

AS “ATTĪSTĪBAS FINANŠU INSTITŪCIJA ALTUM”

Unaudited interim condensed financial report
for the nine-month period ended 30 September 2020

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Altum Group

MISSION We help Latvia grow!

VISION To be a partner and financial expert in economic development

VALUES Excellence / Team / Responsibility

JSC Development Finance Institution Altum - a parent company of Altum Group is a financial institution owned by the state of Latvia that implements the aid and development programmes by means of financial instruments and grants, pursues the state's policy in the national economy and provides for execution of other government assignments stipulated and delegated by laws and regulations. Closing of market gaps by the help of various support instruments that enhance development of the national economy is the fundamental purpose of Altum's activities.

Long-term objectives until 2021

Following strategic development directions and long-term objectives are set in the approved JSC Development Finance Institution Altum Strategy for the period 2019 – 2021:

- Major financial objective in implementation of the state aid programmes – positive return on Altum's capital.
- Major non-financial objective is to support and promote availability of finances to the business and development of the national economy.
- Priority directions of Altum are: issuing of guarantees and their servicing, venture capital investments, implementation of energy efficiency programmes with regard to both – heat insulation of multi-apartment buildings and corporate segment, development of the Latvian Land Fund as well as initiation of new projects by expanding the range of the financial instruments offered.
- Main target segments: support to entrepreneurs; energy efficiency; support to farmers; support to specific categories of persons; management of the Latvian Land Fund.



Management Report

Activity during the reporting period

During the 9 months of year 2020, the Development Finance Institution Altum group (hereinafter – the Group) and the Group's parent company, the joint-stock company Development Finance Institution Altum (hereinafter – the Company), earned a profit of EUR 2.2 million. This financial result includes impairment allowances of EUR 5,400 thousand covered by Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2020 annual report. In the distribution of the 2020 profit, it will be directly attributed to the reduction of the Portfolio Loss Reserve, thus the 2020 result which will be allocated either to the Retained earnings or Reserves will improve.

Key financial and performance indicators of the Group

	2020 9M (unaudited)	2019 9M (unaudited)	2019 (audited)
Key financial data			
Net interest income (EUR '000)	10 154	8 449	11 569
Profit for the period (EUR '000)	2 181	6 983	8 131
Cos to income ratio (CIR)	52.03%	57.00%	52.58%
Employees	208	202	203
Total assets (EUR '000)	801 326	517 234	560 061
Tangible common equity (TCE) / Total tangible managed assets (TMA) *	33.35%	29.33%	29.40%
Equity and reserves (EUR '000)	359 765	226 542	232 738
Total risk coverage: (EUR '000)			
Risk coverage reserve	111 759	87 651	99 778
Risk coverage reserve used for provisions	(28 228)	(22 503)	(27 829)
Portfolio loss reserve (specific reserve capital)	102 264	11 807	15 507
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	(5 400)	-	-
Liquidity ratio for 180 days **	448%	340%	582%
Financial instruments (gross value)			
Outstanding (EUR '000) (by financial instrument)			
Loans (excluding sales and leaseback transactions)	295 049	217 057	225 144
Guarantees	345 450	273 270	284 232
Venture capital funds	70 173	63 196	68 331
Land Fund, of which:	64 666	31 858	39 634
- sales and leaseback transactions	30 173	11 692	15 268
- investment properties	34 493	20 166	24 366
Total	775 338	585 381	617 341
Number of transactions	25 468	20 441	22 437
Volumes issued (EUR '000) (by financial instrument)			
Loans (excluding sales and leaseback transactions)	109 778	29 183	64 320
Guarantees	109 206	56 122	98 240
Venture capital funds	5 068	4 372	9 022
Land Fund, of which: ***	25 041	9 213	16 384
- sales and leaseback transactions	15 102	3 840	7 239
- investment properties	9 939	5 373	9 145
Total	249 093	98 890	187 966
Number of transactions	4 521	2 925	5 559
Leverage for raised private funding	97%	137%	142%
Volume of support programmes funding per employee (EUR '000)	3 728	2 898	3 041
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1

* TMA includes off-balance sheet item outstanding guarantees.

** The calculation of liquidity ratio takes into account the previous experience and management estimate of expected amount and timing of guarantees claims.

*** Taking into account the significance of the volume, the Land Fund portfolio, which consists of sales and leaseback transactions and investment properties, is also presented in the outstanding volumes and in volumes issued in the period. Since according to the accounting principles and IFRS the sales and leaseback transactions are accounted for under the loans, the volume of loans presented in this table has been reduced for the volume of the sales and leaseback transactions as it is recorded under the Land Fund portfolio. The operational volumes for 9 months of 2019 have been adjusted accordingly.

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

Management Report (cont'd)

Operational volumes

The core business lines of the Group include lending, issuing of guarantees, investments in venture capital funds and transactions of the Latvian Land Fund (hereinafter - the Land Fund) activities that form the Group's portfolio.

As at 30 September 2020, the Group's gross portfolio was EUR 775 million consisting of 25,468 projects (31.12.2019: EUR 617 million and 22,437).

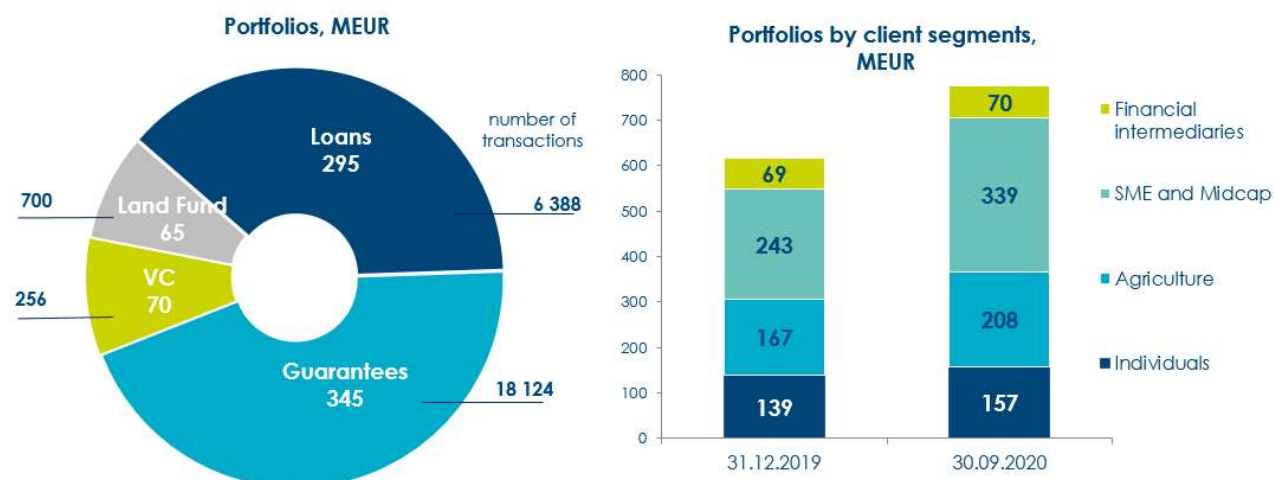
In the nine months of 2020, the Group's portfolio increased by EUR 158 million (+25.6%) in terms of volume and by 3,031 projects regarding the number of projects (+13.5%) compared to the end of 2019. Its growth in the nine months of 2020 was significantly higher than in the respective period of 2019, when the portfolio increased by EUR 81.6 million (+15.4%). Although the increase in the Group's portfolio in the nine months of 2020 was ensured by the support provided under the Group's financial instruments for the businesses to mitigate the negative effects of the Covid-19 pandemic leading to the portfolio increase by EUR 91.8 million, it also continued to grow in programmes unrelated to the above aim.

As the support for the businesses to mitigate the negative effects of the Covid-19 pandemic is provided by the Group through loan and guarantee instruments, the respective portfolios experience a significant growth as well.

In the nine months of 2020, the loan portfolio increased by EUR 69.9 million (+31%), which is 4.7 times more than in the respective period of 2019, when the loan portfolio increased by EUR 15 million (+7.1%), while the number of transactions in the loan portfolio increased by 339 (+5.6%), which is 4.5 times more than in the same period of 2019, when their number increased by 75 projects (+1.2%). It should be noted that the loan portfolio increased significantly in the second quarter of 2020, growing by EUR 38.2 million (+16.9%), and in the third quarter, growing by EUR 30.7 million (+11.6%), mainly due to the lending programme introduced by the Group for mitigating the Covid-19 effect. The implementation of this programme resulted in the loan portfolio increase by EUR 31.7 million in the second quarter and by EUR 24.5 million - in the third quarter.

Notwithstanding the consequences brought by Covid-1 to global and Latvian economy, in the nine months of 2020 the Group's loan portfolio continued to grow also in programs that are not related to mitigating the negative impact of Covid-19: loans for acquisition of agricultural land intended for agricultural production (+EUR 8.6 million), SME growth loans (+EUR 7 million), small loans in rural areas (+ EUR 3 million) and SME growth loans issued to companies for implementing energy efficiency projects (+ EUR 3 million).

In the nine months of 2020, the guarantee portfolio increased by EUR 61.2 million (+21.5%), which is more than in the respective period in 2019, when the guarantee portfolio grew by EUR 45.7 million (+19.3%). In turn, the number of projects in the guarantee portfolio increased by 2,509 projects (+16%), which is less than in the respective period in 2019 when it grew by 2,908 projects (+24.3%). This can be explained by the slowdown in the purchase of new housing by private individuals during the initial period of the pandemic (March - June). The largest increase of guarantee portfolio in the nine months of 2020 was ensured by the loan guarantee programmes for the Covid-19-affected businesses (+35.6 million EUR), Housing Guarantees for Families with Children (+EUR 11.3 million), loan guarantees for entrepreneurs (+EUR 8.9 million), as well as Housing Guarantees for Young Professionals (+EUR 4.2 million).



Group 30/09/2020

Management Report (cont'd)

Operational volumes (cont'd)

In the nine months of 2020, the operations of the Land Fund increased by EUR 25 million (+63%) which is more than in the respective period of 2019 when the Land Fund's operations increased by EUR 14.4 million (+66.2%). The number of projects in the Land Fund in the nine months of 2020 increased by 168 projects (+31.5%), while in the corresponding period in 2019 this increase was faster, when it increased by 193 projects (+ 60%), indicating that transactions take place less frequently, but the properties purchased are larger and at a higher price.

As at 30 September 2020, the balance sheet of the Land Fund included 976 properties with a total land area of 19,170 ha and amounting to EUR 64.7 million, including investment properties with a total area of 10,633 ha and amounting to EUR 34.5 million (31 December 2019: 7,996 ha; EUR 24.4 million), and leaseback transactions for 8,537 ha amounting to EUR 30.2 million (31 December 2019: 5,404 ha; EUR 15.3 million).

In the nine months of 2020, the venture capital funds increased by EUR 1.8 million (+2.6%) in terms of volume and by 15 projects (+6.2%) in terms of the number of transactions.

The largest portfolio of the Group is formed in the SMEs and Midcaps segment – 43.8%, while the Agriculture segment accounts for – 26.9%, Individuals – 20.3% and Financial intermediaries - 9%. The transactions of the Land Fund are recorded under the Agriculture segment.

Given the state aid programmes to support entrepreneurs in mitigating the Covid-19 effect, in the nine months of 2020 the largest growth was demonstrated by the SMEs and Midcaps segment, namely, +EUR 96.4 million (+39.7%), which is four times more than in the respective period in 2019 when its growth reached EUR 22.5 million (+10.2%). In the nine months of 2020, the Agriculture segment increased by EUR 41.8 million (+25%), which is more than in the same period in 2019 when the portfolio in this segment grew by EUR 25.3 million (+17.9%), and likewise the portfolio increase in the Individuals segment was by EUR 18.4 million (+13.3%). However, taking into account the Covid-19- related decrease in economic activity, the growth rates of the Individuals segment in the nine months of 2020 were significantly lower than in the nine months of 2019, when it increased by EUR 27.5 million (+ 25.7%). In the nine months of 2020 the segment Financial Intermediaries increased by EUR 1.1 million (+1.5%), which is less than in the nine months of 2019 when the portfolio in this segment grew by EUR 6.3 million (+10.5%).

Volume of new transactions

In the nine months of 2020, the total funding disbursed for the implementation of the state aid programmes amounted to EUR 249.1 million, breaking down as follows: 44.1% (EUR 109.8 million) in loan programmes, 43.8% (EUR 109.2 million) for guarantee programmes, 10.1% (EUR 25 million) in the Land Fund transactions and 2% (EUR 5.1 million) in investments in the venture capital funds. In total, support was given to 4,521 projects. Compared to the same period last year, the volume of the new transactions was larger by 72% (EUR 105.4 million) in the nine months of 2020.

In the reporting period, the largest volume of the new transactions was recorded in the following segments: SMEs and Midcaps – 64.7%; Agriculture – 21.4%; Individuals – 11.9%; and Financial Intermediaries – 2%. As a result of the implementation of the already mentioned Covid-19 crisis-related support programmes, the volume of new transactions in the SMEs and Midcaps significantly increased during the reporting period, namely, compared to the nine months of 2019 the respective volume has increased more than twice. Likewise, it was 1.7 times higher in the segment Agriculture, which was much aided by the high activity in the Land Fund transactions. However, taking into account the decreasing and cautious economic activity caused by the Covid-19-crisis, in the nine months of 2020 the new transaction volume dropped in the segments Financial Intermediaries and Individuals, where it was by 28.8% and 13.6% lower than in 2019, respectively. For these segments, support measures to mitigate the negative effects of Covid were more targeted at existing customers.

