of assets that have been fully depreciated are still in active use by the Group. The total original cost value of these assets as at the end of the year was 5,525 thsd euros (2015: 4,368 thsd euros).

NOTES TO FINANCIAL STATEMENTS

22 PROPERTY, PLANT AND EQUIPMENT

The table below reflects changes in property, plant and equipment of the Group in the reporting period:

	Land and buildings	**Vehicles**	**Office equipment***	**Leasehold improvements**	**Total**
Historical cost					
At the beginning of period	**5,520**	**994**	**7,826**	**380**	**14,720**
Additions	482	2	180	-	**664**
Disposals	-	(222)	(852)	-	**(1,074)**
Reclassified**	(1,872)	-	-	-	**(1,872)**
as at 31 December 2016	**4,130**	**774**	**7,154**	**380**	**12,438**
Accumulated depreciation					
At the beginning of period	**1,493**	**976**	**7,232**	**296**	**9,997**
Depreciation charge for the period	119	11	275	16	**421**
Disposals	(505)	(222)	(815)	-	**(1,542)**
as at 31 December 2016	**1,107**	**765**	**6,692**	**312**	**8,876**
Impairment provision					
At the beginning of period	-	-	(34)	(61)	(95)
Changes in provisions	-	-	30	10	**40**
as at 31 December 2016	-	-	(4)	(51)	(55)
Net book value at the beginning of period	**4,027**	**18**	**560**	**23**	**4,628**
Net book value as at 31 December 2016	**3,023**	**9**	**458**	**17**	**3,507**

*Office equipment includes such fixed assets categories as *Furniture and fittings* and *Computers and equipment*, Note 2 (11).

**The office building worth 1,367 thsd euros, situated at Elizabetes iela 41/43 in Rīga, has been excluded from the item *Land and Buildings* due to the change of the holding purpose of the building. On 1 November 2016 the building was reclassified as an asset held for sale. See Notes 2 (24) and 25.

NOTES TO FINANCIAL STATEMENTS

23 OTHER ASSETS

	31/12/16	31/12/15
Financial assets	11,271	24,730
Other assets (inventory)	3,113	6,896
Total other assets (gross)	**14,384**	**31,626**
Impairment provision for financial assets	(10,370)	(21,662)
Total other assets (net)	**4,014**	**9,964**

Item *Financial assets* includes the following assets generated by:

- disbursed guaranteed compensations amounting to EUR 2,713 thsd (2015: EUR 14,851 thsd) for which provisions of EUR 2,686 thsd (2015: EUR 13,983 thsd) were accumulated. In year 2016 the disbursed guarantees worth 9.3 mln euros that were disbursed for the closed period ended 2015.12.31. were written off as lost (as at 2015.12.31. the provisions for these guarantees amounted to 9.3 mln euros) resulting in a significant decrease of provisions;
- term deposits of EUR 7,648 thsd of JSC Latvijas Krājbanka (Savings Bank of Latvia) being in liquidation that were 100% provisioned for;
- financial assets of EUR 191 thsd (2015: EUR 46 thsd.) provisioned for EUR 26 thsd (2015: EUR 31 thsd). The financial assets include the payments made on behalf of clients, as stipulated by loan agreements.
- other financial assets of EUR 719 thsd (2015: EUR 2,185 thsd) provisioned for EUR 10 thsd (2015: EUR 0).

Other assets - assets, that have been taken over in the debt collection process for the purpose to hold them and sale in an ordinary course of business. Method of assets accountings described in Note 2 (14).

24 DEFERRED EXPENSE AND ACCRUED INCOME

	31/12/2016	31/12/2015
Deferred expense	413	572
Accrued income	1,646	989
Total	**2,059**	**1,561**

The largest amounts under the item *Deferred expenses* account management fees of 168 thousand euros paid in advance for the following venture capital funds: limited partnerships FlyCap Investment Fund, BaltCap Latvia Venture Capital Fund and ZGI 3 Fund.

Accrued income primarily consists of income from compensation for management expenses of state aid programs in amount of EUR 1,634 thsd.

25 ASSETS HELD FOR SALE

	31/12/16	31/12/15
Land and building	1,367	-
Total	**1,367**	**-**

In November 2016 the Group decided to reclassify the real estate situated at Elizabetes iela 41/43 in Rīga, from the item *Property, Plant and Equipment* to the item *Assets Held for Sale*. The reclassification was due to the change of the holding purpose of the asset, i.e. the sale process of the asset was started and expected to be completed within one year. For the purpose of transferring the asset to the item *Assets Held for Sale* the Group relied on the asset's book value effective on 1 November 2016.
The accounting method used for recording of the asset is outlined in Note 2 (24).

NOTES TO FINANCIAL STATEMENTS

26 DUE TO CREDIT INSTITUTIONS

	31/12/2016	31/12/2015
Due to credit institutions registered in OECD countries	56,195	67,166
Total	**56,195**	**67,166**

Credit institutions registered in OECD area include loans received by Group from the European Investment Bank (EIB) of EUR 56,195 thsd, where EUR 93 thsd are accrued interest expenses. As security for the loan the guarantee has been issued from the Ministry of Finance in amount of EUR 56,111 thsd (Note 37). This is parent guarantee issued on behalf of Group.

The average interest rate for Due to credit institutions as at 31 December 2016 was 0.33% (2015: 0.33%).

27 DUE TO GENERAL GOVERNMENTS

	31/12/2016	31/12/2015
Due to government entities	1,723	3,769
Loans received from Rural Support Service	12,990	12,979
Loans received from the Treasury	32,201	22,813
Total due to general governments	**46,914**	**39,561**

Item *Due to government entities* includes liabilities worth EUR 3,769 thsd that originated from reduction of capital of ERDFII and ESFII loan funds effected in year 2013 by ALTUM, whereby a share of public financing of ERDFII and ESFII was not repaid to the investors (state companies), although an agreement was reached with the investors about recording the amount outside the Financial Position Statement of *Liabilities due to government entities* obligations worth EUR 1,723 thsd (2015: EUR 3,769 thsd.), which originate from reduction of capital of ERDFII and ESFII loan funds effected in year 2013 by ALTUM, whereby a share of public financing of ERDFII and ESFII was not repaid to the investors (state companies), although, an agreement was reached with the investors about accounting that amount outside the Statement of financial position of ERDFII and ESFII loan funds, i.e. on the liabilities side of the ALTUM Statement of financial position.

Item *Loans from RSS* – in accordance with the Cabinet Regulation No 664 dated 20 July 2010 *Procedure for Administering and Supervising the State and European Union Aid for Agriculture, Rural and Fisheries Development through Establishment of the Loan Fund* and Financing Agreement dated 7 September 2010 concluded among the Ministry of Agriculture, Rural Support Service and ALTUM stipulating the provisions for establishment, operation and supervision of the Loan Fund, absorption of the funds and performance of the Business Plan and its purpose, ALTUM was granted 44, 711 thsd euros (7,114 thsd euros from the European Fisheries Fund (EFF); 37,596 thsd euros – European Agricultural Fund for Rural Development (EAFRD)) to transfer these resources of the Loan Fund to the eligible beneficiaries via financial intermediaries.
As at 31 December 2016, based on the requests for funds received from the Ministry of Agriculture, Group has repaid to the Rural Support Service 31,798 thsd euros, of which 11,855 thsd euros (EFF – 2,503 thsd euros; EAFRD – 9,352 thsd euros) are undisbursed funds and 19,943 thsd euros (EFF – 2,415 thsd euros; EAFRD – 17,528 thsd euros) are the principle amounts repaid by financial intermediaries.

The interest calculated on the granted loans since the start of the Loan Fund amounted to 283 thsd euros of which 206 thsd euros were paid to the Rural Support Service in 2013.

As at the end of year 2016 Group liabilities towards RSS consist of the principal amount of 12,913 thsd euros and accrued interest – 77 thsd euros.

The granted financing is to be repaid by 31 December 2030.

Loans received from the Treasury of Latvia includes the loan of 32,201 thsd euros received by the LAF for implementation of land acquisition programmes. In compliance with Articles 9 and 13 of the Cabinet regulation No 381 "Procedure of granting state aid for procurement of agricultural land for producing agricultural produce" of 29 May 2012, the Republic of Latvia and LAF concluded loan agreement *No A1/1/F12/296* and the State Treasury on 25 June 2012.
The Group has granted 1,018 loans (2015: 725 loans) of 44,195 thsd euros as at 31 December 2016 (2015: 32,649 thsd euros). These assets are pledged. The claim amount is 32,201 thsd euros. More information see Note 37.

NOTES TO FINANCIAL STATEMENTS

28 SUPPORT PROGRAMME FUNDING AND STATE AID

	31/12/2016	31/12/2015 Restated
Support programme funding	**96,822**	**56,288**
State aid	**6,849**	**16,166**

Support programme funding is considered a liability of the Group while state aid is a grant. The major state aid programmes benefiting from the received financing are:

- Fund of funds – 29,638 thsd euros;
- Energy Efficiency Programme of Multi-apartment Buildings (EEPMB) – 5,563 thsd euros;
- ERDFII – 25,746 thsd euros;
- ESFII – 9,466 thsd euros;
- Holding Fund – 11,479 thsd euros;
- Other support programmes finance – 14,931 thsd euros.

The terms for use of the public funding of each state aid programme, including covering of the management expenses and credit risk losses, are stipulated by agreement between the implementing body and line ministry and/or state-owned Central Finance and Contracting Agency. See Note 2 (22).

The support programme funding is provided with zero interest rate.

The repayment terms for the co-financing received by ALTUM and LGA for implementation of largest state aid programs are presented below:

- Fund of funds – till the end of 2029
- Programme for improving energy efficiency in multi-apartment residential buildings – till the end of 2034;
- ERAFII – till the end of 2020;
- ESFII – till the end of 2020;
- Investment fund – till the end of 2026.

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

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

NOTES TO FINANCIAL STATEMENTS

28 SUPPORT PROGRAMME FUNDING AND STATE AID (continued)

The table below presents Risk Coverage Reserve included in Support programme funding and State aid which can be used for coverage Group's credit risk losses as at 31 December 2015:

Programme	Programme funding, thsd EUR	Programme's loan portfolio thsd EUR	Credit riks cover %	Credit risk cover on 31/12/2015, thsd EUR
ERDFII	40,233	17,569	66%	11,596
ESF II	6,564	7,787	80%	6,229
Microcredits of Swiss programme	7,495	3,154	80%	2,523
ERAF I	1,604	2,392	50%	1,196
ESF I	941	412	90%	371
Microcredits	624	23	80%	18
ERAF II (second round)	5,151	6,576	68%	4,472
Incubators (from ESF II)	1,962	204	100%	1,962
ERAF II 2 Public fund	28,124	2,195	100%	2,195
Investment Fund Activity	10,521	-	96%	10,100
Risk Coverage Reserve	**103,219**			**40,662**

Based on the concluded programme implementation contracts, the received funding could be reduced for the principal amount of the outstanding obligations of the loans classified as lost and / or disbursements of guarantee compensations. The Group does not have to repay the reductions of funding to the provider of funding. See more information in Note 2 (23).

Item *Support programme funding* was restated for the previous reporting period (see Note 2 (26)).

29 PROVISIONS

	31/12/2016	31/12/2015
Provisions for:		
Loan guarantees to rural entrepreneurs for agricultural	827	1,057
Guarantees *under the Mezzanine loan programme*	402	750
Guarantee activity	2,553	2,645
Housing Guarantee Programme	41	323
Other guarantee programmes	4,022	3,742
Provision (onerous contracts)	9,019	8,810
	16,864	**17,327**

Provision (onerous contracts) includes the loss from the concession which is the discounted difference between total of actual receivable commissions and total of commissions under market rate. Onerous contracts relate to issued guarantees which are measured at fair value based on equivalent market rates at initial recognition. The difference between market rate and spot rate of guarantee commissions under onerous contracts amounts of EUR 6,194 for the current period included in Provision (onerous contracts) above. For accounting treatment see Note 2 (21).