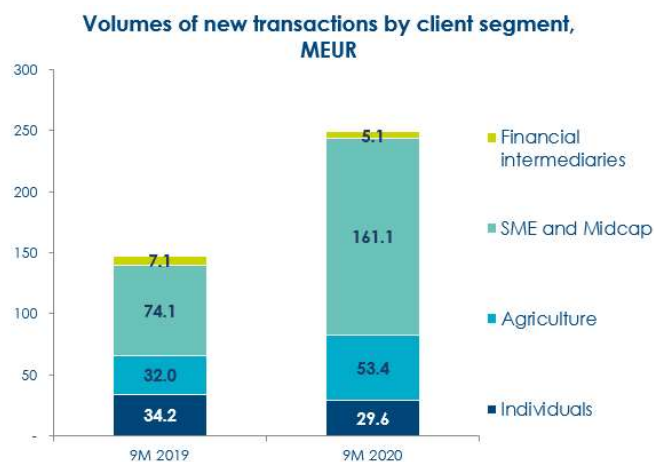
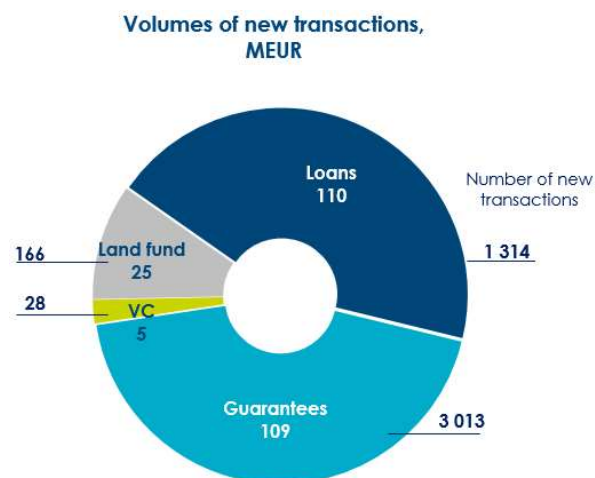
It should be noted that since March 2020 when various restrictions were introduced to mitigate the Covid-19 spread, there is an increase in the demand of businesses for financing that can be offered by neither commercial banks nor non-bank lenders; as a result, the demand has grown for financial instruments offered by the Group, especially those earmarked for the mitigation of the negative effects of the Covid-19 pandemic.

During the nine months of 2020, the number of new loans issued amounted to EUR 109.8 million or 2.3 times more as in the respective period in 2019 when the new loans issued amounted to EUR 46.8 million. Most of the growth was brought about by the implementation of the Covid-19 crisis-related loan programme, under which EUR 56.4 million were disbursed, as well as the new loans under the SME Growth Loan Programme amounting to EUR 20.5 million and the loans amounting to EUR 11.9 million for acquisition of agricultural land intended for agricultural production.

In the reporting period there were issued new guarantees for EUR 109.2 million or by 36.2% (+ EUR 29 million) more against the respective period in 2019. 29% of the new guarantees were issued under the loan guarantee programmes for the Covid-19-affected businesses.

Management Report (cont'd)

Volume of new transactions (cont'd)



Group 30/09/2020

Having launched the European Investment Fund (EIF) COSME and EaSI counter guarantees for loans up to EUR 25 thousand and the Group has already supported 364 projects (COSME – 58 projects, EaSI – 306 projects) of which 153 projects were supported in the nine months of 2020. If the loan is compatible with COSME or EaSI guarantee terms and conditions, the start-up and micro loans, working capital loans to farmers or small loans in rural areas are granted without additional collateral, based solely on a personal guarantee and at a lower interest rate compared to other types of unsecured loans.

As at 30 September 2020, as part of the Housing Guarantee Programme for Families with Children a total of 15,028 guarantees for EUR 111.1 million of the state aid for housing acquisition was granted, of which guarantees worth EUR 6.6 million were issued in the third quarter of 2020. The Programme's guarantees that help saving for the first instalment required to obtain a mortgage loan are used by families throughout Latvia: of the total number of the issued guarantees 77% were granted in Riga and its conurbations, 8% - in Kurzeme, 7% - in Zemgale, 5% - in Vidzeme and 3% - in Latgale. While a total of 2,430 guarantees worth EUR 18.1 million were issued to young professionals of which 231 guarantees worth EUR 2 million were issued in the third quarter of 2020.

In the nine months of 2020, the managers of the 4th generation venture capital funds made investments of EUR 2.5 million, of which EUR 2 million was the Company's share and EUR 0.5 million was the private funding raised at fund level. Venture capital funds and acceleration funds continued to invest in existing companies and in the nine months of 2020 they made investments in 24 new companies. In the third quarter, the first investment was made by FlyCap Mezzanine Fund II, one of the 4th generation funds, who attracted a new investor – Nordic Environment Finance Corporation (NEFCO) that invested EUR 1 million in the fund. In its turn, INEC 1, a seed capital fund, completed the private capital raising, thus providing the necessary 100% private funding.

At the same time, in the reporting period, the investments made within the framework of the Baltic Innovation Fund and Baltic Innovation Fund 2 amounted to EUR 2.4 million and EUR 0.67 million respectively.

The Covid-19 crisis still hinders new investments thus having a negative impact on the activities of venture capital funds and acceleration funds that results in new challenges both in selecting new projects and attracting investors to the planned exit transactions. It should be noted that the duration of the 3rd generation funds (Expansion, ZGI-3, FlyCap) has been extended by one year).

In the nine months of 2020, the activities of the Land Fund steadily increased, carrying out land acquisition transactions for EUR 9.9 million, which is by EUR 3.1 million more than in the respective period in 2019, and concluding leaseback transactions for EUR 15.1 million, which is by EUR 8.7 million more than in the respective period in 2019. In general, the volume of the new Land Fund transactions in the nine months of 2020 increased by 88.2% in comparison to the new transactions carried out in the nine months of 2019.

Management Report (cont'd)

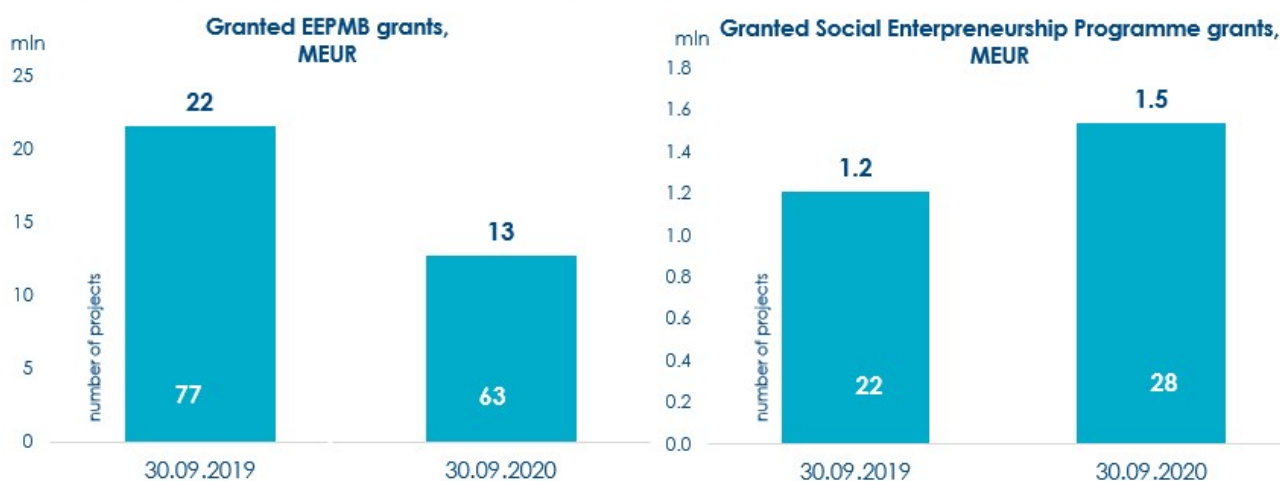
Non-financial instrument portfolio

In order to make accessing to the support instruments more convenient for its clients, apart from the financial instruments, the Group services some grant programmes as well, namely, the grants issued under the Energy Efficiency Programme for Multi-apartment Buildings (EEPMB), Social Entrepreneurship Programme and European Local Energy Assistance (ELENA) Programme.

As at 30 September 2020, the EEPMB programme had awarded a total of 318 grants for EUR 65.7 million, of which 20 grants for EUR 4.9 million were granted in the third quarter of 2020. It should be noted that successful progress of the EEPMB programme requires direct involvement of the inhabitants and, consequently, their awareness of renovation solutions, investments and benefits. Commercial banks have an equally significant role in the programme execution. Therefore, effective and efficient communication with inhabitants, their authorised persons and the banks was one of the core factors in the utilization of funds. As at 30 September 2020, 887 applications were submitted to the programme and since 11 January 2020 the programme has been suspended and no new applications have been accepted; however, on 30 June 2020, the Cabinet approved amendments to the relevant Cabinet regulations, allocating additional funding of EUR 35 million earmarked for financing newly submitted projects.

As at 30 September 2020, a total of 93 grants for EUR 5.7 million were awarded under the Social Entrepreneurship Programme.

In order to promote and support planning of the energy efficiency projects, the Group, acting in co-operation with the European Investment Bank, provides to companies a supplementary support grant earmarked for covering the costs related to expertise and drafting of energy efficiency projects. As at 30 September 2020, there were a total of 46 grants awarded for EUR 204 thousand.



Group 30/09/2020

New products and increasing operational efficiency

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and by now it has spread across the world, Latvia including, significantly affecting business and economic activities. Since the beginning of March 2020, the Group has engaged actively in mitigating the adverse impact of Covid-19 on the business sector by promptly developing new financial support instruments in co-operation with the Ministry of Economics. The first regulations on financial support instruments were already approved by the Cabinet on 19 March 2020.

Entrepreneurs who have experienced objective difficulties in meeting their obligations to credit institutions are offered credit holiday guarantees both for the existing investment loans, financial leasings, working capital loans. Including credit lines and new working capital loans, including increase of credit line limits, thus enabling banks to postpone principal payments of long-term loans for up to two years, while extending maturity of short-term loans, by obtaining additional security in the form of a guarantee. This provides liquidity support to Covid-19-affected businesses to overcome the crisis. The state budget funding of EUR 50 million is used for the implementation of the financial instrument enabling the Group to issue EUR 240 million in guarantees and making banks able to restructure loans for the total amount of EUR 715 million. The guarantee instrument is implemented in the form of individual guarantees (state budget funding of EUR 25 million) and portfolio guarantees (for transactions up to EUR 500 thousand state budget funding is EUR 25 million).

Management Report (cont'd)

New products and increasing operational efficiency (cont'd)

Working capital loans on favourable terms are offered as the second type of support already approved on 19 March 2020 for businesses whose operations have been substantially reduced and requiring liquidity support. The total volume of the programme amounts up to EUR 200 million with EUR 50 million contributed by the state budget and EUR 150 million being loans from the Treasury and international financial institutions. On 8 July 2020, a loan agreement with the European Investment Bank (EIB) was signed which provides additional funding facility of EUR 80 million for financing the Covid-19-related working capital loans and in July the first part was received, amounting to EUR 30 million.

In order to reduce the negative impact of Covid-19, until 31 December 2020, it is permitted to provide export credit guarantees to companies, regardless of the exporting country, in accordance with Cabinet Regulation No. 866 of 20 December 2016 'Regulation on Granting Short-Term Export Credit Guarantees to Businesses and Relevant Agricultural Service Cooperatives'. Thus, it is possible to receive the export credit guarantees also to EU member states, regardless of the exporter's volumes.

In order to ensure a larger amount to be issued, loans, not exceeding EUR 150 thousand, for Covid-19 crisis solutions, in June 2020, the EIF approved financing for the Group's application to the EIF Covid-19-related guarantee instrument under COSME Loan Guarantee Facility, which provides guarantees for loans issued by the Group up to 80% of the loan amount.

In addition to the existing financial support instruments for mitigating the impact of Covid-19, on 14 July 2020, the Cabinet approved regulations for two new financial support instruments for large businesses (Midcaps), providing for support in the form of capital investments and guarantees.

Large exporting enterprises in need of financing as impacted by Covid-19 are offered investment loan and working capital loan guarantees for new loans up to 90% of the loan amount, while for existing loans no more than 90% of the principal amount deferred. The state budget funding of EUR 40 million.

Already in April, at an extraordinary meeting, the government endorsed the proposal to create an Equity Fund to support large companies (Midcaps); it will consist of public and private funding and will be managed by the Company. On May 26, the Board of the Financial Capital and Market Commission made a decision to register the joint stock company Development Finance Institution Altum as an alternative investment fund manager and on July 31 the limited partnership and alternative investment fund Altum Capital Fund was registered with the Register of Enterprises of the Republic of Latvia. On 16 September the subscription to all the shares of the fund was carried out totalling EUR 100 million, of which EUR 48.9 million constitute the Company's contribution, while EUR 51.1 million represent the funds attracted from the pension plans managed by Latvian asset management companies.

The fund is created with the aim to support well-managed, perspective large enterprises facing temporary difficulties as a result of the Covid-19 crisis, as well as large enterprises that as a result of the virus impact are ready to adjust their operations by changing their business model, adjusting product development, introducing new technology and expanding to new export markets. The alternative investment fund will be making investments in the companies' capital, quasi-capital and corporate bonds. Up to EUR 10 million will be invested in one company. It is planned to support 20 to 30 large enterprises through the fund.

Provision of energy services as a branch of economic activity is common in a number of developed countries around the world; however, it is merely in its inception stage in Latvia, which was successfully promoted by the Altum Green Bond-funded product at the end of 2017. Considering the needs of energy service companies (ESCOs) for funding and the current terms of attracting investment to private sector, in April 2020 the Cabinet adopted amendments to its regulations governing the SME Growth Loans Programme coming forth with a new financial instrument for ESCO development that provides for a loan to acquire the future cash flow and earmarking additional EUR 2 million of the public funding.

On 30 June 2020, the Cabinet approved amendments to the Cabinet regulations on the Guarantee Programme for Improvement of Energy Efficiency of Multi-apartment Buildings (EEPMB), allocating additional funding of EUR 35 million. At the same time, amendments to the Cabinet regulations envisage new terms and conditions for the selection of suppliers, simplifying the current procedure for concluding supply, service and construction contracts. In the third quarter of 2020, several informative events on the selection procedure of new suppliers were organised alongside with developing informative materials on the new selection procedure and financial correction risks. In the third quarter, activities were enhanced focusing on explaining the conditions for applying financial corrections to commercial banks and authorised representatives as well as project managers and house managers because successful EEPMB Programme funding is based on successful communication and cooperation with apartment owners, their authorized persons and commercial banks.

Management Report (cont'd)

New products and increasing operational efficiency (cont'd)

On 30 June 2020, the Cabinet approved amendments to the Housing Guarantee Program, improving the existing one for the purchase of housing for families with children, both increasing the maximum transaction amount and giving the right to apply for support also to families where family growth is still expected. Moreover, the Cabinet approved the launch of a new support program "Balsts" (Support), which will provide for receiving a non-refundable state subsidy or grant for the purchase or construction of housing for families with three or more children. In total, EUR 3.5 million will be available for support of large families, thus enabling 400 large families to buy a new home. In September, an agreement with SEB banka was signed on the implementation of the support programme.

In April 2020, the Cabinet Regulations "Regulations on Granting Study Loans and Student Loans from the Funds of Credit Institutions Guaranteed from the State Budget" were approved making it possible to introduce the new study and student loan model to ensure the availability of funding from the beginning of the new academic year 2020/2021. The major advantage of the new lending model consists of revoking the requirement for another guarantor and simplification of some procedures (digitalisation of the services, remote conclusion of the agreements using e-signature) that would provide for receipt of a loan within the shortest time possible. Currently, student loans are provided by Swedbank, but any credit institution that is entitled to provide lending services in Latvia and wishes to issue loans to students can apply for the Group's portfolio guarantees. Given that credit institutions require a different time period for preparing the necessary infrastructure and processes, there is no time limit for submitting applications.

On July 28, 2020, the Cabinet approved a new support programme for households, providing for support to the insulation of private houses. The programme envisages the provision of portfolio guarantees to commercial bank loans for the implementation of energy efficiency improvement measures in private houses. The program is expected to provide an average of 250 loans per year for energy efficiency measures in the private sector. In the fourth quarter of 2020, the selection of commercial banks for the introduction of energy efficiency portfolio guarantees for private houses will be organised.

On 11 August 2020, the Cabinet approved amendments to the Start-up and Micro Loan Programme, envisaging an additional EUR 1 million for unsecured loans under the Innovative Loan pilot project.

At the same time, acting in a responsible way towards the health of employees and customers and following the recommendations of the responsible institutions on actions that would help reduce the risks of virus spread, from 13 March the Group continues to provide all services remotely via the customer portal mans.altum.lv, as well as through telephone and video consultations, thus ensuring continuous access to the services provided by the Group.

In the nine months of 2020, proceeding with the centralised reviewing of the applications for micro loans (up to EUR 25 thousand) introduced within the framework of automation and increasing of the Group's operational efficiency, 36% of the total number of the granted loans (excl. Covid-19 crisis related loans) were reviewed remotely without involving the regional employees in the application reviewing process. The average loan amount in the regions has increased from EUR 71.2 thousand in the nine months of 2019 to EUR 75.3 thousand in the same period of 2020, while the average loan amount reviewed remotely on a centralised basis in the nine months of 2020 was EUR 13.7 thousand.

Long-term Funding

On 8 April 2020, in order to maintain long-term participation in the capital markets and diversify the funding base, the Company issued debt securities with a total amount of EUR 20 million as the second issue of bonds within the framework of the EUR 70 million bond issue programme, recording a yield of 1.3% per annum. The debt securities were issued in addition to EUR 10 million bonds issued on 7 March 2018 and EUR 15 million bonds issued on 5 June 2019 with the maturity date on 7 March 2025 and a fixed annual interest rate of 1.3% (ISIN LV0000880037), which are listed on the Nasdaq Riga Bond list. The emission attracted much interest of investors in Latvia, Lithuania and Estonia and the bonds were oversubscribed 3.8 times. The bonds were allocated to 15 investors in the Baltics: 12 asset managers and insurance companies (93%), and 3 banks (7%).

Rating

On 9 October 2020, the International credit rating agency Moody's Investors Service (Moody's) published the updated credit analysis of the Company. Moody's has assigned the Company Baa1 long-term credit rating with a stable outlook, baseline credit assessment (BCA) Baa3 and the P-2 short-term rating.

On 25 March 2019, Moody's reconfirmed the Company's Baa1 long-term credit rating. The baseline credit assessment (BCA) was upgraded from Ba2 to Baa3 and the P-2 short-term rating was approved. The long-term credit rating was approved with a stable outlook.

Management Report (cont'd)

Rating (cont'd)

In June 2017 for the first time Moody's assigned to the Company a long-term credit rating Baa1 which is one of the highest credit ratings assigned to a corporate entity in Latvia.

The assigned rating and being a regular participant in the capital market as well as bond issuance makes it possible for the Group to implement more successfully the Group's long-term strategy for fund raising.

Risk Management

In order to have an adequate risk management, the Group has developed the Risk Management System that provides both preventive risk management and timely implementation of risk mitigation or prevention measures. While assuming risks, the Group retains the long-term capability of implementing the established operational targets and assignments.

To manage risks, the Group applies various risk management methods and instruments as well as establishes risk limits and restrictions. The choice of the risk management methods is based on the materiality of the particular risk and its impact on the Group's operations.

In view of the Group's activities in high-risk areas when implementing the state aid programmes, as at the end of the reporting period the Group has the risk coverage of EUR 180 million (31 December 2019: EUR 85.7 million) to cover the expected credit loss of the State aid programmes. The expected loss is assessed before implementing the respective aid programme and a portion of the public funding received within this programme is earmarked for the risk coverage. The latter consists of the sum total of the risk coverage reserve and portfolio loss reserve (special reserve capital) less the risk coverage reserve used for provisions

Future Outlook

In order to prepare for the expected financing under the InvestEU Programme 2021–2027, in 2020 the preparations undertaken already in 2019 for Pillar Assessment of the Group were continued. The initial or pilot assessment was carried out by the audit firm KPMG selected within the framework of the European Commission's technical assistance project and was aimed at identifying the necessary improvements in the Group's internal control system in accordance with the requirements set by the European Commission. The auditors were provided with the Group's self-assessment and the supporting internal documents. After the document examination, KPMG conducted remote interviews with responsible employees and random audits of various Group processes (transaction processing, personnel management, procurement, etc.). Upon completing the audit procedures, a draft report was submitted, with a planned final report and a detailed plan for the implementation of recommendations to follow. The project will be completed in the third quarter of 2020. The Group is also involved in the preparing for the implementation of the next EU fund programming period by participating in the preparation of the market failure assessment as well as providing comments on the regulations drawn by the ministries in connection with the new planning period.

In February 2020, the conference of the Three Seas Countries Investment Fund was held in Riga for the first time. The organiser of the conference was Bank Gospodarstwa Krajowego, which is a Polish state development bank, the initiator of the Fund and the Group. During the event, the representatives of the Fund management informed about the development of new financial instrument for funding and infrastructure development projects in 12 countries of the Three Seas Region, including Latvia, aimed at bridging the infrastructure gaps among various regions of Europe. On 7 May this year, the Cabinet approved the Group's involvement in the Three Seas Initiative Investment Fund, a new financial instrument to support infrastructure projects in the transport, energy and digitalisation sectors in the Central and Eastern European region. On 16 September 2020, the Group signed an agreement to invest in this fund. Considering the impact of Covid-19 on Latvian economy, it offers another investment opportunity for Latvia to develop strategically important infrastructure projects that are essential for ensuring the economic growth of our region. The Fund's investment allocation is expected to be as follows: 40% - in transport infrastructure, 40% - in energy and 20% - in digitalisation. The Group's investment amount in the Three Seas Initiative Investment Fund is planned to be EUR 20 million.

In July, the EU Member States agreed on the multiannual financial framework (MFF) and the extraordinary recovery effort, Next Generation EU (NGEU), which means a contribution of more than EUR 10 billion to the growth of Latvian economy. Part of this funding will be invested in Latvian economy in the form of financial instruments to help businesses recover from the effects of the Covid-19 pandemic, stimulate the economy and private investment, while continuing economic growth. To make the support of financial instruments available to entrepreneurs in 2021, the responsible Latvian ministries in cooperation with the Group have started the planning process of new financing.

In the current EU programming period, additional financing of the European Regional Development Fund has been allocated for the implementation of the Group's programmes amounting to EUR 60 million, of which EUR 10 million will be allocated to

Management Report (cont'd)

Future Outlook (cont'd)

the Start-up Programme, EUR 32 million to the SME Growth Programme and EUR 18 million to the Guarantee Programmes. In October 2020, the coordination of amendments to the Cabinet regulations for the respective programmes concerning the additional funding was started. Part of the funding is earmarked to support tourism businesses.

In order to prevent the economic and social damage caused by the Covid-19 pandemic, stimulate European recovery and protect and create jobs, on 28 May 2020, the European Commission (EC) proposed the launch of an ambitious European Recovery Plan, a significant part of which will be allocated to the Recovery and Resilience Facility, a new budget programme managed centrally by the European Commission, which will provide funding to EU Member States in the form of loans and reimbursable grants. It is planned that part of this funding available to Latvia will be invested in the form of financial instruments by the Group developing programmes to improve energy efficiency for both businesses and multi-apartment buildings and private houses, to promote the availability of housing as well as business support programmes, incl. developing new capital investment instruments.

A handwritten signature in blue ink, appearing to be "Reinis Bērziņš".

Reinis Bērziņš
Chairman of the Board

30 November 2020

Supervisory Council and Management Board

Supervisory Council

Name, Surname	Position	Appointment Date	Date of expiry of the term of the mandate
Līga Kļaviņa	Chairperson of the Council	29.12.2016.	28.12.2022.
Jānis Šnore	Member of the Council	29.12.2016.	28.12.2022.
Kristaps Soms	Member of the Council	29.12.2016.	28.12.2022.

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

Management Board

Name, Surname	Position	Appointment Date	Date of expiry of the term of the mandate
Reinis Bērziņš	Chairman of the Board	11.06.2018.	10.06.2021.
Jēkabs Krieviņš	Member of the Board	11.06.2018.	10.06.2021.
Inese Zīle	Member of the Board	11.06.2018.	10.06.2021.
Aleksandrs Bimbirulis	Member of the Board	07.07.2017.	25.06.2023.

There were no changes in the Management Board of the Company during the reporting period.

Statement of Management's responsibility

Riga

30 November 2020

The Management Board (the Management) is responsible for preparing the financial statements. The Management confirms that suitable accounting policies were used and applied consistently and reasonable and prudent judgments and estimates were made in the preparation of the financial statements on pages 13 to 55 for the period 1 January 2020 to 30 September 2020. The Management confirms that the Group's and the Company's financial statements were prepared on a going concern basis in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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



Reinis Bērziņš
Chairman of the Board

Statement of Comprehensive Income

All amounts in thousands of euro

	Notes	Group	Group	Company	Company
		01.01.2020.- 30.09.2020. (unaudited)	01.01.2019.- 30.09.2019. (unaudited) *	01.01.2020.- 30.09.2020. (unaudited)	01.01.2019.- 30.09.2019. (unaudited) *
Interest income	4	11 652	9 882	11 652	9 882
Interest expense	5.	(1 498)	(1 433)	(1 498)	(1 433)
Net interest income		10 154	8 449	10 154	8 449
					-
Income for implementation of state aid programmes	6.	4 420	3 832	4 420	3 832
Expenses to be compensated for implementation of state aid programmes	7.	(3 940)	(3 558)	(3 940)	(3 558)
Net income for implementation of state aid programmes		480	274	480	274
					-
Gains or losses from trading securities and foreign exchange translation		(25)	24	(25)	24
Share of (losses) of investment in joint venture and associate	12.	(1 690)	(1 414)	(1 690)	(1 414)
Share of gain of investment in joint venture and associate at fair value through profit or loss	12.	-	-	-	-
Gains less losses from liabilities at fair value through profit or loss	12.	1 690	1 414	1 690	1 414
Other income	8.	1 805	626	1 805	626
Other expense	9.	(714)	(443)	(714)	(443)
Operating income before operating expenses		11 700	8 930	11 700	8 930
					-
Staff costs		(4 135)	(3 477)	(4 135)	(3 477)
Administrative expense		(1 287)	(1 249)	(1 287)	(1 249)
Amortisation of intangible assets and depreciation of property, plant and equipment		(665)	(582)	(665)	(582)
(Impairment) gain or loss, net	10.	(3 432)	3 361	(3 432)	3 361
Profit before corporate income tax		-	-	-	-
Profit before corporate income tax		2 181	6 983	2 181	6 983
					-
Corporate income tax		-	-	-	-
					-
Profit for the period		2 181	6 983	2 181	6 983
Other comprehensive income:		(906)	(274)	(906)	(274)
Items to be reclassified to profit or loss in subsequent periods					
Net loss from financial assets measured at fair value through other comprehensive income		(906)	(274)	(906)	(274)
Total comprehensive income for the period		1 275	6 709	1 275	6 709
Profit is attributable to:					
Owners of the Company		2 181	6 983	-	-
Non-controlling interest		-	-	-	-
Profit for the period		2 181	6 983	-	-
Total comprehensive income is attributable to:					
Owners of the Company		(906)	(274)	-	-
Non-controlling interest		-	-	-	-
Total comprehensive income for the period		2 181	6 983	-	-

* comparatives reclassified according to Section (1) of Note 2.

The accompanying notes on pages 18 through 55 form an integral part of these financial statements.