Guarantee gross and net amounts

	31/12/2016	31/12/2015
Maximum exposure to credit for off balance sheet amount (Note 33)	147,175	131,120
Provisions for guarantees	(7,845)	(8,517)
Off-balance sheet amount of guarantee	**139,330**	**122,603**

NOTES TO FINANCIAL STATEMENTS

29 PROVISIONS (continued)

Movement in Company's provisions for guarantees:

	31/12/16	31/12/15
Provisions at the beginning of period	**8,517**	**-**
Acquired through company's reorganisation	-	**7 152**
Impairment allowance increase	5,310	5 804
Impairment allowance decrease	(5,987)	(4,438)
Currency change	5	(1)
Provisions at the end of period*	**7,845**	**8,517**

*According to the Company's estimates as at December 31, 2016 the guarantee provisions should amount to 10,557 thsd euros, apart from the risk coverage amount which equals to 1,218 thsd euros (2015: 0 euros).

The guarantee provisions are measured at the highest of the unamortised amount and impairment amount which amounts to 7,845 thsd euros as at 31 Dec 2016.

Movement in Company's provisions (*onerous contracts*) for guarantees:

	31/12/16	31/12/15
Provisions at the beginning of period	**8,810**	**-**
Acquired through company's reorganisation	-	**8,546**
Impairment allowance increase	7,178	2,553
Impairment allowance decrease	(6,969)	(2,289)
Provisions at the end of period	**9,019**	**8,810**

Guarantee gross and net amounts

	31/12/16	31/12/15
Maximum exposure to credit for off balance sheet amount (Note 33)	147,175	131,120
Provisions for guarantees	(7,845)	(8,517)
Off-balance sheet amount of guarantee	**139,330**	**122,603**

For information on amounts and categories of guarantees see Note 33. For information on the method for guarantee accounting see Note 2 (21).

30 OTHER LIABILITIES

	31/12/2016	31/12/2015
Due to customers of the Group	2,945	3,233
Other liabilities	3,614	5,558
	6,559	**8,791**

Item *Due to customers of the Group* includes current liabilities connected with privatization processes and other liabilities.

Item *Other liabilities* includes funds received from clients to be used for repayment of the loans at a later stage.

NOTES TO FINANCIAL STATEMENTS

31 DEFERRED INCOME AND ACCRUED EXPENSE

	31/12/2016	31/12/2015
Deferred income	777	604
Accrued expense	1,198	1,060
Total	**1,975**	**1,664**

The item *Accrued expenses* includes the accrued expenses for the bonuses of the Group's employees and Board amounting to 444 thsd euros (including the social tax), expenses for audit services amounting to 11 thsd euros and other expenditure related to the economic activities of the Group.

32 SHARE CAPITAL

The share capital of the Group:

	31/12/2016		31/12/2015	
	Quantity	**EUR**	**Quantity**	**EUR**
Fully paid share capital				
Ordinary shares	204,862,332	204,862,332	204,862,332	204,862,332
Total fully paid share capital	**204,862,332**	**204,862,332**	**204,862,332**	**204,862,332**

The Group (the parent company of the Group) was established based on the decision of the Cabinet dated 17 December 2013. The Group was registered with the Commercial Register on 27 December 2013 with the share capital amounting to LVL 400,130 thsd which corresponded to EUR 569,334 thsd.

A capital increase was made on 11 September 2014 by investing the equity shares of Latvian Guarantee Agency Ltd, SJSC Latvian Development Finance Institution ALTUM and SJSC Rural Development Fund. The amount of share capital after its increase was EUR 204,862,333. The face value of each share is EUR 1.

All the shares of JSC Development Finance Institution Altum are owned by the Government of Latvia. The Ministry of Finance was the appointed shareholder until 28 February 2015. According to the Development Finance Institution Law effective as of 1 March 2015, the Ministry of Finance holds 40% of the financial institution's shares, the Ministry of Economics - 30% and Ministry of Agriculture - 30%.

33 OFF BALANCE SHEET ITEMS AND CONTINGENT LIABILITIES

The guarantees issued by Group account for the largest sum in the Group's off-balance sheet items.
The guarantees, just as another financial instrument – loans, have been granted to the Group's clients within the framework of the state aid programmes:.

- *Loan guarantees to rural entrepreneurs for agricultural* are issued for loans granted by credit institutions to rural entrepreneurs having insufficient loan collateral. 179 loan guarantees (2015: 244 loan guarantees) of EUR 10,838 thsd worth were outstanding as at 31 December 2016 (2015: EUR 14,222 thsd).
- Group issues *guarantees under the Mezzanine loan programme* - loan guarantees to loans and export loan guarantees to foreign partner defaults on payment. As at 31 December 2016 this programme's guarantees portfolio volume was EUR 37,764 thsd (2015: EUR 32,239 thsd).
- *Guarantees programme* includes loan guarantees to loans and export loan guarantees. The volume of guarantees portfolio is EUR 25,863 thsd (2015:EUR 37,226 thsd) as at 31 December 2016. No new guarantees are issued under this programme.
- Item *Housing Guarantee Programme* within the framework of which state guarantees are extended to the housing loans taken out by families with children. As at December 31, 2016 there were 4,096 guarantees extended (2015: 1,176 guarantees). The value of the guarantee portfolio of the programme is EUR 26,519 thsd (2015: EUR 7,225 thsd).
- Group issues *loan guarantees under the Fund of funds programme.* As at 31 December 2016 this programme's guarantees portfolio volume was EUR 12,803 thsd (2015: 0).
- Item *Other guarantee programmes* includes guarantees of the old, closed guarantee programmes as well as guarantees unrelated to the state aid programmes. As at December 31, 2016 the value of this guarantee portfolio EUR 33,388 thsd (2015: EUR 40,209 thsd).

NOTES TO FINANCIAL STATEMENTS

33 OFF BALANCE SHEET ITEMS AND CONTINGENT LIABILITIES (continued)

	31/12/2016	31/12/2015
Contingent liabilities		
outstanding guarantees*	147,175	131,120
Financial commitments		
unutilised loan facilities	6,324	5,899
commitments to venture capital funds**	28,940	34,320
other liabilities	142	137
Total	**182,581**	**171,476**

* Portfolio of *Outstanding guarantees* in amount of EUR 147,175 thsd is oversecured by the state funding in amount of EUR 200,000 thsd according to Law on State Budget 2017 (2016: EUR 100,247 thsd).

** *Commitments to venture capital funds* are contingent liabilities, which are based on contractual agreements between the Group and a venture capital fund that obligates the Group to contribute money to the fund.

The table below presents the information about commitments to venture capital funds:

	Contract period	Commitment, thsd EUR	Sum of commitment, which is not contributed to the fund 31.12.2016., thsd EUR	Sum of commitment, which is not contributed to the fund 31.12.2015., thsd EUR
BaltCap LatviaVentureCapital Fund,KS	22.01.2020.	20,000	4,401	5,154
AIF Impr.Cap.Technol.Vent.Fund,KS	11.06.2020.	4,966	836	1,117
AIF Imprimatur Capital Seed Fund,KS	11.06.2020.	10,000	41	1,330
ZGI-3,KS	31.12.2020.	11,800	1,648	4,885
FlyCap Investment Fund I AIF,KS	31.12.2020.	15,000	2,135	3,422
Expansion Capital Fund AIF,KS	31.12.2020.	15,000	412	1,465
Baltic Innovation Fund	01.01.2029.	26,000	19,467	16,947
	Total	**102,766**	**28,940**	**34,320**

For information on the provisions built for the issued guarantees see Note 29.

34 CASH AND CASH EQUIVALENTS

	31/12/2016	31/12/2015
Demand deposits with other credit institutions	79,553	37,426
Deposits with credit institutions with original maturity of less than 3 months	5,000	6,290
	84,553	**43,716**

NOTES TO FINANCIAL STATEMENTS

35 MOVEMENT IN REVALUTION RESERVE OF INVESTMENT SECURITIES AVAILABLE FOR SALE

	31/12/2016	31/12/2015
As at 1 January	8,625	10,613
Taken over as part of establishment of Group*	-	-
(Profit) from sales (Note 8)	-	(1,120)
Gain from changes in fair value	467	(868)
Other comprehensive income	**467**	**(1,988)**
As at 31 December	**9,092**	**8,625**

* As a result of reorganisation, the revaluation reserve of ALTUM and LGA financial instruments classified as available for sale was taken over. ALTUM share in the reorganisation reserve amounted to EUR 1,706 thsd and LGA – EUR 9,212 thsd.

For information on reorganisation reserve see Note 2 (5).

36 RELATED PARTY TRANSACTIONS

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

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

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

In the reporting period the remuneration of the members of the Group's Council and Board amounted to EUR 282 thsd (2014: EUR 163 thsd).

The Group has entered into a number of transactions with other government entities. The most significant being obtaining financing from the Investment and Development Agency of Latvia, Ministry of Finance, Rural Support Service and Central Finance and Contracting Agency, which is used to co-finance the development programmes of the Group.
The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Received state aid financing, thsd EUR	Granted state aid financing or repayment of the financing, thsd EUR	Received reserve capital, thsd EUR
Transactions with shareholders:				
Ministry of Finance	2016	-	-	5,559
	2015	366	(9,085)	1,635
Ministry of Economics	2016	29,610	-	-
	2015	-	-	-
Entity with significant influence: Investment funds	2016	-	-	-
	2015	-	-	-
Associates:				
Venture capital funds	2016	-	(22,932)	-
	2015	793	(16,557)	-
Other companies owned by Group shareholders				
Rural Support Service	2016	(9,387)	-	-
	2015	-	(1,035)	-
Central Finance and Contracting Agency	2016	5,563	-	-
	2015	-	-	-

NOTES TO FINANCIAL STATEMENTS

36 RELATED PARTY TRANSACTIONS (continued)

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

		Interest received, thsd EUR	Interest paid, thsd EUR	Other expenses, thsd. EUR
Associates:				
Venture capital funds	2016	365	-	-
	2015	307	-	-
Transactions with shareholders:				
Ministry of Finance	2016	-	(167)	-
	2015	-	(98)	-
Other companies owned by Group shareholders				
Central Finance and Contracting Agency	2016	-	-	(216)
	2015	-	-	-

The table below provides information about Group:

Name	**Legal address**	**Investment % in capital**
Investments in associates		
KS Otrais Eko Fonds	Dārza 2, Riga, LV-1007	33%
KS ZGI Fonds	Ausekļa street 1, Riga, Latvia, LV-1010	65%
KS Baltcap Latvia Venture Capital Fund	Jaunmoku street 34, Riga, Latvia, LV-1046	67%
KS Imprimatur Capital Technology Venture Fund	Elizabetes street 85a-18, Riga, Latvia, LV-1050	67%
KS Imprimatur Capital Seed Fund	Elizabetes street 85a-18, Riga, Latvia, LV-1050	100%
KS ZGI-3	Republikas laukums 2A, Riga, Latvia, LV-1010	95%
KS FlyCap investment Fund	Matrožu iela 15A, Riga, Latvia, LV-1048	95%
KS Expansion Capital fund	Krišjāņa Barona street 32-7, Riga, Latvia, LV-1011	95%
KS Invento	In liquidation process	45%
Baltic Innovation Fund	European Investment Fund 37B, avenue J.F. Kennedy L-2968 Luxembourg	20%
Open-ended investment funds over which Company has control		
Hipo Latvia Real Estate Fund I	Elizabetes street 41/43, Riga, Latvia, LV-1010	100%
Hipo Latvia Real Estate Fund II	Elizabetes street 41/43, Riga, Latvia, LV-1010	100%

NOTES TO FINANCIAL STATEMENTS

37 MAXIMUM EXPOSURE TO CREDIT RISK

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

	31/12/16	31/12/15 Restated
Statement of financial position assets exposed to credit risk		
Investment securities – held to maturity	1,531	1,541
Investment securities - available for sale	64,294	88,002
Due from other credit institutions and Treasury	89,553	46,882
Loans & recei	201,250	201,518
Investments in venture capital funds*	58,296	39,929
Other assets	901	3,068
Total	**415,825**	**380,940**
Off-balance sheet items exposed to credit risk		
Contingent liabilities	147,175	131,120
Financial commitments	35,406	40,356
Total	**182,581**	**171,476**

* Item *Investments in venture capital funds* was restated for the previous period (see Note 2 (26)).