Reinis Bērziņš
 Chairman of the Board



Kaspars Gibeiko
 Chief Accountant

30 November 2020

Statement of Financial Position

All amounts in thousands of euro

	Notes	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.09.2020. (unaudited)	Company 31.12.2019. (audited)
Assets					
Due from credit institutions and the Treasury	11.	325 480	181 199	325 480	181 047
Financial assets at fair value through profit or loss		5 561	4 217	-	-
Financial assets at fair value through other comprehensive income - investment securities		37 069	47 941	37 069	47 941
Financial assets at amortised cost:					
Investment securities		465	478	465	478
Loans and receivables	13.	304 292	220 129	304 292	220 129
Grants	22.	30 059	17 186	30 059	17 186
Deferred expense		450	694	450	694
Accrued income		2 222	1 649	2 222	1 649
Investments in venture capital funds – associates	12.	51 593	52 543	51 593	52 543
investments in subsidiaries		-	-	4 890	3 812
Investment property	14.	34 493	24 366	34 493	24 366
Property, plant and equipment		4 731	4 694	4 731	4 694
Intangible assets		1 408	1 395	1 408	1 395
Other assets	15.	3 503	3 570	3 503	3 570
Total assets		801 326	560 061	800 655	559 504
Liabilities					
Due to credit institutions	16.	50 837	29 542	50 837	29 542
Due to general governments	17.	90 964	86 272	90 964	86 272
Financial liabilities at amortised cost - Issued debt securities		65 568	45 348	65 568	45 348
Deferred income		5 037	3 091	5 037	3 091
Accrued expense		996	478	996	478
Provisions	19.	32 054	31 076	32 054	31 076
Support programme funding	18.	170 843	128 730	170 843	128 730
Other liabilities		25 262	2 786	25 262	2 773
Total liabilities		441 561	327 323	441 561	327 310
Equity					
Share capital		204 862	204 862	204 862	204 862
Reserves	20.	150 321	16 565	150 319	16 563
Revaluation reserve of financial assets measured at fair value through other comprehensive income	20.	1 732	2 638	1 732	2 638
Retained earnings		2 181	8 131	2 181	8 131
Net assets attributable to the Company's owners		359 096	232 196	359 094	232 194
Non-controlling interest		669	542	-	-
Total equity		359 765	232 738	359 094	232 194
Total equity and liabilities		801 326	560 061	800 655	559 504

* comparatives reclassified according to Section (1) of Note 2.

The accompanying notes on pages 18 through 55 form an integral part of these financial statements.



Reinis Bērziņš
 Chairman of the Board



Kaspars Gibeiko
 Chief Accountant

30 November 2020

Consolidated Statement of Changes in Equity

All amounts in thousands of euro

	Attributable to owners of the Company					Non-controlling interest	Total equity
	Share capital	Reserves	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Reserve of disposal group classified as held for sale	Retained earnings		
As at 1 January 2019 (audited)	204 862	7 965	3 597		4 900	266	221 590
Profit for the period	-	-	-	-	6 983	-	6 983
Other comprehensive income	-	-	(449)	-	-	-	(449)
Total comprehensive income	-	-	(449)	-	6 983	-	6 534
Distribution of profit of previous years	-	806	-	-	(806)	-	-
Distribution of 2018 year profit of the Company	-	4 092	-	-	(4 092)	-	-
Non-controlling interest	-	-	-	-	-	58	58
As at 30 September 2019 (unaudited)	204 862	12 863	3 148	-	6 983	324	228 180
Profit for the period	-	-	-	-	1 148	-	1 148
Other comprehensive income	-	-	(510)	-	-	-	(510)
Total comprehensive income	-	-	(510)	-	1 148	-	638
Changes of reserves	-	3 700	-	-	-	-	3 700
Non-controlling interest	-	-	-	-	-	218	218
As at 31 December 2019 (audited)	204 862	16 565	2 638	-	8 131	542	232 738
Profit for the period	-	-	-	-	2 181	-	2 181
Other comprehensive income	-	-	(906)	-	-	-	(906)
Total comprehensive income	-	-	(906)	-	2 181	-	1 275
Changes of reserves	-	125 626	-	-	-	-	125 626
Distribution of 2019 year profit of the Company	-	8 131	-	-	(8 131)	-	-
Non-controlling interest	-	-	-	-	-	127	127
As at 30 September 2020 (unaudited)	204 862	150 321	1 732	-	2 181	669	359 765

The accompanying notes on pages 18 through 55 form an integral part of these financial statements.

Company's Statement of Changes in Equity

All amounts in thousands of euro

	Attributable to owners of the Company					Non-controlling interest	Total equity
	Share capital	Reserves	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Reserve of disposal group classified as held for sale	Retained earnings		
As at 1 January 2019 (audited)	204 862	7 610	3 597		5 254	221 323	204 862
Profit for the period	-	-	-	-	6 983	6 983	-
Other comprehensive income	-	-	(449)	-	-	(449)	-
Total comprehensive income	-	-	(449)	-	6 983	6 534	-
Distribution of profit of previous years	-	791	-	-	(791)	-	-
Distribution of 2018 year profit of the Company	-	4 462	-	-	(4 462)	-	-
As at 30 September 2019 (unaudited)	204 862	12 863	3 148	-	6 984	227 857	204 862
Profit for the period	-	-	-	-	1 148	1 148	-
Other comprehensive income	-	-	(510)	-	-	(510)	-
Total comprehensive income	-	-	(510)	-	1 148	638	-
Changes of reserves	-	3 700	-	-	-	3 700	-
As at 31 December 2019 (audited)	204 862	16 563	2 638	-	8 131	232 194	204 862
Profit for the period	-	-	-	-	2 181	2 181	-
Other comprehensive income	-	-	(906)	-	-	(906)	-
Total comprehensive income	-	-	(906)	-	2 181	1 275	-
Changes of reserves	-	125 626	-	-	-	125 626	-
Distribution of 2019 year profit of the Company	-	8 131	-	-	(8 131)	-	-
As at 30 September 2020 (unaudited)	204 862	150 319	1 732	-	2 181	359 094	204 862

The accompanying notes on pages 18 through 55 form an integral part of these financial statements.

Statement of Cash Flows

All amounts in thousands of euro

	Notes	Group	Group	Company	Company
		01.01.2020.- 30.09.2020. (unaudited)	01.01.2019.- 30.09.2019. (audited)	01.01.2020.- 30.09.2020. (unaudited)	01.01.2019.- 30.09.2019. (audited)
Cash and cash equivalents at the beginning of period		176 199	128 916	176 047	128 536
Cash flows from operating activities					
Profit before taxes		2 181	6 983	2 181	6 983
Amortisation of intangible assets and depreciation of property, plant and equipment		666	667	666	667
Interest income	4.	(11 652)	(9 882)	(11 651)	(9 882)
Interest received		8 379	6 566	8 379	6 566
Interest expenses	5.	1 498	1 433	1 498	1 433
Interests paid		(953)	(1 082)	(953)	(1 082)
(Decrease) / increase in provisions for impairment	10.	(550)	(3 361)	(550)	(3 361)
(Decrease) of cash and cash equivalents from operating activities before changes in assets and liabilities		(431)	1 324	(430)	1 324
Due from credit institutions decrease		2 005	3 115	2 007	3 115
Decrease / (increase) of loans		(82 071)	(19 203)	(82 071)	(18 465)
Decrease / (increase) of grants		(12 874)	(464)	(12 874)	(464)
Due to credit institutions and general governments increase		25 985	7 474	25 981	7 474
Increase in deferred income and accrued expense		2 465	776	2 465	776
(Decrease) in deferred expense and accrued income		(329)	447	(329)	447
Decrease of other assets		207	12 886	207	12 887
Increase / (decrease) in other liabilities		65 014	8 339	65 028	8 298
Net cash flows to/ from operating activities		(29)	14 694	(16)	15 392
Cash flows from investment activities					
Sale of investment securities		12 115	3 450	12 115	3 450
Acquisition of property, plant and equipment and intangible assets		(716)	(1 058)	(716)	(1 058)
Purchase of investment properties		(10 157)	(6 911)	(10 157)	(6 911)
Sale of investment properties		30	32	30	32
Investments in venture capital funds, net		950	(1 945)	950	(1 945)
Investments of subsidiaries in share capital		(1 218)	(900)	(1 079)	(1 299)
Net cash flows to/ from investing activities		1 004	(7 332)	1 143	(7 731)
Cash flows from financing activities					
Issued debt securities		19 675	15 000	19 675	15 000
Increase of reserve capital		125 626	-	125 626	-
Net cash flow from financing activities		145 301	15 000	145 301	15 000
Increase in cash and cash equivalents		146 276	22 362	146 428	22 661
Cash and cash equivalents at the end of period		322 475	151 278	322 475	151 197

The accompanying notes on pages 18 through 55 form an integral part of these financial statements.

Approval of the Financial Statements

The Management of the Group / Company has approved these unaudited interim condensed financial statements on 30 November 2020.

1 General Information

(1) Corporate Information

These financial statements contain the financial information about joint-stock company Development Finance Institution Altum (Company) and its subsidiaries (hereinafter together — the Group). The separate financial statements of the Company are included alongside these consolidated financial statements to comply with legal requirements. The Company is the parent entity of the Group (Note 20).

JSC Development Finance Institution Altum is a Latvia state-owned company that ensures access of the enterprises and households to the financial resources by means of support financial instruments - loans, guarantees, investments in venture capital funds - in the areas defined as important and to be supported by the state, thus developing the national economy and enhancing mobilization of the private capital and financial resources. On 25 March 2019 Moody's Investors Service (Moody's) reconfirmed Altum's Baa1 long-term issuer rating, with outlook stable. The assigned Moody's rating of Altum is one of the highest credit ratings assigned to corporate entities in Latvia.

JSC Development Finance Institution Altum was established on 27 December 2013 by a decision of the Cabinet of Ministers. The mission of the Company's establishment is by merging three prior independently operating companies providing state support into a single institution and further allocate the state funds for implementation of financial instrument state support and development programmes in one place. The Company's operations are governed by its specific law – Development Finance Institution Law. The Company's Article of Association has been approved by the Cabinet of Ministers. All voting shares of the Company are owned by the Republic of Latvia. The holders of the shares are ministries of the Republic of Latvia as stipulated by the Development Finance Institution Law with following split of the shares – the Ministry of Finance 40%, the Ministry of Economics 30% and the Ministry of Agriculture 30% respectively.

Until August 2019, the Group includes the Company and two closed investment funds Hipo Latvia Real Estate Fund I and Hipo Real Estate Fund II (legal address – Elizabetes street 41/43, Riga, Latvia LV-1010) in which the Company was the sole investor. In August 2019, these funds were liquidated upon receipt of the liquidation quota by the Company. Now the Group includes the Company and number of venture capital funds. The below listed venture capital funds - subsidiaries and associates - are treated as subsidiaries or associates only for purposes of financial accounting.

Legal Title	Legal Address	Investment % in share capital
<i>Venture capital funds classified as Subsidiaries</i>		
KS Overkill Ventures Fund I	Dzirnavu iela 105, Rīgas, Latvija, LV-1011	100
KS Buildit Latvia Pre-Seed Fund	Sporta iela 2, Rīga, Latvija, LV-1013	100
KS Commercialization Reactor Pre-seed Fund	Bīvības gatve 300 -9, Rīga, Latvija	100
KS INEC 1	Krišjāņa Barona iela 32-7, Rīga, Latvijas, LV-1011	75
KS INEC 2	Krišjāņa Barona iela 32-7, Rīga, Latvijas, LV-1011	90
<i>Venture capital funds classified as Associates</i>		
KS Overkill Ventures Fund II	Dzirnavu iela 105, Rīgas, Latvija, LV-1011	80
KS Buildit Latvia Seed Fund	Sporta iela 2, Rīga, Latvija, LV-1013	80
KS Commercialization Reactor Seed Fund	Bīvības gatve 300 -9, Rīga, Latvija	80
KS ZGI-4	Daugavgrīvas iela 21, Rīga, Latvija, LV-1048	60
FlyCap Mezzanine Fund II	Matrožu iela 15A, Rīga, LV-1048	60
KS Baltcap Latvia Venture Capital Fund	Jaunmoku iela 34, Rīga, Latvija, LV-1046	67
KS Imprimatur Capital Technology Venture Fund	Elizabetes iela 85a-18, Rīga, Latvija, LV-1050	67
KS Imprimatur Capital Seed Fund	Elizabetes iela 85a-18, Rīga, Latvija, LV-1050	100
KS ZGI-3	Daugavgrīvas iela 21, Rīga, Latvija, LV-1048	95
KS FlyCap investment Fund	Matrožu iela 15A, Rīga, Latvija, LV-1048	95
KS Expansion Capital fund	Krišjāņa Barona iela 32-7, Rīga, Latvija, LV-1011	95
Baltic Innovation Fund	European Investment Fund, 37B, avenue J.F. Kennedy, L-2968 Luxembourg	20
Baltic Innovation Fund II	European Investment Fund, 37B, avenue J.F. Kennedy, L-2968 Luxembourg	17
KS Otrais Eko Fonds	Dārza 2, Rīga, LV-1007	33
KS AIF "Altum kapitāla fonds"	Doma laukums 4, Rīga, LV-1050	48.9

2 Summary of significant accounting policies

(1) Basis of presentation

These unaudited interim condensed financial statements for the 9 months period ended 30 September 2020 were prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted in the European Union. These financial statements are to be used together with the complete financial statements for the year 2019 prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union.

In order to ensure the users of the financial statements with a better understanding of the Company's and the Group's operational performance, "Maintenance and service costs of Land Fund", "Maintenance costs of assets that have been taken over in the debt collection process", "Loss on revaluation of assets that have been taken over in the debt collection process" and "Debt collection costs" have been classified within *Other expenses* instead of *Administrative expenses* in the complete financial statements for the year 2019. The comparatives for the 9 month period of 2019 for the above noted items have been reclassified accordingly following the new classification in order to ensure comparability of information.

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

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

Several new standards and interpretations have been published, adopted by the EU and become effective for the financial reporting periods beginning on or after 1 January 2020:

- **Amendments to the Conceptual Framework for Financial Reporting**

The Group / Company makes assessment on the impact of these amendments on its financial statements and disclosures, but does not consider them to have a significant impact on its financial results.

- **Amendments to IFRS 3 – Definition of a business**

The Group / Company makes further assessment on the impact of these amendments. The amendments may result in changes in accounting policies but will not have a material effect on the Group's / Company's financial statements.