As at December 31, 2016 a part of the Group's assets were pledged. On June 16, 2015 the commercial pledge stemming from the loan agreement No A/1/F12/296 and its amendments concluded between the Group and Ministry of Finance of the Republic of Latvia was renewed. The commercial pledge is related to the loans granted by Group in compliance with the Cabinet of Ministers Regulations No 381 dated May 29, 2012 *Procedure for Granting State Aid when Acquiring Farmland for Agricultural Production* as well as future components of the aggregation of property. The claim amount is EUR 32,201 thsd (Note 27).

Based on the loan agreement No A1/1/F16/474 dated 24 November 2016 between the Group and Treasury of the Republic of Latvia a commercial pledge agreement was concluded on the same date. The commercial pledge refers to the loan funds the Group received from the Treasury and used to grant loans according to the Cabinet Regulation No 469 dated 15 July 2016 On Parallel Loans for Improvement of Competitiveness of Businesses. The maximum secured claim amount is 24,000 thsd euros. The composition of the commercial pledge: claim rights and their future components resulting from the aforementioned loans the Group has granted. At the end of year 2016 the Group had not started to use the Treasury's loan as yet. During 2017 year the Group is planning to grant loans in a amount of 4,700 thsd euros, while the period after 2017 till 2021 year the Group is planning to grant loans in a amount of 15,000 thsd euros.

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

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

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

The total maximum secured claim amount is 39,600 thsd euros. The composition of the commercial pledge: claim rights and their future components resulting from the aforementioned loans the Group has granted. At the end of year 2016 the Group had not started to use the Treasury's loan as yet. During 2017 year the Group is planning to grant loans in amount of 15,000 thsd euros, while the period after 2017 till 2021 year the Group is planning to grant loans in amount of 18,000 thsd euros.

Transactions with derivatives, in effect at 31 December 2016, had been concluded seeking to cushion the effect of exchange rate fluctuations on the value of balance-sheet assets (see Note 17).

NOTES TO FINANCIAL STATEMENTS

37 MAXIMUM EXPOSURE TO CREDIT RISK (continued)

None of financial assets, except for Loans to customers, have been collateralised. Loans are mostly secured by real estate collateral, to a lesser extent – by other assets or commercial pledge. Some loans, granted during lending campaigns, are partially covered by guarantees of state aid programmes. Loan loss impairment estimates take into account the expected cash flows from collateral. Loan quality is described in Note 19.

The total amount of Group's entitlements considered as an aggregate property in favour of the Ministry of Finance was EUR 56,111 thsd as at 31 December 2016 (2015:EUR 67,013 thsd) (Note 26).

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

- under the Funding Covenant concluded with the Central Finance and Contracting Agency (contract dated 08/06/2016) on implementation of the fund of funds the guarantees are available under specific support objective 3.1.1.1 with the earmarked funding of 15 mln euros;
- funding of 10 mln euros is earmarked for the guarantees for state aid combination for the small and medium-sized enterprises sourced from repayments made on sub-activity 2.2.1.4.1. *Support in the Form of Loan for Improvement of Competitiveness of Businesses*; as regards the guarantees for large companies – 3 mln euros of the national public funding channelled through the development finance institution are available.
- Loan guarantees of 4,3 mln euros are available to the farmers;
- By 31 May guarantees were granted under sub-activity 2.2.1.4.2. *Mezzanine Loans and Guarantees for Improvement of Competitiveness of Economic Operators* where the total funding available for the guarantees, including export credit guarantees and mezzanine loans, was 27,026 thsd euros (agreement concluded with the Ministry of Economics on 21/11/2011)
- InnovFIN Facility guarantees are available to the innovative companies complying with the conditions of specific support objective 3.1.1.1. as well as large companies. There is an agreement (dated 13/10/2016) concluded with the European Investment Fund on InnovFIN Facility counter-guarantees for 30 mln euros.

38 FAIR VALUES OF ASSETS AND LIABILITIES

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

	31/12/2016		31/12/2015	
	Carrying amount	**Fair value**	**Carrying amount** Restated	**Fair value** Restated
Assets				
Due from other credit institutions and Treasury	89,553	89,537	46,882	46,882
Debt securities	64,294	64,294	88,002	88,002
Investment securities - available for sale	**64,294**	**64,294**	**88,002**	**88,002**
Individuals	22,722	22,684	23,764	23,811
Companies	178,528	177,644	177,754	177,333
Loans and receivables	**201,250**	**200,328**	**201,518**	**201,144**
Debt securities	1,531	3,315	1,541	1,890
Investment securities – held to maturity	**1,531**	**3,315**	**1,541**	**1,890**
Investments in venture capital funds*	58,296	58,296	39,929	39,929
Investment property	17,087	17,087	12,247	12,247
Liabilities				
Due to credit institutions	56,195	56,195	67,166	67,166
Derivatives	854	854	345	345
Due to general governments	46,914	46,914	39,561	39,561
Support program funding*	96,822	96,822	56,288	56,288

* Items *Investments in venture capital funds* and *Support program funding* were restated for the previous period (see Note 2 (26)).

NOTES TO FINANCIAL STATEMENTS

38 FAIR VALUES OF ASSETS AND LIABILITIES (continued)

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

Liabilities

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

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

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investment property (Note 15)	-	-	17,087	**17,087**
Debt securities - available for sale (Note 14)	39,026	25,268	-	**64,294**
Assets for which fair values are disclosed:				
Loans and receivables (Note 19)	-	-	200,328	**200,328**
Due from other credit institutions and Treasury (Notes 16, 34)	79,437	-	10,100	**89,537**
Total	**118,463**	**25,268**	**227,515**	**371,246**
Liabilities measured at fair value:				
Derivatives (Note 17)	-	854	-	**854**
Liabilities for which fair values are disclosed:				
Due to credit institutions (Note 26)	-	-	56,195	**56,195**
Due to general governments (Note 27)	-	-	46,914	**46,914**
Support program funding (Note 28)	-	-	96,822	**96,822**
Total	**-**	**854**	**199,931**	**200,785**

The following table shows the hierarchy of the Group's financial assets and liabilities assessed and recognised at fair value as at 31 December 2015:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investment property (Note 15)	-	-	12,247	**12,247**
Debt securities - available for sale (Note 14)	63,213	24,789	-	**88,002**
Assets for which fair values are disclosed:				
Loans and receivables (Note 19)	-	-	201,144	**201,144**
Due from other credit institutions and Treasury (Notes 16, 34)	46,882	-	-	**46,882**
Total	**110,095**	**24,789**	**213,391**	**348,275**
Liabilities measured at fair value:				
Derivatives (Note 17)	-	345	-	**345**
Liabilities for which fair values are disclosed:				
Due to credit institutions (Note 26)	-	-	67,166	**67,166**
Due to general governments (Note 27)	-	-	39,561	**39,561**
Support program funding (Note 28)*	-	-	56,288	**56,288**
Total	**-**	**345**	**163,015**	**163,360**

* Item *Support program funding* were restated for the previous period (see Note 2 (26)).

NOTES TO FINANCIAL STATEMENTS

38 FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Fair value hierarchy of financial assets and liabilities

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

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

Debt securities

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

Derivatives

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

Investments in venture capital funds

Measuring of investments in venture capital funds is explained in Note 2 (5) (iv).

Investment property

Investments in real estate are evaluated in accordance with Latvian and International Valuation Standards (IVS) for real estate involving an independent and professional committee of experts.

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

(a) market data (comparable sales) approach;

(b) income approach;

(c) depreciated replacement cost method.

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

NOTES TO FINANCIAL STATEMENTS

39 LIQUIDITY RISK

The table below provides the maturity structure of expected undiscounted future cash flows of the Group's financial liabilities, off-balance liabilities and liquid assets, which are included balances of due from other credit institutions and the State Treasury and investment securities as at 31 December 2016. The presentation is based on the expected future cash flows based on payment schedules and includes interest while the maturity analysis presented in Note 40 discloses the term structure of actual balances of liabilities and assets.

	Up to 1 year	1 to 5 years	Over 5 years and w/o date	**Total**
Due from other credit institutions	9,483	35,368	12,293	57,144
Due from general governments	163	653	50,017	50,833
Support programme funding	-	-	96,823	96,823
Other liabilities	-	-	6,559	6,559
Total financial liabilities	**9,646**	**36,021**	**165,692**	**211,359**
Off-balance items and contingent liabilities	63,019	56,967	75,782	195,768
Total financial liabilities, off-balance items and contingent liabilities	**72,665**	**92,988**	**241,474**	**407,127**
Due from other credit institutions and the State Treasury	89,553	-	-	89,553
Investment securities	11,403	39,800	14,622	65,825
Liquid assets	**100,956**	**39,800**	**14,622**	**155,378**

The table below provides the maturity structure of expected undiscounted future cash flows of the Group's financial liabilities, off-balance liabilities and liquid assets as at 31 December 2015:

	Up to 1 year	1 to 5 years	Over 5 years and w/o date	**Total**
Due from other credit institutions	11,521	36,262	21,170	68,953
Due from general governments	126	504	42,080	42,710
Support programme funding*			56,288	56,288
Other liabilities	-	-	8,791	8,791
Total financial liabilities	**11,647**	**36,766**	**128,329**	**176,742**
Off-balance items and contingent liabilities	66,196	66,701	38,579	171,476
Total financial liabilities, off-balance items and contingent liabilities	**77,843**	**103,467**	**166,908**	**348,218**
Due from other credit institutions and the State Treasury	46,882	-	-	46,882
Investment securities	25,352	10,202	53,990	89544
Liquid assets	**72,234**	**10,202**	**53,990**	**136,426**

* Item *Support programme funding* was restated for the previous period (see Note 2 (26)).

NOTES TO FINANCIAL STATEMENTS

40 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are settled according to 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 EIR. Issued debt reflect the contractual coupon amortisations.
The table below allocates the Group's assets and liabilities to maturity groupings as at 31 December 2016 based on the time remaining from the balance sheet date to the contractual maturity dates.

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

NOTES TO FINANCIAL STATEMENTS

40 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

The table below allocates the Company's assets and liabilities to maturity groupings as at 31 December 2015 based on the time remaining from the balance sheet date to the contractual maturity dates.