- **Amendments to IAS 1 and IAS 8 – Definition of materiality**

The Group / Company makes assessment on the impact of these amendments on its financial statements, but does not expect them to have a material impact on the Group's / Company's financial position, by reviewing estimates and judgements used in preparation of financial statements.

- **Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

These amendments address an 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 Group / Company makes assessment on the impact of these amendments on its financial statements, but does not expect them to have a material impact on the Group's / Company's financial position, by reviewing estimates and judgements used in preparation of financial statements.

3 Risk Management

The major risks that the Group / Company is exposed to are credit, liquidity and operational risks. These unaudited interim condensed financial statements do not include all information on risk management and disclosures required in the annual financial statements. They are to be viewed together with the complete financial statements for the year 2019.

Breakdown of the Group's financial assets, off-balance sheet items and contingent liabilities by their qualitative assessment, in thousands of euro:

	Stage 1		Stage 2		Stage 3		Total	
	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)
Financial assets at AC								
Due from credit institutions and the Treasury	325 482	181 201	-	-	-	-	325 482	181 201
Impairment allowances	(2)	(2)	-	-	-	-	(2)	(2)
Total net due from credit institutions and the Treasury	325 480	181 199	-	-	-	-	325 480	181 199
Investment securities	430	439	-	-	3 760	3 926	4 190	4 365
Impairment allowances	-	-	-	-	(3 725)	(3 887)	(3 725)	(3 887)
Total net investment securities	430	439	-	-	35	39	465	478
Loans and receivables	257 555	186 175	41 398	18 239	26 269	35 998	325 222	240 412
Impairment allowances *	(6 482)	(2 548)	(4 121)	(2 646)	(10 327)	(15 089)	(20 930)	(20 283)
Total net loans and receivables	251 073	183 627	37 277	15 593	15 942	20 909	304 292	220 129
Grants	30 071	17 198	-	-	-	-	30 071	17 198
Impairment allowances	(12)	(12)	-	-	-	-	(12)	(12)
Total net grants	30 059	17 186	-	-	-	-	30 059	17 186
Other financial assets	2 623	1 830	-	-	3 681	3 341	6 304	5 171
Impairment allowances	(101)	(113)	-	-	(2 727)	(2 769)	(2 828)	(2 882)
Total net other financial assets	2 522	1 717	-	-	954	572	3 476	2 289
Total financial assets at AC	616 161	386 843	41 398	18 239	33 710	43 265	691 269	448 347
Impairment allowances	(6 597)	(2 675)	(4 121)	(2 646)	(16 779)	(21 745)	(27 497)	(27 066)
Total net financial assets at AC	609 564	384 168	37 277	15 593	16 931	21 520	663 772	421 281
Financial assets at FVOCI								
Investment securities	37 069	47 941	-	-	-	-	37 069	47 941
Impairment allowances	-	-	-	-	-	-	-	-
Total net investment securities	37 069	47 941	-	-	-	-	37 069	47 941
Total financial assets at FVOCI	37 069	47 941	-	-	-	-	37 069	47 941
Impairment allowances	-	-	-	-	-	-	-	-
Total net financial assets at FVOCI	37 069	47 941	-	-	-	-	37 069	47 941
Off-balance sheet items and contingent liabilities								
Outstanding guarantees	334 776	274 989	7 257	2 098	3 417	7 145	345 450	284 232
Impairment allowances *	(27 629)	(24 711)	(737)	(356)	(2 503)	(5 540)	(30 869)	(30 607)
Total net outstanding guarantees	307 147	250 278	6 520	1 742	914	1 605	314 581	253 625
Loan commitments	35 999	18 867	1 950	84	-	-	37 949	18 951
Impairment allowances *	(1 091)	(455)	(83)	(3)	-	-	(1 174)	(458)
Total net loan commitments	34 908	18 412	1 867	81	-	-	36 775	18 493
Grant commitments	8 338	7 726	-	-	-	-	8 338	7 726
Impairment allowances	(11)	(11)	-	-	-	-	(11)	(11)
Total net grant commitments	8 327	7 715	-	-	-	-	8 327	7 715
Total off-balance items and contingent liabilities	379 113	301 582	9 207	2 182	3 417	7 145	391 737	310 909
Impairment allowances	(28 731)	(25 177)	(820)	(359)	(2 503)	(5 540)	(32 054)	(31 076)
Total net off-balance items and contingent liabilities	350 382	276 405	8 387	1 823	914	1 605	359 683	279 833

* Includes impairment allowances of EUR 5,400 thousand covered by Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2020 annual report. In the distribution of the 2020 profit, it will be directly attributed to the reduction of the Portfolio Loss Reserve, thus the 2020 result which will be allocated either to the Retained earnings or Reserves will improve.

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

Breakdown of the Company's financial assets, off-balance sheet items and contingent liabilities by their qualitative assessment, in thousands of euro:

	Stage 1		Stage 2		Stage 3		Total	
	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)
Financial assets at AC								
Due from credit institutions and the Treasury	325 482	181 049	-	-	-	-	325 482	181 049
Impairment allowances	(2)	(2)	-	-	-	-	(2)	(2)
Total net due from credit institutions and the Treasury	325 480	181 047	-	-	-	-	325 480	181 047
Investment securities	430	439	-	-	3 760	3 926	4 190	4 365
Impairment allowances	-	-	-	-	(3 725)	(3 887)	(3 725)	(3 887)
Total net investment securities	430	439	-	-	35	39	465	478
Loans and receivables	257 555	186 175	41 398	18 239	26 269	35 998	325 222	240 412
Impairment allowances *	(6 482)	(2 548)	(4 121)	(2 646)	(10 327)	(15 089)	(20 930)	(20 283)
Total net loans and receivables	251 073	183 627	37 277	15 593	15 942	20 909	304 292	220 129
Grants	30 071	17 198	-	-	-	-	30 071	17 198
Impairment allowances	(12)	(12)	-	-	-	-	(12)	(12)
Total net grants	30 059	17 186	-	-	-	-	30 059	17 186
Other financial assets	2 623	1 830	-	-	3 681	3 341	6 304	5 171
Impairment allowances	(101)	(113)	-	-	(2 727)	(2 769)	(2 828)	(2 882)
Total net other financial assets	2 522	1 717	-	-	954	572	3 476	2 289
Total financial assets at AC	616 161	386 691	41 398	18 239	33 710	43 265	691 269	448 195
Impairment allowances	(6 597)	(2 675)	(4 121)	(2 646)	(16 779)	(21 745)	(27 497)	(27 066)
Total net financial assets at AC	609 564	384 016	37 277	15 593	16 931	21 520	663 772	421 129
Financial assets at FVOCI								
Investment securities	37 069	47 941	-	-	-	-	37 069	47 941
Impairment allowances	-	-	-	-	-	-	-	-
Total net investment securities	37 069	47 941	-	-	-	-	37 069	47 941
Total financial assets at FVOCI	37 069	47 941	-	-	-	-	37 069	47 941
Impairment allowances	-	-	-	-	-	-	-	-
Total net financial assets at FVOCI	37 069	47 941	-	-	-	-	37 069	47 941
Off-balance sheet items and contingent liabilities								
Outstanding guarantees	334 776	274 989	7 257	2 098	3 417	7 145	345 450	284 232
Impairment allowances *	(27 629)	(24 711)	(737)	(356)	(2 503)	(5 540)	(30 869)	(30 607)
Total net outstanding guarantees	307 147	250 278	6 520	1 742	914	1 605	314 581	253 625
Loan commitments	35 999	18 867	1 950	84	-	-	37 949	18 951
Impairment allowances *	(1 091)	(455)	(83)	(3)	-	-	(1 174)	(458)
Total net loan commitments	34 908	18 412	1 867	81	-	-	36 775	18 493
Grant commitments	8 338	7 726	-	-	-	-	8 338	7 726
Impairment allowances	(11)	(11)	-	-	-	-	(11)	(11)
Total net grant commitments	8 327	7 715	-	-	-	-	8 327	7 715
Total off-balance items and contingent liabilities	379 113	301 582	9 207	2 182	3 417	7 145	391 737	310 909
Impairment allowances	(28 731)	(25 177)	(820)	(359)	(2 503)	(5 540)	(32 054)	(31 076)
Total net off-balance items and contingent liabilities	350 382	276 405	8 387	1 823	914	1 605	359 683	279 833

* Includes impairment allowances of EUR 5,400 thousand covered by Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2020 annual report. In the distribution of the 2020 profit, it will be directly attributed to the reduction of the Portfolio Loss Reserve, thus the 2020 result which will be allocated either to the Retained earnings or Reserves will improve.

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

Changes in the Group's / Company's credit loss allowance and gross carrying amount for loans, in thousands of euro:

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019 (audited)	2 548	2 646	15 089	20 283	186 175	18 239	35 998	240 412
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers between stages:								
to lifetime (from Stage 1 to Stage 2)	(515)	1 013	-	498	(22 013)	21 660	-	(353)
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(8)	(255)	534	271	(709)	(938)	1 573	(74)
to lifetime (from Stage 3 to Stage 2)	-	763	(1 298)	(535)	-	4 098	(4 376)	(278)
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	207	(634)	-	(427)	3 965	(4 514)	-	(549)
New originated or purchased	1 707	116	50	1 873	102 757	4 254	92	107 103
Derecognised during the period	(151)	(3)	(385)	(539)	(10 075)	(476)	(1 551)	(12 102)
Changes to ECL measurement model assumptions	2 925	686	76	3 687	-	-	-	-
Other movements	-	-	-	-	6	-	-	6
Total movements with impact on credit loss allowance charge for the period:	4 165	1 686	(1 023)	4 828	73 931	24 084	(4 262)	93 753
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	-	-	(3 393)	(3 393)	-	-	(3 393)	(3 393)
Foreign exchange gains and losses and other movements	-	-	-	-	-	-	-	-
Modification of contractual cash flows *	(231)	(211)	(346)	(788)	(2 551)	(925)	(2 074)	(5 550)
Total movements without impact on credit loss allowance charge for the period:	(231)	(211)	(3 739)	(4 181)	(2 551)	(925)	(5 467)	(8 943)
As at 30 September 2020 (unaudited)	6 482	4 121	10 327	20 930	257 555	41 398	26 269	325 222

* Modification of contractual cash flows includes cash flows from repayment of principal

Changes in the Group's / Company's credit loss allowance and gross carrying amount for outstanding guarantees, in thousands of euro:

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019 (audited)	24 711	356	5 540	30 607	274 989	2 098	7 145	284 232
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers between stages:								
to lifetime (from Stage 1 to Stage 2)	(469)	523	-	54	(4 265)	4 032	-	(233)
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(55)	(21)	261	185	(400)	(83)	349	(134)
to lifetime (from Stage 3 to Stage 2)	-	-	(5)	(5)	-	5	(5)	-
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	4	(6)	-	(2)	40	(41)	-	(1)
New originated or purchased	7 838	128	-	7 966	105 005	1 604	-	106 609
Derecognised during the period	(1 174)	(261)	(2 405)	(3 840)	(21 514)	(341)	(3 333)	(25 188)
Changes to ECL measurement model assumptions	74	28	54	156	-	-	-	-
Other movements	(7)	-	(606)	(613)	(32)	-	(737)	(769)
Total movements with impact on credit loss allowance charge for the period:	6 211	391	(2 701)	3 901	78 834	5 176	(3 726)	80 284
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Foreign exchange gains and losses and other movements	-	-	-	-	-	-	-	-
Modification of contractual cash flows *	(3 293)	(10)	(336)	(3 639)	(19 047)	(17)	(2)	(19 066)
Total movements without impact on credit loss allowance charge for the period:	(3 293)	(10)	(336)	(3 639)	(19 047)	(17)	(2)	(19 066)
As at 30 September 2020 (unaudited)	27 629	737	2 503	30 869	334 776	7 257	3 417	345 450

* Modification of contractual cash flows includes cash flows from repayment of principal

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

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

	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.09.2020. (unaudited)	Company 31.12.2019. (audited)
Performing	299 606	208 665	299 606	208 665
Past due up to 30 days	12 542	14 193	12 542	14 193
Past due from 31 to 60 days	434	2 278	434	2 278
Past due from 61 to 90 days	158	230	158	230
Past due over 90 days	12 482	15 045	12 482	15 045
Total gross loans, without interest accrued on the loans	325 222	240 411	325 222	240 411
Impairment allowances	(20 930)	(20 283)	(20 930)	(20 283)
Total net loans	304 292	220 128	304 292	220 128

In calculating the ECL due to default on loan principal or interest payments or other loss events the following is taken into account collateral, including real estate and commercial pledges measured at market value. The value of collateral is based on the valuations performed by independent valuers.

Information on the value of collateral assessed at fair value and position against net loan portfolio, in thousands of euro :

	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.09.2020. (unaudited)	Company 31.12.2019. (audited)
Real estate (loans)	180 059	155 057	180 059	155 057
Real estate (leaseback)	29 551	14 774	29 551	14 774
Movable property	49 952	25 659	49 952	25 659
Guarantees	2 691	1 672	2 691	1 672
Total collateral	262 253	197 162	262 253	197 162
Loan portfolio, gross	325 222	240 411	325 222	240 411
Impairment allowances	(20 930)	(20 283)	(20 930)	(20 283)
Loan portfolio, net	304 292	220 128	304 292	220 128
Exposed	13.82%	10.43%	13.82%	10.43%

The Group's / Company's maximum credit risk exposures of the balance and off-balance sheet items (not including collateral held or other security), in thousands of euro:

	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.09.2020. (unaudited)	Company 31.12.2019. (audited)
Assets exposed to credit risk				
Due from credit institutions and the Treasury	325 480	181 199	325 480	181 047
Financial assets at fair value through other comprehensive income - investment securities	37 069	47 941	37 069	47 941
Financial assets at amortised cost:				
Investment securities	465	478	465	478
Loans and receivables	304 292	220 129	304 292	220 129
Grants	30 059	17 186	30 059	17 186
Investments in venture capital funds	51 593	52 543	51 593	52 543
Other assets	3 503	3 570	3 503	3 570
Total	752 461	523 046	752 461	522 894
Off-balance sheet items exposed to credit risk				
Contingent liabilities (Note 21)	345 450	284 232	345 450	284 232
Financial commitments (Note 21)	187 052	97 149	198 379	110 620
Total	532 502	381 381	543 829	394 852

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

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

As at 30 September 2020, part of the Group's / Company's assets in amount of EUR 108,517 thousand (31 December 2019: EUR 117,222 thousand) were pledged. Detailed information on the Group's / Company's outstanding loan agreement as at 30 September 2020 is provided in Note 16 and Note 17.