	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 – 5 years	more than 5 years and undated	Total
ASSETS							
Due from other credit institutions and the State Treasury	39,300	5,150	430	2,002	-	-	**46,882**
Investment securities	-	-	-	25,352	10,202	53,989	**89,543**
Loans and receivables	11,688	10,463	10,293	20,373	95,372	53,329	**201,518**
Investments in venture capital funds	-	-	-	-	39,929	-	**39,929**
Deferred expense and accrued income	417	1	-	1,127	6	10	**1,561**
Investment property	-	-	-	-	11,022	1,225	**12,247**
Property, plant and equipment	-	-	-	-	-	4,628	**4,628**
Intangible assets	-	-	-	-	-	123	**123**
Corporate income tax overpaid	-	-	-	-	-	523	**523**
Other assets	1,444	-	295	77	7,299	849	**9,964**
Total assets	**52,849**	**15,614**	**11,018**	**48,931**	**163,830**	**114,676**	**406,918**
LIABILITIES							
Due to credit institutions	-	6,747	-	4,494	35,092	20,833	**67,166**
Derivatives	-	345	-	-	-	-	**345**
Due to general governments	3,769	-	-	-	-	35,792	**39,561**
Deferred income and accrued expense	638	22	32	972	-	-	**1,664**
Support programme funding and state aid	2,353	-	-	2,547	47,942	19,612	**72,454**
Provisions for off-balance sheet commitments	217	1,494	1,195	14,421	-	-	**17,327**
Other liabilities	7,708	372	10	-	648	53	**8,791**
Total liabilities	**14,685**	**89,80**	**1,237**	**22,434**	**83,682**	**76,290**	**207,308**
Net liquidity	**38,164**	**6,634**	**9,781**	**26,497**	**80,148**	**38,386**	**199,610**

NOTES TO FINANCIAL STATEMENTS

41 ASSETS AND LIABILITIES BY CURRENCY PROFILE

The table below provides data of the Group's assets, liabilities, shareholders' equity and reserves as well as off-balance sheet items outstanding as at 31 December 2016 by currency profile:

	EUR	USD	Other	**Total**
ASSETS				
Due from other credit institutions and Treasury	89,259	294	-	**89,553**
Investment securities	52,876	12,949	-	**65,825**
Loans and receivables	200,775	475	-	**201,250**
Investments in venture capital funds	58,296	-	-	**58,296**
Deferred expense and accrued income	2,059	-	-	**2,059**
Investment property	17,087	-	-	**17,087**
Property, plant and equipment	3,507	-	-	**3,507**
Intangible assets	168	-	-	**168**
Corporate income tax overpaid	-	-	-	**-**
Other assets	4,014	-	-	**4,014**
Asset held for sale	1,367	-	-	**1,367**
Total assets	**429,408**	**13,718**		**443,126**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to credit institutions	56,195	-	-	**56,195**
Derivatives	854	-	-	**854**
Due to general governments	46,914	-	-	**46,914**
Deferred income and accrued expense	1,973	2	-	**1,975**
Support programme funding	96,822	-	-	**96,822**
State aid	6,849	-	-	**6,849**
Provisions for off-balance sheet commitments	16,784	80	-	**16,864**
Other liabilities	6,558	1	-	**6,559**
Capital and reserves	208,797	1,297	-	**210,094**
Total liabilities and shareholders' equity	**441,746**	**1,380**	**-**	**443,126**
Forward foreign exchange (payables)	(846)	(8)	-	(854)
Currency position	**(13,184)**	**12,330**	**-**	**(854)**

NOTES TO FINANCIAL STATEMENTS

41 ASSETS AND LIABILITIES BY CURRENCY PROFILE (continued)

The table below provides data of the Group's assets, liabilities, shareholders' equity and reserves as well as off-balance sheet items outstanding as at 31 December 2015 by currency profile:

	EUR	USD	Other	Total
ASSETS				
Due from other credit institutions and Treasury	46,882	-	-	**46,882**
Investment securities	76,766	12,777	-	**89,543**
Loans and receivables	200,935	583	-	**201,518**
Investments in venture capital funds*	39,929	-	-	**39,929**
Deferred expense and accrued income	1,560	1	-	**1,561**
Investment property	12,247	-	-	**12,247**
Property, plant and equipment	4,628	-	-	**4,628**
Intangible assets	123	-	-	**123**
Corporate income tax overpaid	523	-	-	**523**
Other assets	9,964	-	-	**9,964**
Total assets	**393,557**	**13,361**		**406,918**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to credit institutions	67,166	-	-	**67,166**
Derivatives	345	-	-	**345**
Due to general governments	39,561	-	-	**39,561**
Deferred income and accrued expense	1,662	2	-	**1,664**
Support programme funding*	56,288	-	-	**56,288**
State aid	16,166			**16,166**
Provisions for off-balance sheet commitments	17,241	86	-	**17,327**
Other liabilities	8,791	-	-	**8,791**
Capital and reserves	198,088	1,522	-	**199,610**
Total liabilities and shareholders' equity	**405,308**	**1,610**		**406,918**
Forward foreign exchange receivables / (payables)	(2,905)	2,560	-	(345)
Currency position	**(14,656)**	**14,311**	**-**	**(345)**

* Items *Investments in venture capital funds* and *Support programme funding* were restated for the previous period (see Note 2 (26)).

NOTES TO FINANCIAL STATEMENTS

42 MINIMUM FUTURE LEASE PAYMENTS

The table below discloses minimum future lease payments for premises (there are other lease payments as well, but those are relatively minor):

	Group
Year 2017	59
Year 2018	51
Year 2019	49
Year 2020	45
Year 2021	31
Total for 5 years	**235**
Year 2022 and later	**95**

43 FINANCIAL ASSETS AND LIABILITIES BY CLASSIFICATION PRINCIPLES

The assets and liabilities of the Group as at 31 December 2016 by classification principles are as follows:

	Financial assets un liabilities held for trading	Financial assets available for sale	Amortised cost	Total book value
ASSETS				
Investment securities	-	64,294	1,541	65,835
Due from other credit institutions and Treasury	-	-	89,553	89,553
Loans and receivables	-	-	201,250	201,250
Investments in venture capital funds	-	-	58,296	58,296
Other financial assets	-	-	24,517	24,517
Total financial assets	**-**	**64,294**	**375,157**	**439,451**
Non-financial assets	-	-	3,675	3,675
Total assets	**-**	**64,294**	**378,832**	**443,126**
LIABILITIES				
Due to credit institutions	-	-	56,195	56,195
Due to general governments	-	-	46,914	46,914
Support programme funding	-	-	96,822	96,822
State aid			6,849	6,849
Derivatives	854	-	-	854
Other financial liabilities	-	-	25,398	25,398
Total financial liabilities	**854**	**-**	**232,178**	**233,032**
Non-financial liabilities	-	-	210,094	210,094
Total liabilities	**854**	**-**	**442,272**	**443,126**

NOTES TO FINANCIAL STATEMENTS

43 FINANCIAL ASSETS AND LIABILITIES BY CLASSIFICATION PRINCIPLES (continued)

The assets and liabilities of the Group as at 31 December 2015 by classification principles are as follows:

	Financial assets un liabilities held for trading	Financial assets available for sale	Amortised cost	Total book value
ASSETS				
Investment securities	-	88,002	1,541	89,543
Due from other credit institutions and Treasury	-	-	46,882	46,882
Loans and receivables	-	-	201,518	201,518
Investments in venture capital funds*	-	-	39,929	39,929
Other financial assets	-	-	3,068	3,068
Total financial assets	**-**	**88,002**	**292,938**	**380,940**
Non-financial assets	-	-	25,978	25,978
Total assets	**-**	**88,002**	**318,916**	**406,918**
LIABILITIES				
Due to credit institutions	-	-	67,166	67,166
Due to general governments	-	-	39,561	39,561
Support programme funding*	-	-	56,288	56,288
State aid			16,166	16,166
Derivatives	345	-	-	345
Other financial liabilities	-	-	8,791	8,791
Total financial liabilities	**345**	**-**	**187,972**	**188,317**
Non-financial liabilities	-	-	218,601	218,601
Total liabilities	**345**	**-**	**406,573**	**406,918**

* Items V*enture capital funds* and *Support programme funding* were restated for the previous period (see Note 2 (26)).

44 SUBSEQUENT EVENTS

On 27 February 2017 Group received a decision passed by the Ministry of Economics (MoE) requiring repayment of non-eligible public funding expenditure of 217 thsd euros under activity *2.2.1.1. Holding Fund for Investments in Guarantees, High-risk Loans, Venture Capital Funds and other Financial Instruments* of the programme *Entrepreneurship and Innovations*.
MoE, being the institution responsible for the activity, performed a comprehensive audit on JSC *Capitalia* that had concluded a co-operation agreement dated 7 July 2014 with Latvian Guarantee Agency (LGA) on granting of micro loans under the activity. The audit established that out of 83 micro loans totalling 832 thsd euros (incl. 416 thsd euros of public funding) that JSC *Capitalia* had granted to the entrepreneurs, 41 loan recipients (totalling 403 thsd euros, incl. 202 thsd euros of the Holding Fund's financing) owed to the State Revenue Service taxes or levies as at the moment the loans were disbursed. As a result, non-compliance with sub-paragraph 7.1 of the Cabinet of Ministers Regulation No 327 was identified implying non-eligibility for funding of the EU Structural Funds.
Also MoE treated the management fees of JSC Capitalia and LGA (now – Group) - for 13 thsd euros and 2 thsd euros respectively - as non-eligible expenditure.
In view of the identified non-compliances, MoE ordered the Group to review immediately its internal control procedures and their implementation quality as well as repay within 10 working days the non-eligible expenditure of 217 thsd euros.

There are no other subsequent events since the last day of the reporting year, which would have a significant effect on the financial position of the Group.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of JSC Development Finance Institution ALTUM

Opinion

We have audited the accompanying consolidated financial statements of JSC Development Finance Institution ALTUM and its subsidiaries (the Group), set out on pages 7 to 73 of the accompanying annual report, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements of JSC Development Finance Institution ALTUM and its subsidiaries give a true and fair view of financial position of the Group as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the independence requirements included in the Law on Audit Services of Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the Law on Audit Services of Republic of Latvia and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on other information

The other information comprises the Management Report and Statement of Responsibility of the Management Board as set out on pages 2 to 4 of the accompanying annual report, but does not include the consolidated financial statements and our auditors report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and their environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with local legislation

We have other reporting responsibilities in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report. These additional reporting responsibilities are beyond those required under the ISAs.

Our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law on the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Law on the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SIA Ernst & Young Baltic
Licence No. 17

Diāna Krišjāne
Chairperson of the Board
Latvian Certified Auditor
Certificate No. 124

Riga, 24 April 2017

JSC DEVELOPMENT FINANCE INSTITUTION ALTUM

UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS OF THE GROUP
FOR 6 MONTHS PERIOD ENDED JUNE 30, 2017

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JSC DEVELOPMENT FINANCE INSTITUTION ALTUM
REPORT OF THE BOARD OF DIRECTORS

Activity during reporting period

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

The mission of Group is – We help Latvia to thrive!

The vision of Group is – Co-operation partner and financial expert in development of the national economy.

The role of the development finance institution in the financial market is to:

- complement the financial market;
- fill in the market gaps and rectify the market failures;
- operate, as delegated by the state, in the defined areas and segments;
- implement the programmes jointly with private market participants.

The Development Finance Institution Law governs the operations of Group.

The Ministry of Finance holds 40% of Group's shares, the Ministry of Economics and Ministry of Agriculture – 30% each.

During 6 months of 2017 Group made a profit of 5,4 mln euros.

Operational Volumes

As at 30 June 2017 Group's (gross) books and records held a portfolio of the financial instruments granted within the state aid programmes for the total value of 432,3 mln euros made up of 13,005 projects, including:

- guarantee portfolio of 165,9 mln euros, the total number of transactions – 6,503;
- loan portfolio of 209,4 mln euros, the total number of transactions – 6,310;
- investments in venture capital funds for the total value of 57,0 mln euros, the total number of projects financed by fund – 192.

Since the start of the year the portfolio of Group's financial instruments has increased by 2% (9,5 mln euros) in terms of volumes and by 14% (by 1556 projects) in terms of the number of projects. Among the financial instruments the guarantee portfolio has had the most rapid growth by 12.7% in terms of volumes (18,7 mln euros) and by 32% in terms of the number of transactions (by 1566 transactions). Implementation of the Housing Guarantee Programme has contributed significantly to the rise of the number of transactions. A more rapid increase of the guarantee portfolio in Group's total portfolio of financial instruments tallies with medium-term development strategy of Group.

Volumes of New Transactions

In the reporting period lasting from 1 January 2017 till 30 June 2017 the funding granted within the state aid programmes amounted to 61 mln euros, supporting 2314 projects, including:

- guarantees for 34,4 mln euros, the total number of transactions – 1,683 projects;
- loans for 25,4 mln euros, 625 projects;
- investments made by venture capital funds for 1,2 mln euros, 6 projects.

During 6 months of 2017, compared to the same period last year, the state aid programmes have had an equivalent number of new transactions: with the amount of the granted funding being identical, the number of supported projects has increased by 3% (or by 74 projects).

The guarantees for promotion of business were boosted specifically. In 6 months the business projects were granted new guarantees for 23,4 mln euros.

It is often that the companies lack adequate collateral to obtain a bank loan or amount of the loan needed for business development. Being aware of the situation and expecting to channel more financial resources into the national economy, Group expands considerably its activities in issuing of credit guarantees for promotion of business.

REPORT OF THE BOARD OF DIRECTORS (continued)

In year 2017, by way of expanding the activities in the field of credit guarantees, the maximum single guarantee amount was increased to 3 mln euros.

The new solution for granting of guarantees – delegated guarantees – is a way for Group to speed up issuing of guarantees and promote availability of funding for small and medium-sized enterprises even more. In order to implement the delegated guarantees, a special co-operation agreement has been concluded with SEB Bank. It is planned to initiate similar co-operation also with other banks. The service enables the banks to review the loan applications of the small and medium-sized enterprises and reply faster.
To increase competitiveness of Latvian companies, as of Q2, the export credit guarantees are being issued also to the small-scale exporters (with export turnover below 2 mln euros) for transactions with EU member states and for transactions with longer maturities of deferred payments (from 180 to 720 days). Due to the new guarantees the volume of protected export to the EU member states will increase considerably. More than 150 enterprises will be supported within the framework of the programme that will guarantee export transactions to the EU member states for at least 82 mln euros. Enterprises of manufacturing industry, agricultural producers as well as small and medium-sized enterprises entering the export markets are expected to benefit most.

Venture Capital Investments
In Q2 of year 2017, within the framework of the Fund of funds established by Group to implement the financial instruments by means of the funding of the European Regional Development Fund (ERDF), Group finalised selection of the managers of the accelerator funds in an international tender. Acceleration is an activity not yet practised in Latvia intended to support the companies being in a very early development stage with public funding of 15 mln euros earmarked for the activity. Around 120 perspective ideas will receive accelerator and investment services.
In year 2017 selection of the financial intermediaries for the seed, start-up and expansion capital investment funds has been started. It is expected that the seed and start-up capital investment funds will be launched in Q2 of year 2018. The total earmarked public funding for Group's investments in the seed and start-up funds amounts to 30 mln euros. The expansion capital investment funds are to be launched in Q3 of year 2018 with the total earmarked public funding being 30 mln euros.

European Strategic Investment Fund
As part of promoting use of the funds of the European Strategic Investment Fund (EFSI) in Latvia and implementation of the large investment projects (above 50 mln euros), Group, in co-operation with the European Investment Bank and Representation of the European Commission in Latvia, organises on a regular basis informative campaigns and consults the large projects on EFSI funds. Co-operation has been established with Latvian commercial banks to attract investments needed for more efficient implementation of the large investment projects.
In order to expand support to the business ideas of the small and medium enterprises there is an agreement concluded with the European Investment Fund (EIF) on the counter-guarantees of InnovFIN Facility for the guarantee portfolio worth 30 mln euros. The risk cover provided by counter-guarantees allows Group to issue guarantees to the eligible projects at lower rates, thus reducing the costs for attracting financing for these projects. As at 30 June, 2017 there were 7 guarantees for 1.5 mln euros issued under InnovFIN Facility. Having applied improved financial support conditions, Group, within EFSI co-operation framework, has submitted to EIF an application for COSME programme to attract a guarantee instrument for financial support of start-ups segment.

Starting a Business
Promotion of start-ups is a significant business segment of Group. As at 30 June 2017, under the Start-ups Programme, the start-ups projects were granted loans totalling 39,9 mln euros financing 2,207 projects of the new entrepreneurs.

REPORT OF THE BOARD OF DIRECTORS (continued)

In year 2017, based on the current tendencies in the business angels' sector, Group expanded the options of the joint pilot project with Latvian Business Angels Network (LatBAN) regarding co-financing of business ideas. The expanded co-operation means that from now on also those viable business ideas where the syndicate – union of business angels consisting of several natural persons – investors having jointly decided to invest in a project – has decided to invest – will qualify for Group loan.

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

In April 2016 Group opened stage one of the programme – consulting about the conditions, aid options and required documents. In view of the structure of the programme and project implementation conditions, extensive free of charge consultations were provided in co-operation with the Ministry of Economics and other partners in the cities of Latvia and Altum Competence Centre.

In year 2017, to consult about the programme:

- workshops with 780 participants were organized in 21 towns of Latvia;
- Group organised two practical training workshops for the entities authorised to represent the residents of multi-apartment buildings (submitters of the projects);
- new marketing materials were prepared facilitating absorption of the programme (chart of procurement information, VAT application, posters).

On 28 September 2016 Group started to accept the grant, loan and guarantee applications for the Energy Efficiency Programme of Multi-apartment Buildings. As at 30 June 2017, within the framework of the programme, guarantees of 389 thsd euros were granted to 4 projects; project support grants were given to 5 projects for the sum total of 461 thsd euros. In the first half-year 89 project applications, considered to be a large number, were received for the programme of which 80 applications were approved. For many of the submitted projects incorrectly drawn procurement's regulations halted their progress.

Support to Families with Children for Buying Housing
As at 30 June 2017 the Housing Guarantee Programme had granted 5,683 guarantees for 38 mln euros to the families with children. Around 76% of the volume of guarantees had been granted to the families residing in Rīga and adjacent regions. Breakdown of data by cities shows that guarantees for the housing loans are used actively also by families with children in Liepāja, Jelgava, Ventspils, Jūrmala and Daugavpils. The families having received programme's guarantees have 8251 children among them.

Land Fund of Latvia
As at 30 June 2017, the balance sheet of the Land Fund administered by Group enlisted 179 properties with the total land area of 3,124 ha, worth 7,998 mln euros.
As at 30 June 2017, 97% of the fund's properties had been attracted the lessees – farmers, including ten newly established farmers, in need of agricultural land for development of their economic activities.
The Land Fund has bought agricultural land in all regions of Latvia:

- in Zemgale – 1,193 ha;
- in Vidzeme – 632 ha;
- in Kurzeme – 508 ha;
- in Latgale – 333 ha;
- in Rīga region – 458 ha.

In the reporting period the preparations were made for introduction of new type of state aid under the Land Fund – reverse rent whereby a farmer could sell its property to the Land Fund and continue using it for production purposes by subsequently renting the property from the fund.

REPORT OF THE BOARD OF DIRECTORS (continued)

Risk Management
In order to have an adequate risk management, 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, Group remains capable of implementing the established operational targets and assignments in the long run. In its risk management Group makes use of various risk management methods and instruments as well as establishes risk limits and restrictions. The risk management methods are chosen based on materiality of the particular risk and its impact on Group's operations. The Development Finance Institution Law stipulates that a finance institution has to prepare an assessment of the programme's impact, risks and expected losses, financial results and implementation costs prior to its approval by Cabinet of Ministers.

The Cabinet of Ministers approves the programmes and lays down their implementation procedures, funding, eligible operations and expenditure, including funding for covering the expenses of the finance institution.

Rating
Moody's Investors Service has assigned to joint stock company Development Finance Institution Altum (parent company of the Group) an investment grade rating Baa1 with a stable outlook. The assigned rating is among the highest ratings ever assigned to the capital companies of Latvia. The rating was assigned on 15 June 2017. Obtaining of the rating was a step towards the scheduled issue of notes on the Baltic Bonds Market. The assigned rating reflects Group's compliance with the high requirements of the financial markets towards corporate management standards, financial stability, sustainability and other factors.

Future Outlook
Altum, based on the market gap analysis and in co-operation with the responsible ministries, drafts and implements new state aid programmes.
In year 2017 the volume of new transactions performed with Altum's financial instruments is estimated at 180 mln euros with support to be provided to more than 5,500 business projects. The financed projects will create more than 3,100 new work places. The total investment of the Altum's financial instruments, including the co-financing of the aid beneficiaries, in the national economy, is expected to be around 290 mln euros.
Group plans to issue transferable debt securities (notes) as series of notes under the programme to be registered with the Latvian Central Depository and quoted on Nasdaq Riga for the total face value of 30 mln euros. SEB Bank has been chosen as the manager and advisor of the issue. The notes will be issued to diversify Group's funding structure and provide for several state-supported investment projects in the national economy of Latvia. The funds attracted through the issue of notes will amplify the financial support to the business projects in such fields as energy efficiency, promotion of renewable energy resources and decreasing of impact of the negative effects of climate change.

Reinis Bērziņš
Chairman of the Board

15 Augusts 2017

SUPERVISORY COUNCIL AND BOARD OF DIRECTORS

Council

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

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

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

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

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

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

Riga 15 Augusts 2017

The Board of Directors (Management) is responsible for preparing of the financial statements. The Management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements on pages 8 to 34 for the period from 1 January 2017 to 30 June 2017. The Management confirms that the Group's financial statements were prepared on a going concern basis in accordance with International Accounting Standard 34 Interim Financial Reporting.

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

Reinis Bērziņš
Chairman of the Board

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(all amounts in thousands of euro)

	Notes	6 months of 2017	6 months of 2016
Interest income	3.	6,756	7,323
Interest expense		(220)	(803)
Net interest income		**6,536**	**6,520**
Fee and commission income		241	233
Fee and commission expense		(138)	(95)
Net income from fees and commissions		**103**	**138**
Net trading income		(103)	(59)
Share of (loss) of investment in joint venture and associate	10.	(693)	(2,950)
Other income	4.	5,491	3,325
Operating income before operating expenses		**11,334**	**6,974**
Staff costs		(2,932)	(3,056)
Administrative expense	5.	(1,743)	(2,415)
Amortisation of intangible assets and depreciation of property, plant and equipment		(210)	(296)
Net impairment provisions	6.	(1,035)	(375)
Profit before corporate income tax		**5,414**	**832**
Corporate income tax		-	-
Profit for the period		**5, 414**	**832**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net profit / (loss) on available for sale investments	19.	(561)	666
Other comprehensive income / (loss) for the period, before taxes		**(561)**	**666**
Total comprehensive income for the period		**4,853**	**1,498**

The notes on pages 8 to 34 are an integral part of these interim condensed financial statements.

Reinis Bērziņš
Chairman of the Board

Marina Baranovska
Chief accountant

15 Augusts 2017

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

	Notes	30/06/2017	31/12/2016 (audited)
Assets			
Due from other credit institutions and Treasury	7.	94,501	89,553
Investment securities - available for sale		62,453	64,294
Investment securities – held to maturity		467	1,531
Loans and receivables	8.	193,690	201,250
Derivatives	9.	105	-
Investments in venture capital funds – associates	10.	56,783	58,296
Deferred expense		301	413
Accrued income		2,336	1,646
Investment property	11.	20,264	17,087
Property, plant and equipment		3,474	3,507
Intangible assets		550	168
Other assets		3,965	4,014
Assets held for sale	12.	-	1,367
Total assets		**438,889**	**443,126**
Liabilities			
Due to credit institutions	13.	51,283	56,195
Derivatives	9.	-	854
Due to general governments	14.	43,610	46,914
Deferred income		1,291	777
Accrued expense		700	1,198
Support programme funding	15.	96,486	96,822
State aid	15.	5,088	6,849
Provisions	17.	17,314	16,864
Other liabilities		6,521	6,559
Total liabilities		**222,293**	**233,032**
Capital and reserves			
Share capital		204,862	204,862
Reserves	18.	(2,561)	(8,235)
Available for sale reserve	19.	8,531	9,092
Accumulated profit		5,764	4,375
Total capital and reserves		**216,596**	**210,094**
Total liabilities, capital and reserves		**438,889**	**443,126**

The notes on pages 8 to 34 are an integral part of these interim condensed financial statements.