Article 37 of the Law on State Budget 2020 provides that guarantees issued by Altum in amount of EUR 270 000 thousand is backed by the state according to Agriculture and Rural Development Law and Development Finance Institution Law. Actual amount as at 30 September 2020 was EUR 247,970 thousand (31 December 2019: EUR 250,144 thousand).

(2) Liquidity Risk

Maturity profile of the Group's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 30 September 2020, in thousands of euro:

	Up to 1 year	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	Total
Due to credit institutions	8 726	42 149	-	-	-	50 875
Due to general governments	196	4 363	9 547	-	77 396	91 502
Issued debt securities	584	68 394	-	-	-	68 978
Support programme funding	7 347	9 198	83 381	11 392	59 525	170 843
Other liabilities	4 448	815	19 999	-	-	25 262
Total financial liabilities	21 301	124 919	112 927	11 392	136 921	407 460
Off-balance sheet items and contingent liabilities *	449 568	65 053	17 881	-	-	532 502
Total financial liabilities, off-balance items and contingent liabilities	470 869	189 972	130 808	11 392	136 921	939 962
Due from credit institutions and the Treasury	325 480	-	-	-	-	325 480
Investment securities	23 094	14 440	-	-	-	37 534
Liquid assets	348 574	14 440	-	-	-	363 014

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

Maturity profile of the Group's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 31 December 2019, in thousands of euro:

	Up to 1 year	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	Total
Due to credit institutions	8 761	20 828	-	-	-	29 589
Due to general governments	32	2 138	6 756	-	77 396	86 322
Issued debt securities	667	21 820	25 195	-	-	47 682
Support programme funding	-	18 878	22 822	55 420	31 610	128 730
Other liabilities	2 079	707	-	-	-	2 786
Total financial liabilities	11 539	64 371	54 773	55 420	109 006	295 109
Off-balance sheet items and contingent liabilities *	322 869	43 003	15 509	-	-	381 381
Total financial liabilities, off-balance items and contingent liabilities	334 408	107 374	70 282	55 420	109 006	676 490
Due from credit institutions and the Treasury	181 199	-	-	-	-	181 199
Investment securities	10 904	26 739	10 776	-	-	48 419
Liquid assets	192 103	26 739	10 776	-	-	229 618

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

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Maturity profile of the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 30 September 2020, in thousands of euro:

	Up to 1 year	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	Total
Due to credit institutions	8 726	42 149	-	-	-	50 875
Due to general governments	196	4 363	9 547	-	77 396	91 502
Issued debt securities	584	68 394	-	-	-	68 978
Support programme funding	7 347	9 198	83 381	11 392	59 525	170 843
Other liabilities	4 448	815	19 999	-	-	25 262
Total financial liabilities	21 301	124 919	112 927	11 392	136 921	407 460
Off-balance sheet items and contingent liabilities *	451 606	71 850	20 373	-	-	543 829
Total financial liabilities, off-balance items and contingent liabilities	472 907	196 769	133 300	11 392	136 921	951 289
Due from credit institutions and the Treasury	325 480	-	-	-	-	325 480
Investment securities	23 094	14 440	-	-	-	37 534
Liquid assets	348 574	14 440	-	-	-	363 014

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

Maturity profile of the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 31 December 2019, in thousands of euro:

	Up to 1 year	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	Total
Due to credit institutions	8 761	20 828	-	-	-	29 589
Due to general governments	32	2 138	6 756	-	77 396	86 322
Issued debt securities	667	21 820	25 195	-	-	47 682
Support programme funding	-	18 878	22 822	55 420	31 610	128 730
Other liabilities	2 079	694	-	-	-	2 773
Total financial liabilities	11 539	64 358	54 773	55 420	109 006	295 096
Off-balance sheet items and contingent liabilities *	325 159	51 220	18 473	-	-	394 852
Total financial liabilities, off-balance items and contingent liabilities	336 698	115 578	73 246	55 420	109 006	689 948
Due from credit institutions and the Treasury	181 047	-	-	-	-	181 047
Investment securities	10 904	26 739	10 776	-	-	48 419
Liquid assets	191 951	26 739	10 776	-	-	229 466

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

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Breakdown of the Group's assets and liabilities by maturity profile as at 30 September 2020 based on the time remaining from the reporting date to their contractual maturity, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
Assets							
Due from credit institutions and the Treasury	325 480	-	-	-	-	-	325 480
Financial assets at fair value through profit or loss	-	-	-	-	-	5 561	5 561
Investment securities *	151	6	22 511	426	14 440	-	37 534
Loans *	8 702	14 279	20 247	29 124	143 303	88 637	304 292
Grants	-	-	-	6 252	21 316	2 491	30 059
Deferred expense and accrued income	2 672	-	-	-	-	-	2 672
Investments in venture capital funds	-	-	6 128	6 797	18 373	20 295	51 593
Investment property	-	-	-	-	32 772	1 721	34 493
Property, plant and equipment	-	-	-	-	-	4 731	4 731
Intangible assets	-	-	-	-	-	1 408	1 408
Other assets	855	153	57	104	2 334	-	3 503
Total assets	337 860	14 438	48 943	42 703	232 538	124 844	801 326
Liabilities							
Due to credit institutions	-	-	4 348	4 340	42 149	-	50 837
Due to general governments	-	1	-	-	4 145	86 818	90 964
Issued debt securities	-	-	334	250	64 984	-	65 568
Deferred income and accrued expense	337	875	370	671	3 082	698	6 033
Provisions	32 054	-	-	-	-	-	32 054
Support programme funding	-	7 347	-	-	9 198	154 298	170 843
Other liabilities	4 414	34	-	-	815	19 999	25 262
Total liabilities	36 805	8 257	5 052	5 261	124 373	261 813	441 561
Net liquidity	301 055	6 181	43 891	37 442	108 165	(136 969)	359 765

* With regard to loans and advances to customers, the Group uses the same basis of expected repayment behaviour as used for estimating the effective interest rate. Investments in securities reflect their contractual coupon amortisations

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Breakdown of the Group's assets and liabilities by maturity profile as at 31 December 2019 based on the time remaining from the reporting date to their contractual maturity, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
Assets							
Due from credit institutions and the Treasury	176 197	-	2 001	3 001	-	-	181 199
Financial assets at fair value through profit or loss	-	-	-	-	-	4 217	4 217
Investment securities *	90	1 149	1	9 664	26 739	10 776	48 419
Loans *	11 296	9 812	8 897	20 732	94 055	75 337	220 129
Grants	-	-	-	-	13 792	3 394	17 186
Deferred expense and accrued income	2 343	-	-	-	-	-	2 343
Investments in venture capital funds	1 508	-	7 051	-	27 236	16 748	52 543
Investment property	-	-	-	-	22 582	1 784	24 366
Property, plant and equipment	-	-	-	-	-	4 694	4 694
Intangible assets	-	-	-	-	-	1 395	1 395
Other assets	1 746	-	-	560	1 264	-	3 570
Total assets	193 180	10 961	17 950	33 957	185 668	118 345	560 061
Liabilities							
Due to credit institutions	-	4 375	-	4 339	20 828	-	29 542
Financial assets at fair value through profit or loss – derivatives	-	-	-	-	-	-	-
Due to general governments	-	-	-	-	2 118	84 154	86 272
Issued debt securities	-	269	-	58	20 013	25 008	45 348
Deferred income and accrued expense	361	259	303	582	1 379	685	3 569
Provisions	31 076	-	-	-	-	-	31 076
Support programme funding	-	-	-	-	18 878	109 852	128 730
Other liabilities	2 060	-	-	19	707	-	2 786
Total liabilities	33 497	4 903	303	4 998	63 923	219 699	327 323
Net liquidity	159 683	6 058	17 647	28 959	121 745	(101 354)	232 738

* With regard to loans and advances to customers, the Group uses the same basis of expected repayment behaviour as used for estimating the effective interest rate. Investments in securities reflect their contractual coupon amortisations

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Breakdown of the Company's assets and liabilities by maturity profile as at 30 September 2020 based on the time remaining from the reporting date to their contractual maturity, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
Assets							
Due from credit institutions and the Treasury	325 480	-	-	-	-	-	325 480
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Investment securities *	151	6	22 511	426	14 440	-	37 534
Loans *	8 702	14 279	20 247	29 124	143 303	88 637	304 292
Grants	-	-	-	6 252	21 316	2 491	30 059
Deferred expense and accrued income	2 672	-	-	-	-	-	2 672
Investments in venture capital funds	-	-	6 128	6 797	18 373	20 295	51 593
Investments in subsidiaries	-	-	-	-	-	4 890	4 890
Investment property	-	-	-	-	32 772	1 721	34 493
Property, plant and equipment	-	-	-	-	-	4 731	4 731
Intangible assets	-	-	-	-	-	1 408	1 408
Other assets	855	153	57	104	2 334	-	3 503
Total assets	337 860	14 438	48 943	42 703	232 538	124 173	800 655
Liabilities							
Due to credit institutions	-	-	4 348	4 340	42 149	-	50 837
Due to general governments	-	1	-	-	4 145	86 818	90 964
Issued debt securities	-	-	334	250	64 984	-	65 568
Deferred income and accrued expense	337	875	370	671	3 082	698	6 033
Provisions	32 054	-	-	-	-	-	32 054
Support programme funding	-	7 347	-	-	9 198	154 298	170 843
Other liabilities	4 414	34	-	-	815	19 999	25 262
Total liabilities	36 805	8 257	5 052	5 261	124 373	261 813	441 561
Net liquidity	301 055	6 181	43 891	37 442	108 165	(137 640)	359 094

* With regard to loans and advances to customers, the Group uses the same basis of expected repayment behaviour as used for estimating the effective interest rate. Investments in securities reflect their contractual coupon amortisations

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Breakdown of the Company's assets and liabilities by maturity profile as at 31 December 2019 based on the time remaining from the reporting date to their contractual maturity, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
Assets							
Due from credit institutions and the Treasury	176 045	-	2 001	3 001	-	-	181 047
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Investment securities *	90	1 149	1	9 664	26 739	10 776	48 419
Loans *	11 296	9 812	8 897	20 732	94 055	75 337	220 129
Grants	-	-	-	-	13 792	3 394	17 186
Deferred expense and accrued income	2 343	-	-	-	-	-	2 343
Investments in venture capital funds	1 508	-	7 051	-	27 236	16 748	52 543
Investments in subsidiaries	-	-	-	-	832	2 980	3 812
Investment property	-	-	-	-	22 582	1 784	24 366
Property, plant and equipment	-	-	-	-	-	4 694	4 694
Intangible assets	-	-	-	-	-	1 395	1 395
Other assets	1 746	-	-	560	1 264	-	3 570
Total assets	193 028	10 961	17 950	33 957	186 500	117 108	559 504
Liabilities							
Due to credit institutions	-	4 375	-	4 339	20 828	-	29 542
Financial assets at fair value through profit or loss – derivatives	-	-	-	-	-	-	-
Due to general governments	-	-	-	-	2 118	84 154	86 272
Issued debt securities	-	269	-	58	20 013	25 008	45 348
Deferred income and accrued expense	361	259	303	582	1 379	685	3 569
Provisions	31 076	-	-	-	-	-	31 076
Support programme funding	-	-	-	-	18 878	109 852	128 730
Other liabilities	2 060	-	-	19	694	-	2 773
Total liabilities	33 497	4 903	303	4 998	63 910	219 699	327 310
Net liquidity	159 531	6 058	17 647	28 959	122 590	(102 591)	232 194

* With regard to loans and advances to customers, the Group uses the same basis of expected repayment behaviour as used for estimating the effective interest rate. Investments in securities reflect their contractual coupon amortisations

4 Interest income

All amounts in thousands of euro

	Group 01.01.2020.- 30.09.2020. (unaudited)	Group 01.01.2019.- 30.09.2019. (unaudited)	Company 01.01.2020.- 30.09.2020. (unaudited)	Company 01.01.2019.- 30.09.2019. (unaudited)
Interest on loans and guarantees	10 513	8 714	10 513	8 714
Interest on securities at fair value	1 108	1 149	1 108	1 149
Interest on securities at amortised cost	16	8	16	8
Other interest income	15	11	15	11
Total interest income	11 652	9 882	11 652	9 882

The Group's / Company's sub-item *Interest income on loans and guarantees* does not include interest income from loans and premium income on issued guarantees as well as commissions which, in accordance with the program agreements concluded with the Ministry of Economics, stipulates that the funding allocated by the Ministry of Economics (recognized in balance sheet item Support Programs Funding) must be increased by the respective program income. Accordingly, this type of income is not recognized as interest income, but is recognized as an increase in Support Programs Funding which in the 9 months of 2020 amounts to EUR 965 thousand (9 months of 2019: EUR 948 thousand).

5 Interest expense

All amounts in thousands of euro

	Group 01.01.2020.- 30.09.2020. (unaudited)	Group 01.01.2019.- 30.09.2019. (unaudited)	Company 01.01.2020.- 30.09.2020. (unaudited)	Company 01.01.2019.- 30.09.2019. (unaudited)
Interest on balances due to credit institutions	437	318	437	318
Interest on issued debt securities	541	357	541	357
Allocation of state support programmes' profit to support programme funding	495	736	495	736
Other commission expense	25	22	25	22
Total interest expense	1 498	1 433	1 498	1 433

For particular state support programmes according to respective agreements concluded with the Ministry of Economics the net profit of the programme should be split between the Group / Company and the Ministry of Economics by increasing public funding given by the Ministry of Economics (recognised as Support programme funding in the Balance sheet).