Reinis Bērziņš
Chairman of the Board

Marina Baranovska
Chief accountant

15 Augusts 2017

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

	Share capital	Reserves	Available for sale reserve	Retained earnings	Total capital
As at 31 December 2015	**204,862**	**(16,082)**	**8,625**	**2,205**	**199,610**
Other comprehensive income (Note 19.)	-	-	666	-	666
Profit for the period	-	-	-	832	832
Total comprehensive income for the period	-	-	**666**	**832**	**1,498**
Changes to increase of reserve capital (Note 18.)	-	5,472	-	-	5,472
Increase of reserve capital (Note 18.)	-	1,560	-	-	1,560
Distribution of 2015 year profit	-	1,829	-	(1,829)	-
As at 30 June 2016	**204,862**	**(7,221)**	**9,291**	**1,208**	**208,140**
Other comprehensive income (Note 19.)	-	-	(199)	-	**(199)**
Profit for the period	-	-	-	3,167	**3,167**
Total comprehensive income / (loss) for the period	-	-	**(199)**	**3,167**	**2,968**
Changes to decrease of reserve capital (Note 18.)	-	(5,014)	-	-	**(5,014)**
Increase of reserve capital (Note 18.)	-	4,000	-	-	**4,000**
As at 31 December 2016	**204,862**	**(8,235)**	**9,092**	**4,375**	**210,094**
Other comprehensive income (Note 18.)	-	-	(561)	-	**(561)**
Profit for the period	-	-	-	5,414	**5,414**
Total comprehensive income / (loss) for the period	-	-	**(561)**	**5, 414**	**4,853**
Changes to increase of reserve capital (Note 18.)	-	1,649	-	-	**1,649**
Distribution of 2016 year profit	-	4,025	-	(4,025)	-
As at 30 June 2017	**204,862**	**(2,561)**	**8,531**	**5,764**	**216,596**

The notes on pages 8 to 34 are an integral part of these interim condensed financial statements.

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

	Notes	6 months of 2017	6 months of 2016
Profit before taxes		**5,414**	**832**
Amortisation of intangible assets and depreciation of property, plant and equipment		210	296
Interest income		(6,756)	(7,323)
Interest received		5,548	5,329
Interest expenses		220	803
Interests paid		(508)	(917)
Increase in provisions for impairment of loans, guarantees, other assets and held-to-maturity investment securities		1,035	375
Revaluation of investments in venture capital funds (Note **10.**)		693	2,950
Increase in deferred income and accrued expense		16	(185)
(Increase) / decrease in deferred expense and accrued income		(577)	41
Decrease / (increase) of other assets		(4,466)	6,376
(Decrease) in other liabilities		(6,385)	(6,638)
(Increase) / decrease of cash and cash equivalents used before changes in assets and liabilities		**(5,556)**	**1,939**
Due from credit institutions decrease		-	1,167
Decrease of loans		7,667	(2,572)
Due to credit institutions increase		(3,302)	7,352
Corporate income tax		-	-
Net cash flow from operating activities		**(1,191)**	**7,886**
Cash flows from investment activities			
Investments in securities, net		3,710	441
Acquisition of property, plant and equipment and intangible assets		(558)	(356)
Sale of assets held for sale, net		5,239	-
Investments in venture capital funds, net (Note **10.**)		872	(6,621)
Purchase of investment properties, net (Note **11.**)		(3,129)	(2,206)
Net cash flow of investment activities		**6,134**	**(8,742)**
Cash flows from financing activities			
Increase in reserve capital		-	1,560
Net cash flow from financing activities		**-**	**1,560**
Increase in cash and cash equivalents		**4,943**	**704**
Cash and cash equivalents at the beginning of period		84,553	43,716
Cash and cash equivalents at the end of period	**24.**	**89,496**	**44,420**

The notes on pages 8 to 34 are an integral part of these interim condensed financial statements.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

APPROVAL OF FINANCIAL STATEMENTS

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

1 GENERAL INFORMATION

(1) Background information

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

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

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

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

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

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

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

2 ACCOUNTING POLICIES

(1) Basis of preparation

These interim condensed consolidated financial statements for 3 months period ended on 30 June 2017 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*, as adopted in the European Union. The interim consolidated financial statements are to be used together with uncondensed financial statements for year 2016 prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union.

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

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

2 ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

3. INTEREST INCOME

	01/01/2017 - 30/06/2017	01/01/2016 - 30/06/2016
- interest on balances due from credit institutions	9	25
- interest on loans and guarantees	4,814	5,277
including on impaired loans (see Note 8)	*406*	*509*
- interest on securities at amortised cost	35	39
- interest on securities at fair value	1,052	1,770
- other interest income*	846	212
	6,756	**7,323**

* Item *Other interest income* includes state aid interest of EUR 51 thsd as well as interest income from revaluation of *Real Estate Funds'* investments.

4. OTHER INCOME

	01/01/2017-30/06/2017	01/01/2016-30/06/2016
Other operating income*	4,227	591
Compensations**	1,152	2,448
Income from property privatisation services	-	190
Income from lease payments for operational leases	112	96
	5,491	**3,325**

* Item *Other operating income* includes income from sale of the office building situated at Elizabetes street 41/43, Riga. As a result of the sale the Group earned 3,872 thsd euros (Note 12.).

Pursuant to the agreement *On Implementation of the Holding Fund* (No Līg.2011/15) concluded with the Ministry of Economics of the Republic of Latvia, the funding provided by the Ministry of Economics must be increased by net interest and other income, as stipulated by agreements with financial intermediaries, including also from venture capital funds. In the first half-year of 2017 the financial intermediaries contributed 118 thsd euros of income generated from investments that were 100% eligible for the funding of the Ministry of Economics.

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

5. ADMINISTRATIVE AND OTHER OPERATING EXPENSE

	01/01/2017-30/06/2017	01/01/2016-30/06/2016
Premises and equipment maintenance expense	351	461
Information system and communication expense	484	518
Professional services	246	145
Advertising and public relations	205	193
Training and other staff expense	75	46
Real estate tax	174	144
Expense of assets that have been taken over in the debt collection process	146	334
Other expenses	62	574
	1,743	**2,415**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

6. IMPAIRMENT PROVISIONS, NET

	01/01/2017 - 30/06/2017	01/01/2016 - 30/06/2016
Provisions for impairment on:		
- loans	2,197	2 627
- other assets	558	221
- investments in venture capital funds	-	-
- debt securities	-	-
- guarantees	1,475	1,785
	4,230	**4,633**
Release of provisions for impairment on:		
- loans	(1,389)	(286)
- other assets	(69)	(1,850)
- investments in venture capital funds (Note **10.**)*	-	-
- debt securities	(54)	(394)
- guarantees	(783)	(1,231)
	(2,295)	**(3,761)**
Income from release of provisions for onerous contracts (guarantees)	**(437)**	-
Recovery of loans written off in previous periods	**(463)**	**(497)**
Total provisions for impairment	**1,035**	**375**

* Item *Income from release of provisions* includes income of 54 thsd euros from impairment of venture capital funds that was 100% compensated from the Risk Coverage Reserve pursuant to the agreement *On Implementation of the Holding Fund* concluded with the Ministry of Economics (agreement No Līg.2011/15) (Note 18.). In the first half-year of 2016 there was no movement in provisions for venture capital funds.

7. DUE FROM OTHER CREDIT INSTITUTIONS AND TREASURY

	30/06/2017	31/12/2016
Due from credit institutions registered	-	2
in OECD countries	94,501	89,551
in Latvia and Treasury	**94,501**	**89,553**

When placing the funds with the Treasury of the Republic of Latvia and monetary financial institutions, the external credit ratings assigned to these financial institutions are evaluated. The evaluation of the financial institutions not having been assigned an individual rating is based on the ratings assigned to their parent banks that are one notch lower as well as their financial and operational assessments. Once the contracts have been concluded, the Group supervises the monetary financial institutions and follows that the assigned limits comply with credit risk assessment:

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

7. DUE FROM OTHER CREDIT INSTITUTIONS AND TREASURY (continued)

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

Moody`s ratings	Aaa	Aa1-Aa3	A1-A3	Baa1-Baa3	Ba1-Ba3	B1-B3	Caa-C	WR	Total
Due from credit institutions registered in OECD countries	-	-	-	-	-	-	-	-	-
Due from credit institutions registered in Latvia and Treasury	-	27,300	62,419	-	4,782	-	-	-	**94,501**
Total	-	27,300	62,419	-	4,782	-	-	-	**94,501**

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

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

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

The average interest rate on balances due from credit institutions was 0.1% as at 30 June 2017 (at 31 December 2016: 0.07%).

For amount of cash and cash equivalents, please refer to Note **24.**

8. LOANS AND RECEIVABLES

Loans by type of borrower:

	30/06/2017	31/12/2016
Private companies	181,574	188,245
Individuals	24,118	24,490
Financial institutions	2,748	3,655
Local governments	317	344
Public and religious institutions	155	172
Accrued interest	452	523
Total gross loans	**209,364**	**217,429**
Allowance for impairment loss	(15,674)	(16,179)
Total net loans	**193,690**	**201,250**

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

8. LOANS AND RECEIVABLES (continued)

Granted loans by branches of economy:

	30/06/2017	31/12/2016
Agriculture and forestry	84,094	83,048
Manufacturing	43,727	47,104
Private individuals	24,119	24,490
Retail and wholesale	15,690	16,901
Other industries	13,879	14,871
Hotels and restaurants	7,121	7,653
Electricity, gas and water utilities	6,138	6,734
Transport, warehousing and communications	2,279	4,620
Real estate	4,255	4,310
Construction	4,018	3,818
Financial intermediation	1,537	2,443
Fishing	1,738	570
Municipal authorities	317	344
Accrued interest on loans	452	523
Total gross loans	**209,364**	**217,429**

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

	30/06/2017	31/12/2016
Number of customers	26	26
Total credit exposure of customers	38,473	43,740
Percentage of total gross portfolio of loans	18.3%	20.0%

Loans issued by the Group by type of impairment valuation:

	30/06/2017			31/12/2016		
	Individuals	**Companies**	**Total loans**	**Individuals**	**Companies**	**Total loans**
Individually assessed loans	6,427	139,335	145,762	6,728	145,964	152,692
Collectively assessed loans	17,740	45,862	63,602	17,821	46,916	64,737
Total gross loans	**24,167**	**185,197**	**209,364**	**24,549**	**192,880**	**217,429**
Allowance for impairment loss -individually assessed	(1,160)	(14,370)	(15,530)	(1,105)	(14,902)	(16,007)
Allowance for impairment loss - collectively assessed	(42)	(102)	(144)	(57)	(115)	(172)
Total net loans	**22 965**	**170,725**	**193,690**	**23,387**	**177,863**	**201,250**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

8. LOANS AND RECEIVABLES (continued)

Loans granted by the Group by their quality assessment:

	30/06/2017 Individuals	Companies	Total loans	31/12/2016 Individuals	Companies	Total loans
Neither past due nor impaired	19,393	139,192	158,585	19,839	137,487	157,326
Past due but not impaired	2,478	13,382	15,860	2,376	18,217	20,593
Impaired	2,297	32,622	34,919	2,334	37,176	39,510
Total loans	**24,168**	**185,196**	**209,364**	**24,549**	**192,880**	**217,429**
Allowance for impairment loss	(1,200)	(14,474)	(15,674)	(1,161)	(15,018)	(16,179)
Total net loans	**22,968**	**170,722**	**193,690**	**23,388**	**177,862**	**201,250**

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

	30/06/2017 Individuals	Companies	Total loans	31/12/2016 Individuals	Companies	Total loans
Past due up to 30 days	1,385	8,172	9,557	1,228	10,935	12,163
Past due 30 – 60 days	190	372	562	337	607	944
Past due 60 – 90 days	345	162	507	121	100	221
Past due over 90 days	557	4,677	5,234	690	6,575	7,265
Total gross loans	**2,477**	**13,383**	**15,860**	**2,376**	**18,217**	**20,593**

Movement in the Group's impairment allowance for loans:

	01/01/2017-30/06/2017	01/01/2016-30/06/2016
Provisions at the beginning of period	**16,179**	**17,044**
Impairment allowance increase	4,294	2,627
Impairment allowance decrease	(3,487)	(286)
Accrued interest (Note 3.)	(406)	(509)
Write-off of loans	(906)	(346)
Provisions at the end of period	**15,674**	**18,530**

As at 30 June 2017 the average annual interest rate of the Group's loan portfolio was 4.14% (at 31 December 2016: 4.16%).

If the *Risk coverage reserve used for provision* in amount 3,222 thsd euros is not used, the provisions for loan value impairment would amount to 18,711 thsd euros.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

9. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	30/06/2017			31/12/2016		
	Notional contract value	Fair value		Notional contract value	Fair value	
		Assets	Liabilities		Assets	Liabilities
Currency swaps	11,944	105	-	12,330	-	854
Total		**105**	**-**		**-**	**854**

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

10. INVESTMENTS IN VENTURE CAPITAL FUNDS

	30/06/2017	31/12/2016
Carrying amount at the beginning of period	**58,541**	**39,929**
Invested	134	21,054
Refunded	(1,008)	(684)
Share of (loss) of investment in joint venture and associate	(693)	(1,758)
Carrying amount at the end of period	**56,974**	**58,541**
Impairment	(191)	(245)
Net value at the end of period	**56,783**	**58,296**

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

	01/01/2017-30/06/2017	01/01/2016-30/06/2016
Provisions at the beginning of period	**245**	**245**
Impairment allowance decrease (Note 6.)*	(54)	-
Provisions at the end of period	**191**	**245**

* *Income from release of venture capital funds' provisions* in amount of 54 thsd euros were 100% compensated from the Risk Coverage Reserve pursuant to the agreement *On Implementation of the Holding Fund* concluded with the Ministry of Economics (agreement No Līg.2011/15) (Note 18.).

11. INVESTMENT PROPERTY

	30/06/2017	31/12/2016
Carrying amount at the beginning of period	**17,087**	**12,247**
Acquired during the period*	3,150	3,704
Sold and written off during the period	(21)	(89)
Net gain from fair value adjustment	48	1,225
Carrying amount at the end of period	**20,264**	**17,087**

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

12. ASSETS HELD FOR SALE

In June 2017, the Group successfully sold its only available-for-sale asset, i.e. office building, located 41/43 Elizabetes Street, Riga, with a profit of 3,872 thsd. euro (Note 4.).

13. DUE TO CREDIT INSTITUTIONS

	30/06/2017	31/12/2016
Due to credit institutions registered in:		
OECD countries	51,283	56,195
Total	**51,283**	**56,195**

Item *Credit institutions registered in OECD area* includes loans received by Group from the European Investment Bank (EIB) of 51,206 thsd euros, where 77 thsd euros are accrued interest expenses. In the reporting period the Group paid back 5,023 thsd euros of which the accrued interest amounted to 126 thsd euros.

The Ministry of Finance of the Republic of Latvia has issued a 51,206 thsd euros guarantee (Note 16) for the loan that is a parent guarantee on behalf of the Group.

As at 30 June 2017 the average interest rate for amounts due to credit institutions was 0.44% (at 31 December 2016: 0.33%).

14. DUE TO GENERAL GOVERNMENTS

	30/06/2017	31/12/2016
Due to government entities	1,723	1,723
Loans received from Rural Support Service	9,686	12,990
Loans received from the Treasury	32,201	32,201
Total due to general governments	**43,610**	**46,914**

15. SUPPORT PROGRAMME FUNDING AND STATE AID

	30/06/2017	31/12/2016
Support programme funding	**96,486**	**96,822**
State aid	**5,088**	**6,849**

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

15. SUPPORT PROGRAMME FUNDING AND STATE AID (continued)

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

Programme	**Programme funding, thsd EUR**	**Programme's loan portfolio thsd EUR**	**Credit risk cover by public funding, %**	**Credit risk cover on 31/12/2017, thsd EUR**
ERDFII	25,619	10,881	66%	7,182
ESF II	9473	3,937	80%	3,149
Microcredits of Swiss programme	5,651	2,436	80%	1,949
ERAF I	1,470	1,730	50%	865
ESF I	1,008	213	90%	192
Microcredits	605	4	80%	3
ERAF II (second round)	5,519	4,695	68%	3,192
Incubators (from ESF II)	546	42	100%	546
ERAF II 2 Public fund	2,485	1,342	100%	1,342
Fund of funds and venture capital funds	20,765	-	49%	10,632
Fund of funds prog.- Start-up loans	979	2,986	82%	803
Fund of funds prog.- Microcredits	174	510	55%	96
Fund of funds prog.- Parallel loans	1,200	239	90%	1,080
Fund of funds prog.- Guarantees	6,581	-	91%	5,988
EEPMB* loan fond	2,512	-	18%	452
EEPMB guarantees	3,051	-	67%	2,044
EEPMB grants	-	265	0%	-
Housing Guarantee Programme	2,849	11,135	100%	2,849
Social Business Program	-	-	0%	-
Start Cumulative Loan Program	-	181	0%	-
KBLG**	5,000	-	95%	4,750
Other Start-up loans	2,196	2,088	0%	1,677
Mezzanine loan programme	4,986	-	85%	4,238
Investment Fund Activity	8,082	-	96%	7 759
Risk Coverage Reserve	**110,751**			**60,788**

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

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

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

16. OFF BALANCE SHEET ITEMS AND CONTINGENT LIABILITIES

	30/06/2017	31/12/2016
Contingent liabilities		
outstanding guarantees*	165,941	147,175
Financial commitments		
unutilised loan facilities	9,939	6,324
commitments to venture capital funds	28,856	28,940
other liabilities	131	142
Total	**204,867**	**182,581**

* According to the Law on State Budget 2017 the portfolio of *Outstanding guarantees* of 165,941 thsd euros is over-secured by the state funding of 200,000 thsd euros (At 31 December 2016: 100,247 thsd euros).

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

	Up to 1 month	1 to 3 months	3 to 6 months	Up to 1 year	1 to 5 years	Over 5 years and undated	Total
Contingent liabilities							
outstanding guarantees	2,974	4,566	7,727	17,821	61,066	71,787	**165,941**
Financial commitments							
unutilised loan facilities	9,939	-	-	-	-	-	**9,939**
commitments to venture capital funds	814	1,404	2,107	4,014	18,308	2,209	**28,856**
other liabilities	-	-	-	-	-	131	**131**
Total financial commitments	**10,753**	**1,404**	**2,107**	**4,014**	**18,308**	**2,340**	**38,926**
Total	**13,727**	**5,970**	**9,834**	**21,835**	**79,374**	**74,127**	**204,867**

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

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

17. PROVISIONS

	30/06/2017	31/12/2016
Provisions for:		
Loan guarantees to rural entrepreneurs	704	827
Guarantees under the Mezzanine loan programme	1,246	402
Guarantee Programme (activity)	2,659	2,553
Housing Guarantee Programme	51	41
Other guarantee programmes	4,071	4,022
Provision (onerous contracts)	8,583	9,019
	17,314	**16,864**

If the *Risk coverage reserve used for provisions* in amount 1,599 thsd euros is not used, the provisions for guarantees, except provision of onerous contracts, would amount to 10,330 thsd euros.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

18. RESERVES

Movement of the Group's reserves:

	Specific reserves				
	Difference recognised in Group's reorganisati on reserve, thsd EUR	Portfolio loss reserve (specific reserve capital)*, thsd EUR	General reserve capital, thsd EUR	Reserve of available for sale investments, thsd EUR	Reserves, total, thsd EUR
Reserves as at 31/12/2015	**(17,717)**	**1,635**	**-**	**8,625**	**(7,457)**
Changes of reserve capital	5,472	-	-	-	**5,472**
Distribution of 2015 year profit	-	-	1,829	-	**1,829**
Increase of reserve capital	-	1,560	-	-	**1,560**
Increase of available for sale reserve (Note 19.)	-	-	-	666	**666**
Reserves as at 30/06/2016	**(12,245)**	**3,195**	**1,829**	**9,291**	**2,070**
Changes of reserve capital	(5,014)	-	-	-	**(5,014)**
Increase of reserve capital	-	4,000	-	-	**4,000**
Decrease of available for sale reserve	-	-	-	(199)	**(199)**
Reserves as at 31/12/2016	**(17,259)**	**7,195**	**1,829**	**9,092**	**857**
Changes of reserve capital	1,649	-	-	-	**1,649**
Distribution of 2016 year profit	-	-	4,025	-	**4,025**
Decrease of available for sale reserve (Note 19.)	-	-	-	(561)	**(561)**
Reserves as at 30/06/2017	**(15,610)**	**7,195**	**5,854**	**8,531**	**5,970**

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

19. MOVEMENT IN REVALUTION RESERVE OF INVESTMENT SECURITIES AVAILABLE FOR SALE

	01/01/2017-30/06/2017	01/01/2016-30/06/2016
At the beginning of period	**9,092**	**8,625**
Profit / (loss) on fair value changes from	(561)	666
Other comprehensive income	**(561)**	**666**
Total	**8,531**	**9,291**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

20. RELATED PARTY TRANSACTIONS

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

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

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

In the reporting period the remuneration of the members of the Group's Council and Board amounted to 164 thsd euros.

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

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

		Received support programme funding, thsd EUR	Granted support programme funding funding or paid back funding, thsd EUR	Received reserve capital, thsd EUR
Transactions with shareholders:				
Ministry of Finance	30/06/2017	-	(336)	-
	31/12/2016	-	-	5,559
Ministry of Economics	30/06/2017	2,849	(217)	-
	31/12/2016	29,610	-	-
Entity with significant influence:				
Investment funds	30/06/2017	420	-	-
	31/12/2016	283	-	-
Associates:				
Venture capital funds	30/06/2017	300	(516)	-
	31/12/2016	205	(22,932)	-
Other companies owned by Group shareholders:				
Rural Support Service	30/06/2017	-	-	-
	31/12/2016	-	(9,387)	-
Central Finance and Contracting Agency	30/06/2017	-	-	-
	31/12/2016	5,563	-	-

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

20. RELATED PARTY TRANSACTIONS (continued)

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

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

		Entity with significant influence, thsd. EUR	Transactions with shareholders, thsd. EUR	Associates, thsd. EUR	Other companies owned by Group shareholders, thsd. EUR
Due from other credit institutions and Treasury	30/06/2017	224	-	-	-
	31/12/2016	34	-	-	-
Investment property	30/06/2017	12,266	-	-	-
	31/12/2016	11,273	-	-	-
Investments in venture capital funds – associates	30/06/2017	-	-	56,974	-
(Allowance for impairment loss)	30/06/2017	-	-	(191)	-
	31/12/2016	-	-	58,541	-
	31/12/2016	-	-	(245)	-
Other assets	30/06/2017	139	-	-	-
	31/12/2016	140	-	-	-
Due to general governments	30/06/2017	-	-	-	9,686
	31/12/2016	-	-	-	12,990
Support programme funding and state aid	30/06/2017	-	96,011	-	5,563
	31/12/2016	-	98,108	-	5,563
Commitments to venture capital funds	30/06/2017	-	-	28,856	-
	31/12/2016	-	-	28,940	-

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

21. MAXIMUM EXPOSURE TO CREDIT RISK

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

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

	30/06/2017	31/12/2016
Statement of financial position assets exposed to credit risk		
Investment securities – held to maturity	467	1,531
Investment securities - available for sale	62,453	64,294
Due from other credit institutions and Treasury	94,501	89,553
Loans and receivables	193,690	201,250
Investments in venture capital funds	56,783	58,296
Other assets	1,113	901
Total	**409,007**	**415,825**
Off-balance sheet items exposed to credit risk		
Contingent liabilities (Note **16.**)	165,941	147,175
Financial commitments (Note **16.**)	38,926	35,406
Total	**204,867**	**182,581**

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

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

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

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

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

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

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

The total maximum secured claim amount is 39,600 thsd euros. The composition of the commercial pledge: claim rights and their future components resulting from the aforementioned loans the Group has granted. In the first six months of year 2017 the Group had not started to use the Treasury's loan as yet. During year 2017 the Group is planning to grant loans in the amount of 15,000 thsd euros, while in the period from 2017 till 2021 - in the amount of 18,000 thsd euros.