6 Income for implementation of state aid programmes

All amounts in thousands of euro

	Group 01.01.2020.- 30.09.2020. (unaudited)	Group 01.01.2019.- 30.09.2019. (unaudited)	Company 01.01.2020.- 30.09.2020. (unaudited)	Company 01.01.2019.- 30.09.2019. (unaudited)
Compensation of expenses for management of state support programmes	1 542	1 664	1 542	1 664
Compensation of venture capital fund management fees	2 396	1 894	2 396	1 894
Compensation of expenses for management of state support programmes of the previous years	332	274	332	274
Compensation of expenses of capital congestion	150	-	150	-
Total income from implementation of state support programmes	4 420	3 832	4 420	3 832

7 Expenses to be compensated for implementation of state aid programmes

All amounts in thousands of euro

	Group 01.01.2020.- 30.09.2020. (unaudited)	Group 01.01.2019.- 30.09.2019. (unaudited)	Company 01.01.2020.- 30.09.2020. (unaudited)	Company 01.01.2019.- 30.09.2019. (unaudited)
Compensated staff costs	1 261	1 359	1 261	1 359
Compensated administrative expense	281	306	281	306
Compensated venture capital fund management fees	2 398	1 893	2 398	1 893
Total compensated expense for implementation of state support programmes	3 940	3 558	3 940	3 558

8 Other income

All amounts in thousands of euro

	Group 01.01.2020.- 30.09.2020. (unaudited)	Group 01.01.2019.- 30.09.2019. (unaudited) *	Company 01.01.2020.- 30.09.2020. (unaudited)	Company 01.01.2019.- 30.09.2019. (unaudited) *
Income from lease payments for operational leases	742	407 *	742	407 *
Income from lease payments for financial leases	320	141	320	141
Income from investment property revaluation	10	-	10	-
Income from sale of investment property	27	31 *	27	31 *
Income from sale of repossessed collateral	17	28 *	17	28 *
Other commission income	6	19	6	19
Income from management of the AIF "Altum kapitāla fonds" and compensation of set-up costs	119	-	119	-
Other operating income	564	-	564	-
Total other income	1 805	626	1 805	626

* comparatives reclassified as stated in Section (1) of Note 2.

9 Other expense

All amounts in thousands of euro

	Group 01.01.2020.- 30.09.2020. (unaudited)	Group 01.01.2019.- 30.09.2019. (unaudited) *	Company 01.01.2020.- 30.09.2020. (unaudited)	Company 01.01.2019.- 30.09.2019. (unaudited) *
Maintenance and service costs of Land Fund	280	171 *	280	171 *
Debt collection costs	121	102 *	121	102 *
Maintenance costs of repossessed collateral	3	16 *	3	16 *
Revaluation of repossessed collateral	26	-	26	-
Depreciation of right-of-use assets	102	90 *	102	90 *
Commission expense on investments in securities	68	62 *	68	62 *
AIF "Altum kapitāla fonds" management costs	112	-	112	-
Other commission expense	2	2	2	2
Total other expense	714	443	714	443

* comparatives reclassified as stated in Section (1) of Note 2.

10 Impairment losses, net

All amounts in thousands of euro

	Group 01.01.2020.- 30.09.2020. (unaudited)	Group 01.01.2019.- 30.09.2019. (unaudited)	Company 01.01.2020.- 30.09.2020. (unaudited)	Company 01.01.2019.- 30.09.2019. (unaudited)
Impairment losses on:	11 385	5 488	11 385	5 488
Loans, net	5 818	3 129	5 818	3 129
<i>impairment losses</i>	8 693	4 821	8 693	4 821
<i>impairment losses covered by risk coverage reserve</i>	(2 875)	(1 692)	(2 875)	(1 692)
Disbursed guarantee compensations	-	-	-	-
<i>impairment losses</i>	-	519	-	519
<i>impairment losses covered by risk coverage reserve</i>	-	(519)	-	(519)
Grants	-	-	-	-
Other assets	-	-	-	-
Due from credit institutions and the Treasury	-	-	-	-
Financial assets related to loan agreements	2	153	2	153
Debt securities	-	-	-	-
Guarantees, net	4 323	2 030	4 323	2 030
<i>impairment losses</i>	10 288	8 757	10 288	8 757
<i>impairment losses covered by risk coverage reserve</i>	(5 965)	(6 727)	(5 965)	(6 727)
Loan commitments, net	1 242	176	1 242	176
<i>impairment losses</i>	1 454	410	1 454	410
<i>impairment losses covered by risk coverage reserve</i>	(212)	(234)	(212)	(234)
Grant commitments	-	-	-	-
Reversal of impairment on:	(7 238)	(7 389)	(7 238)	(7 389)
Loans, net	(3 631)	(3 774)	(3 631)	(3 774)
<i>reversal of impairment</i>	(4 653)	(4 545)	(4 653)	(4 545)
<i>reversal of impairment covered by risk coverage reserve</i>	1 022	771	1 022	771
Disbursed guarantee compensations	(107)	(1 780)	(107)	(1 780)
<i>reversal of impairment</i>	(236)	(1 888)	(236)	(1 888)
<i>reversal of impairment covered by risk coverage reserve</i>	129	108	129	108
Grants	-	-	-	-
Other assets	-	-	-	-
Due from credit institutions and the Treasury	-	-	-	-
Financial assets related to loan agreements	-	(18)	-	(18)
Debt securities	-	-	-	-
Guarantees, net	(3 007)	(1 657)	(3 007)	(1 657)
<i>reversal of impairment</i>	(9 507)	(4 348)	(9 507)	(4 348)
<i>reversal of impairment covered by risk coverage reserve</i>	6 500	2 691	6 500	2 691
Loan commitments, net	(493)	(160)	(493)	(160)
<i>reversal of impairment</i>	(738)	(1 234)	(738)	(1 234)
<i>reversal of impairment covered by risk coverage reserve</i>	245	1 074	245	1 074
Grant commitments	-	-	-	-
Total impairment losses / (reversal), net	4 147	(1 901)	4 147	(1 901)
Recovery of loans written off in previous periods	(715)	(1 460)	(715)	(1 460)
Total impairment losses and (income) from recovery of loans written-off	3 432	(3 361)	3 432	(3 361)

Additional information Including on impairment allowances covered by Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2020 annual report available in Note 3.1.

11 Due from credit institutions and the Treasury

All amounts in thousands of euro

	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.06.2020. (unaudited)	Company 31.12.2019. (audited)
Due from credit institutions and State Treasury	325 482	181 201	325 482	181 049
<i>cash and cash equivalent</i>	322 475	176 199	322 475	176 047
Impairment allowances	(2)	(2)	(2)	(2)
Net due from credit institutions and State Treasury	325 480	181 199	325 480	181 047

Placing the funds within the Treasury of the Republic of Latvia and monetary financial institutions, the external credit ratings assigned to these financial institutions are evaluated. The evaluation of the financial institutions not having been assigned individual ratings is based on the ratings assigned to their parent banks as well as their financial and operational assessments. Once the contracts have been concluded, the Group / Company supervises the monetary financial institutions and follows that the assigned limits comply with credit risk assessment. All assets in this category represent Stage 1 for expected credit loss (hereafter - ECL) calculation purposes. There were no changes in staging during the reporting period as there were no changes in the calculated ECL during the reporting period..

Breakdown of the Group's balances due from credit institutions and the Treasury by credit rating categories based on Moody's ratings or their equivalent, in thousands of euro:

Ratings	Aaa	Aa1-Aa3	A1-A3	Baa1-Baa3	Ba1-Ba3	B1-B3	Caa-C	Withdrawn rating (WR)	Total
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	12 435	138 364	23 973	6 427	-	-	-	181 199
Total gross as at 31 December 2019 (audited)	-	12 435	138 364	23 973	6 427	-	-	-	181 199
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	4 331	298 023	17 532	5 594	-	-	-	325 480
Total gross as at 30 September 2020 (unaudited)	-	4 331	298 023	17 532	5 594	-	-	-	325 480

Breakdown of the Company's balances due from credit institutions and the Treasury by credit rating categories based on Moody's ratings or their equivalent, in thousands of euro:

Ratings	Aaa	Aa1-Aa3	A1-A3	Baa1-Baa3	Ba1-Ba3	B1-B3	Caa-C	Withdrawn rating (WR)	Total
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	12 435	138 364	23 821	6 427	-	-	-	181 047
Total gross as at 31 December 2019 (audited)	-	12 435	138 364	23 821	6 427	-	-	-	181 047
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	4 331	298 023	17 532	5 594	-	-	-	325 480
Total gross as at 30 September 2020 (unaudited)	-	4 331	298 023	17 532	5 594	-	-	-	325 480

The increase in balances Due from credit institutions and the Treasury is due to the financing of EUR 145 million received from the Ministry of Economics and EUR 30 million received from the EIB for implementation of the state aid programmes for companies in order to mitigate the negative impact of Covid-19. In addition, in April 2020, the Company issued EUR 20 million debt securities maturing on 7 March 2025. As at 30 September 2020, the Group / Company held accounts with 4 banks and the Treasury of the Republic of Latvia. As at 30 September 2020, the average interest rate on balances due from credit institutions was 0.0% (31 December 2019: -0.02%).

12 Investments in venture capital funds

The Group's / Company's investments in associates based on information provided by venture capital fund managers, in thousands of euro:

Company or venture capital fund generation	Country of incorporation	Equity of venture capital fund		Carrying Amount	
		30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)
The 1st generation VCFs	LV	-	2 387	-	1 508
The 2nd generation VCFs	LV	18 269	18 227	13 225	12 990
The 3rd generation VCFs	LV	18 330	21 493	18 434	21 308
The 4th generation VCFs	LV	4 563	4 294	2 930	2 636
Baltic Innovation fund	LU	79 020	72 190	16 087	13 851
Baltic Innovation fund II	LU	5 110	710	917	250
Total investments in venture capital funds		125 292	119 301	51 593	52 543

12 Investments in venture capital funds (cont'd)

As at 30 September 2020 the total VCF portfolio value at cost value was EUR 70,173 thousand (as at 31 December 2019: EUR 68,331 thousand).

Movement in the Group's / Company's investments in associates, in thousands of euro:

	Investments in associates		BIF investments		Total	
	01.01.2020.- 30.09.2020. (unaudited)	01.01.2019.- 30.09.2019. (unaudited)	01.01.2020.- 30.09.2020. (unaudited)	01.01.2019.- 30.09.2019. (unaudited)	01.01.2020.- 30.09.2020. (unaudited)	01.01.2019.- 30.09.2019. (unaudited)
Carrying amount at the beginning of period	38 442	39 251	14 101	10 988	52 543	50 239
Invested	645	2 616	2 903	2 858	3 548	5 474
Refunded	(3 402)	(3 241)	-	(1 232)	(3 402)	(4 473)
Mezzanine interest received and realised gain on exit	594	-	-	-	594	-
Share of net loss of investment in joint venture and associate	(1 690)	(1 414)	-	-	(1 690)	(1 414)
Share of gain of investment in joint venture and associate at fair value through profit or loss	-	-	-	-	-	-
Compensation of impairment	-	-	-	870	-	870
Carrying amount at the end of the period ended at 30 September (unaudited)	34 589	37 212	17 004	13 484	51 593	50 696
Invested	-	-	-	850	-	850
Refunded	-	(150)	-	(416)	-	(566)
Mezzanine interest received and realised gain on exit	-	1 081	-	165	-	1 246
Share of net loss of investment in joint venture and associate	-	299	-	-	-	299
Share of gain of investment in joint venture and associate at fair value through profit or loss	-	-	-	18	-	18
Net carrying amount at the period ended at 31 December (audited)	-	38 442	-	14 101	-	52 543

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

- Management fees for the 2nd and 3rd generation venture capital funds amounted EUR 679 thousand (9 months of 2019: EUR 527 thousand) which were compensated from the risk coverage reserve;
- Management fees for the 4th generation venture capital funds amounted EUR 595 thousand (9 months of 2019: EUR 359 thousand) which were compensated from the risk coverage reserve;
- Management fees for the Baltic Innovation Fund amounted EUR 83 thousand (9 months of 2019: EUR 95 thousand) which were compensated from the risk coverage reserve;
- Management fees for the Baltic Innovation Fund II amounted EUR 55 thousand (9 months of 2019: 0) which were compensated from the risk coverage reserve.
- Management fees for the AIF "Altum kapitāla fonds" amounted EUR 58 thousand (9 months of 2019: 0).

Part of disbursements made into the 4th generation venture capital funds are classified as Investments in subsidiaries (detailed information is available in Note 1) and management fees of such funds amounted EUR 945 thousand (9 months of 2019: EUR 913 thousand) which were compensated from the risk coverage reserve.