Transactions with derivatives that were in effect as at 30 June 2017, had been concluded seeking to cushion the effect of exchange rate fluctuations on the value of balance-sheet assets (see Note 9.).

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

21. MAXIMUM EXPOSURE TO CREDIT RISK (continued)

None of the financial assets, except for *Loans to customers*, have been collateralised. Loans are mostly secured by real estate collateral, to a lesser extent – by other assets or commercial pledge. Some loans, granted during lending campaigns, are partially covered by guarantees of state aid programmes. Loan loss impairment estimates take into account the expected cash flows from collateral. Loan quality is described in Note 8.

As at 30 June 2017 the total amount of Group's entitlements considered as an aggregate property in favour of the Ministry of Finance was 51,206 thsd euros (2016: 56,111 thsd euros) (Note **13.**).

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

- under the Funding Covenant concluded with the Central Finance and Contracting Agency (contract dated 08/06/2016) on implementation of the fund of funds the guarantees are available under specific support objective 3.1.1.1 with the earmarked funding of 15 mln euros.
- funding of 6 mln euros is earmarked for the state aid combination guarantees for the small and medium-sized enterprises sourced from repayments made on sub-activity 2.2.1.4.1. *Support in the Form of Loan for Improvement of Competitiveness of Businesses*; as regards the guarantees for large companies – the funding of 675 thsd euros is available from activity 3.1.3. *Training and Consultations for Business and Self-employment Start-ups* as well as reflows from activity 1.3.1.2. *Support to Self-employment and Business Start-ups* under operational programme *Human Resources and Employment* (482 thsd euros);
- Loan guarantees of 4,3 mln euros are available to the farmers;
- As of 8 June 2016 the loan guarantees are issued under specific support objective 3.1.1.1. As at 30 June 2017, 155 guarantees with the total funding of 27,5 mln euros were issued under specific support objective 3.1.1.1., whereas 12 guarantees with the total funding of 3,8 mln euros were issued to large companies. From 1 January 2017 to 30 June 2017 there were 24 guarantees with the total funding of 2,7 mln euros issued to farmers.
- *InnovFIN* Facility guarantees are available to the innovative companies complying with the conditions of specific support objective 3.1.1.1. as well as large companies. There is an agreement (dated 13/10/2016) concluded with the European Investment Fund on *InnovFIN* Facility counter-guarantees for 30 mln euros. As of conclusion of the agreement up to 30 June 2017 there were 7 guarantees issued with *InnovFin* counter guarantee with the total funding of 1,5 mln euros.
- The guarantees of the Energy Efficiency Programme of Multi-apartment Buildings (EEPMB) are issued within the framework of the specific objective's measure 4.2.1.1. To Increase Energy Efficiency in Residential Buildings. The funding of 12,2 mln euros is earmarked for EEPMB guarantees. As at 30 June 2017 there were 2 EEPMB guarantees granted for 206 thsd euros.
- The housing guarantees to the families with underage children are issued based on the Cabinet of Ministers Regulation No 443 *On State Assistance to Acquisition or Construction of Living Accommodation* adopted on 5 August 2014. The Housing Guarantee Programme has been running since January, 2015 with 7 co-operating commercial banks involved in its implementation. As at 30 June 2017 the Housing Guarantee Programme had granted a total of 38,8 mln euros in housing guarantees to 5,771 families with children.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

22. FAIR VALUES OF ASSETS AND LIABILITIES

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

	30/06/2017		31/12/2016	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Assets				
Due from other credit institutions and Treasury	94,501	94,505	89,553	89,537
Debt securities	62,453	62,453	64,294	64,294
Investment securities - available for sale	**62,453**	**62,453**	**64,294**	**64,294**
Individuals	22,362	22,313	22,722	22,684
Companies	171,328	170,497	178,528	177,644
Loans and receivables	**193,690**	**192,810**	**201,250**	**200,328**
Debt securities	467	1,272	1,531	3,315
Investment securities – held to maturity	**467**	**1,272**	**1,531**	**3,315**
Derivatives	105	105	-	-
Investments in venture capital funds	56,783	56,783	58,296	58,296
Investment property	20,264	20,264	17,087	17,087
Assets held for sale	-	-	1,367	3,488
Liabilities				
Due to credit institutions	51,283	51,283	56,195	56,195
Derivatives	-	-	854	854
Due to general governments	43,610	43,610	46,914	46,914
Support program funding, net of state aid	96,486	96,486	96,822	96,822

Assets

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

Liabilities

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

22. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

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

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investment property (Note 11.)	-	-	20,264	**20,264**
Debt securities - available for sale	37,838	24,615	-	**62,453**
Assets for which fair values are disclosed:				
Loans and receivables (Note 8.)	-	-	193,690	**193,690**
Derivatives (Note 9.)	-	105	-	**105**
Due from other credit institutions and Treasury (Note 7.)	89,395	-	5,110	**94,505**
Total	**127,233**	**24,720**	**219,064**	**371,017**
Liabilities measured at fair value:				
Liabilities for which fair values are disclosed:				
Due to credit institutions (Note 13.)	-	-	51,283	**51,283**
Due to general governments (Note 14.)	-	-	43,610	**43,610**
Support program funding, net of state aid (Note 15.)	-	-	96,486	**96,486**
Total	**-**	**-**	**191,379**	**191,379**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

22. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

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

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investment property (Note 11.)	-	-	17,087	**17,087**
Debt securities - available for sale	39,026	25,268	-	**64,294**
Assets for which fair values are disclosed:				
Loans and receivables (Note 8.)	-	-	200,328	**200,328**
Due from other credit institutions and Treasury (Note 7.)	79,437	-	10,100	**89,537**
Total	**118,463**	**25,268**	**227,515**	**371,246**
Liabilities measured at fair value:				
Derivatives (Note 9.)	-	854	-	**854**
Liabilities for which fair values are disclosed:				
Due to credit institutions (Note 13.)	-	-	56,195	**56,195**
Due to general governments (Note 14.)	-	-	46,914	**46,914**
Support program funding, net of state aid (Note 15.)	-	-	96,822	**96,822**
Total	**-**	**854**	**199,931**	**200,785**

Fair value hierarchy of financial assets and liabilities

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

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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

22. FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Debt securities

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

Derivatives

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

Equity investments in subsidiaries

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

Investment property

Investments in real estate are evaluated in accordance with Latvian and International Valuation Standards (IVS) for real estate involving an independent and professional committee of experts.

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

(a) market data (comparable sales) approach;

(b) income approach;

(c) depreciated replacement cost method.

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

23. LIQUIDITY RISK

The table below provides the maturity structure of expected undiscounted future cash flows of the Group's financial liabilities, off-balance liabilities and liquid assets, including the balances of *Due from other credit institutions and Treasury* and *Investment securities* as at 30 June 2017. The presentation is based on the expected future cash flows linked with payment schedules and includes interest; while the maturity analysis presented in Note **25.** discloses the term structure of actual balances of liabilities and assets:

	Up to 1 year	1 to 5 years	Over 5 years and w/o date	**Total**
Due to credit institutions	8,887	35,243	7,905	52,035
Due to general governments	41	653	49,111	49,805
Support programme funding, net of state aid	-	-	96,486	96,486
Other liabilities	-	-	6,521	6,521
Total financial liabilities	**8,928**	**35,896**	**160,023**	**204,847**
Off-balance items and contingent liabilities (Note 16.)	43,026	71,055	90,786	204,867
Total financial liabilities, off-balance items and contingent liabilities	**51,954**	**106,951**	**250,809**	**409,714**
Due from other credit institutions and Treasury	94,501	-	-	94,501
Investment securities	487	48,801	13 632	62,920
Liquid assets	**94,988**	**48,801**	**13,632**	**157,421**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

23. LIQUIDITY RISK (continued)

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

	Up to 1 year	1 to 5 years	Over 5 years and w/o date	**Total**
Due to credit institutions	9,483	35,368	12,293	57,144
Due to general governments	163	653	50,017	50,833
Support programme funding, net of state aid	-	-	96,822	96,822
Other liabilities	-	-	6,559	6,559
Total financial liabilities	**9,646**	**36,021**	**165,691**	**211,358**
Off-balance items and contingent liabilities (Note 16.)	63,019	56,967	75,782	195,768
Total financial liabilities, off-balance items and contingent liabilities	**72,665**	**92,988**	**241,473**	**407,126**
Due from other credit institutions and Treasury	89,553	-	-	89,553
Investment securities	11,403	39,800	14,622	65,825
Liquid assets	**100,956**	**39,800**	**14,622**	**155,378**

24. CASH AND CASH EQUIVALENTS

	30/06/2017	**30/06/2016**
Demand deposits with other credit institutions	81,304	29,634
Deposits with credit institutions with original maturity of less than 1 month	8,192	14,786
	89,496	**44,420**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

25. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	Up to 1 month	1 to 3 months	3 to 6 months	Up to 1 year	1 to 5 years	Over 5 years and undated	Total
ASSETS							
Due from other credit institutions and Treasury	89,501	-	5,000	-	-	-	**94,501**
Investment securities	-	-	-	487	48,801	13,632	**62,920**
Loans and receivables	9,496	6,021	12,955	23,222	82,054	59,942	**193,690**
Derivatives	-	-	105	-	-	-	**105**
Investments in venture capital funds	-	867	-	-	50,473	5,443	**56,783**
Deferred expense and accrued income	104	2,510	5	4	10	4	**2,637**
Investment property	-	-	-	12,266	7,998	-	**20,264**
Property, plant and equipment	-	-	-	-	-	3,474	**3,474**
Intangible assets	-	-	-	-	-	550	**550**
Other assets	515	-	-	141	2 852	457	**3 965**
Assets held for sale	-	-	-	-	-	-	-
Total assets	**99,616**	**9,398**	**18,065**	**36,120**	**192,188**	**83,502**	**438,889**
LIABILITIES							
Due to credit institutions	-	4,331	77	4,340	34,722	7,813	**51,283**
Due to general governments	1,723	-	-	-	-	41,887	**43,610**
Deferred income and accrued expense	301	20	180	354	157	979	**1,991**
Support programme funding and state aid	858	-	-	-	39,802	60,914	**101,574**
Provisions for off-balance sheet commitments	626	451	81	2,538	5,225	8,393	**17,314**
Other liabilities	3,470	-	376	-	291	2,384	**6,521**
Total liabilities	**6,978**	**4,802**	**714**	**7,232**	**80,197**	**122,370**	**222,293**
Net liquidity	**92,638**	**4,596**	**17,351**	**28,888**	**111,991**	**(38,868)**	**216,596**

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS OF GROUP

25. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

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

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

26. SUBSEQUENT EVENTS

Moody's Investors Service has assigned to joint stock company Development Finance Institution Altum (parent company of the Group) an investment grade rating Baa1 with a stable outlook. The assigned rating is among the highest ratings ever assigned to the capital companies of Latvia. The rating was assigned on 15 June 2017.

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