13 Loans

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

The Group's / Company's loans by the borrower profile, in thousands of euro:

	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.09.2020. (unaudited)	Company 31.12.2019. (audited)
SME and Midcaps	157 418	99 282	157 418	99 282
Agriculture	127 126	113 711	127 126	113 711
Individuals	8 349	9 578	8 349	9 578
Financial Intermediaries	2 156	2 573	2 156	2 573
Land Fund	30 173	15 268	30 173	15 268
Total gross loans	325 222	240 412	325 222	240 412
Impairment allowances	(20 930)	(20 283)	(20 930)	(20 283)
Total net loans	304 292	220 129	304 292	220 129

13 Loans (cont'd)

Analysis of the loan amount, equalling to or exceeding EUR 1,000 thousand, issued to one customer:

	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.09.2020. (unaudited)	Company 31.12.2019. (audited)
Number of customers	37	29	37	29
Total credit exposure of customers (EUR '000)	63 744	42 623	63 744	42 623
Percentage of total gross portfolio of loans	19.60%	17.73%	19.60%	17.73%

Breakdown of the Group's / Company's loans by industries, in thousands of euro:

	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.09.2020. (unaudited)	Company 31.12.2019. (audited)
Agriculture and forestry	153 689	117 065	153 689	117 065
Manufacturing	65 685	50 035	65 685	50 035
Private individuals	11 576	12 909	11 576	12 909
Other industries	24 358	25 073	24 358	25 073
Retail and wholesale	31 734	10 208	31 734	10 208
Hotels and restaurants	7 549	4 375	7 549	4 375
Electricity, gas and water utilities	6 999	7 196	6 999	7 196
Transport, warehousing and communications	4 660	1 045	4 660	1 045
Real estate	9 340	7 543	9 340	7 543
Construction	7 406	2 309	7 406	2 309
Financial intermediation	406	681	406	681
Fishing	1 697	1 786	1 697	1 786
Municipal authorities	123	187	123	187
Total gross loans	325 222	240 412	325 222	240 412
Impairment allowances	(20 930)	(20 283)	(20 930)	(20 283)
Total net loans	304 292	220 129	304 292	220 129

Movement in the Group's / Company's impairment allowances, in thousands of euro:

	Group 01.01.2020.- 30.09.2020. (unaudited)	Group 01.01.2019.- 30.09.2019. (unaudited)	Company 01.01.2020.- 30.09.2020. (unaudited)	Company 01.01.2019.- 30.09.2019. (unaudited)
Allowances at the beginning of the period	20 283	19 376	20 283	19 376
Increase in impairment allowances (Note 10)	8 693	4 821	8 693	4 821
Decrease in impairment allowances (Note 10)	(4 653)	(4 545)	(4 653)	(4 545)
Write-off of loans	(3 393)	(1 181)	(3 393)	(1 181)
Currency change	-	2	-	2
Allowances at the end of the period ended 30 September (unaudited)	20 930	18 473	20 930	18 473
<i>Group's / Company's share of provisions</i>	-	12 617	-	12 617
<i>Provisions covered by risk coverage*</i>	-	5 484	-	5 484
Increase in impairment allowances	-	3 972	-	3 972
Decrease in impairment allowances	-	(1 352)	-	(1 352)
Write-off of loans	-	(808)	-	(808)
Currency change	-	(2)	-	(2)
Allowances at the end of the period ended 31 December (audited)	-	20 283	-	20 283
<i>Group's / Company's share of provisions</i>	-	14 916	-	14 916
<i>Provisions covered by risk coverage*</i>	-	5 367	-	5 367

As at 30 September 2020 the average annual interest rate for the loan portfolio of the Group / Company was 4.06% (31 December 2019: 4.19%).

14 Investment properties

All amounts in thousands of euro

	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.09.2020. (unaudited)	Company 31.12.2019. (audited)
Carrying amount at the beginning of period	24 366	14 794	24 366	14 794
Acquired during the reporting period*	10 157	9 145	10 157	9 145
Disposals during the reporting period	(30)	(98)	(30)	(98)
Net gain from fair value adjustment	-	525	-	525
Carrying amount at the end of the period	34 493	24 366	34 493	24 366

All acquisitions of investment properties made in the reporting period were related to the activities of the Land Fund programme.

15 Other assets

All amounts in thousands of euro

	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.09.2020. (unaudited)	Company 31.12.2019. (audited)
Financial assets	6 304	6 095	6 304	6 095
Other assets (repossessed collateral)	27	503	27	503
Total other assets, gross	6 331	6 598	6 331	6 598
Impairment allowances for financial assets	(2 828)	(3 028)	(2 828)	(3 028)
<i>Group's / Company's share of provisions</i>	<i>(1 914)</i>	<i>(2 204)</i>	<i>(1 914)</i>	<i>(2 204)</i>
<i>Provisions covered by risk coverage</i>	<i>(914)</i>	<i>(824)</i>	<i>(914)</i>	<i>(824)</i>
Total financial assets, net	3 476	3 067	3 476	3 067
Total other assets, net	3 503	3 570	3 503	3 570

The Group's / Company's sub-item *Other assets (repossessed collateral)* includes assets that have been taken over in the debt collection process and are held to be sold in the ordinary course of business.

Movement in the Group's / Company's net book value of financial assets in the 9 months of 2020, in thousands of euro:

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
Financial assets				
At the beginning of period	2 361	164	3 572	6 097
Changes	(156)	(12)	375	207
As at 30 September 2020 (unaudited)	2 205	152	3 947	6 304
Impairment provision				
At the beginning of period	(2 361)	(142)	(525)	(3 028)
Changes in impairment allowances	156	44	-	200
As at 30 September 2020 (unaudited)	(2 205)	(98)	(525)	(2 828)
Net book value at the beginning of period	-	22	3 047	3 069
Net book value as at 30 September 2020 (unaudited)	-	54	3 422	3 476

16 Due to credit institutions

All amounts in thousands of euro

	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.09.2020. (unaudited)	Company 31.12.2019. (audited)
Due to credit institutions registered in OECD countries	50 837	29 542	50 837	29 542
Total due to credit institutions	50 837	29 542	50 837	29 542

Balances Due to credit institutions include loan received by the Group / Company from the EIB of EUR 50,837 thousand (31.12.2019: EUR 29,542 thousand), of which EUR 4 thousand constitutes accrued interest expenses (31.12.2019: EUR 28 thousand). In the reporting period, the Group / Company repaid the principal in amount of EUR 8,680 thousand. The Ministry of Finance of the Republic of Latvia has issued a guarantee for the loan of EUR 20,837 thousand (31.12.2019: EUR 29,542 thousand), which is considered a parent guarantee on behalf of the Group / Company.

In December 2019, Altum signed a loan agreement with the European Investment Bank for 18,000 thsd euros for funding sustainable climate change mitigation projects. In addition to funds raised by green bonds, this funding will allow for offering loans to enterprises and ESCO with a considerably longer maturity up to 15 years aligning it with the investment project payback period. The drawdown of the loan still has not started. The loan is unsecured.

On July 8, 2020, Altum signed an agreement with the European Investment Bank for a loan of EUR 80,000 thousand to finance working capital loans to small and medium-sized enterprises affected by the Covid-19. In July the first tranche of the loan in the amount of EUR 30,000 thousand was received. The loan is unsecured.

As at 30 September, the average interest rate for the balances due to credit institutions was 0.25% (31.12.2019: 0.31%).

17 Due to general governments

All amounts in thousands of euro

	Group 30.06.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.06.2020. (unaudited)	Company 31.12.2019. (audited)
Loans received from Rural Support Service	5 552	5 565	5 552	5 565
Loans received from the Treasury	85 412	80 707	85 412	80 707
Total due to general governments	90 964	86 272	90 964	86 272

Subitem *Loans received from Rural Support Service* includes the financing to the Loan Fund, which was established in 2010 for the purpose to issue the loans to the agricultural and fisheries beneficiaries via financial intermediaries. As at 30 September 2020 the Group / Company liabilities to Rural Support Service consist of the principal amount of EUR 5,335 thousand (31 December 2019: EUR 5,337 thousand) and accrued interest – EUR 217 thousand (31 December 2019: EUR 228 thousand). The final repayment date is 31 January 2027. The loan from Rural Support Service is unsecured.

Subitem *Loans received from the Treasury* includes the loans received by the Group / Company for the implementation the following loan programmes:

- Agricultural land acquisition programme: as at 30 September 2020 the principal amount of the loan EUR 67,399 thousand (as at 31 December 2019: EUR 67,399 thousand), the final repayment date 31 December 2050. As a collateral serves the commercial pledge to the right of the Company's claims resulting from loans granted by the Group / Company under the programme. As at 30 September 2020, according to the loan agreement the Company still is available the financing in the amount of EUR 8,979 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As at 30 September 2020, the amount of the secured claim was EUR 67,400 thousand (31 December 2019: EUR 67,400 thousand).
- SME development programme: as at 30 September 2020 the principal amount of the loan EUR 9,997 thousand (31 December 2019: EUR 9,997 thousand), the final repayment date 31 December 2040. As a collateral serves the commercial pledge to the right of the Company's claims resulting from loans granted by the Group / Company under the programme. As at 30 September 2020, according to the loan agreement the Company still is available the financing in the amount of EUR 45,003 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As at 30 September 2020, the amount of the secured claim was EUR 11,996 thousand (31 December 2019: EUR 11,996 thousand).

17 Due to general governments (cont'd)

- Latvian Land Fund (the financing for the Fund's transactions): as at 30 September 2020 the principal amount of the loan EUR 8,015 thousand (31 December 2019: EUR 3,309 thousand), the final repayment date 29 December 2028. As a collateral serves the mortgage on the real estate purchased with the financing received under the loan. As at 30 September 2020, according to the loan agreement the Company still is available the financing in the amount of EUR 1,912 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As at 30 September 2020, the amount of registered mortgage was EUR 8,284 thousand (31 December 2019: EUR 8,284 thousand).

As at 30 September 2020 the accrued interest on the loans received from the Treasury amounts to EUR 1,287 (31 December 2019: EUR 1,302).

The Company has also concluded the following loan agreements with the Treasury, the funding under which have not yet been used:

- Micro Loans and Star-up Loans programme: the amount of the loan agreement EUR 23,000 thousand, the final repayment date 31 December 2028, commercial pledge on the Company's claims for the loans under the programme. The size and pace of the drawdown the loan relates to the further volume of new loan transactions. The maximum amount of the secured claim is EUR 27,600 thousand.
- Parallel Loan programme: the amount of the loan agreement EUR 20,000 thousand, the final repayment date 31 January 2036, commercial pledge on the Company's claims for the loans under the programme. The size and pace of the drawdown the loan relates to the further volume of new loan transactions. The maximum secured claim is EUR 24,000 thousand.

18 Support programme funding

The Group's / Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Group's / Company's credit risk losses as at 30 September 2020, in thousands of euro:

Financial Instrument / Programme	Programme funding	Credit risk coverage	Provisions covered by risk coverage	Accrued liabilities on state aid	Fair value correction	Net programme funding
Loans						
ERDF II	12 113	2 869	(610)	3 093	(8 489)	6 107
ESF II	1 522	280	(112)	771	(1 320)	861
Microcredits of Swiss programme	3 602	405	(21)	331	(483)	3 429
ERDF I	416	115	(14)	27	(327)	102
ESF I	311	43	(34)	-	-	277
ERDF II (second round)	6 356	501	(105)	566	(1 223)	5 594
Incubators (from ESF II)	81	8	(1)	-	-	80
ERAF II 2 Public fund	285	58	(16)	-	-	269
Fund of Funds programme – Start-up loans	2 625	2 625	(380)	-	-	2 245
Fund of Funds programme – Microcredits	298	298	(30)	-	-	268
Fund of Funds programme – Parallel loans	3 861	3 861	(2 477)	-	-	1 384
Energy Efficiency Programme for Multi-apartment Buildings Loans	3 704	3 503	(49)	-	-	3 655
Start-up State Aid Cumulation Lending Programme	1 994	1 994	(291)	-	(16)	1 687
Other loans to start-ups	1 592	341	(80)	89	(254)	1 347
Mezzanine Programme – Loans	3 450	3 105	(2 315)	-	-	1 135
Guarantees and interest grants programme	4 240	4 239	-	-	-	4 240
SME energy efficiency loans	3 723	3 723	-	-	-	3 723
Parallel loans	2 000	2 000	(182)	-	-	1 818
Loans for enterprises in rural territories	6 304	1 355	(102)	-	-	6 202
Start-up loans to innovative entrepreneurs	500	100	-	-	-	500
Total loans	58 977 *	31 423	(6 819)	4 877	(12 112)	44 923
Guarantees						
Fund of Funds programme - Guarantees	27 460	27 459	(6 726)	-	-	20 734
Energy Efficiency Programme for Multi-apartment Buildings Guarantees	6 215	5 873	(996)	-	-	5 219
Housing Guarantee Programme	14 005	14 005	(9 184)	-	-	4 821
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	7 753	7 753	(1 511)	-	-	6 242
Mezzanine Programme - Guarantees	966	869	(813)	-	-	153
Portfolio Guarantee Fund	4 044	3 720	(1 468)	-	-	2 576
Export guarantees	2 477	2 477	(387)	-	-	2 090
Study and student portfolio guarantees	106	-	-	-	-	106
Agricultural Guarantees	1 058	1 058	(324)	-	-	734
Total guarantees	64 084	63 214	(21 409)	-	-	42 675
Grants						
Energy Efficiency Programme for Multi-apartment Buildings Grants	44 894	-	-	-	-	44 894
Social Entrepreneurship Programme	1 314	-	-	-	-	1 314
Grants for development of energy efficiency projects	214	-	-	-	-	214
Housing grant programme "Balsts"	3 510	-	-	-	-	3 510
Total grants	49 932	-	-	-	-	49 932
Venture Capital Funds						
Fund of Funds and venture capital funds	27 664	15 215	-	-	-	27 664
Investment Fund Activity	2 696	1 103	-	-	(166)	2 530
Baltic Innovation Fund	1 848	555	-	-	-	1 848
Baltic Innovation Fund II	829	249	-	-	-	829
Total venture capital funds	33 037	17 122	-	-	(166)	32 871
Other Activities						
Energy Efficiency Fund	442	-	-	-	-	442
Regional Creative Industries Alliance	-	-	-	-	-	-
Total other activities	442	-	-	-	-	442
Total support programme funding	206 472 **	111 759	(28 228)	4 877	(12 278)	170 843

* Support programme funding includes funding that is planned to be reallocated to other support programmes. Funding is planned to be reallocated in 2020.

** Support programme funding contains EUR 19,372 thousand allocated for management costs of the Group / Company to be compensated from support programme funding.

18 Support programme funding (cont'd)

The Group's / Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Group's / Company's credit risk losses as at 31 December 2019, in thousands of euro:

Financial Instrument / Programme	Programme funding	Credit risk coverage	Provisions covered by risk coverage	Accrued liabilities on state aid	Fair value correction	Net programme funding
Loans						
ERDF II	13 324	4 318	(902)	3 093	(8 489)	7 026
ESF II	1 523	478	(132)	771	(1 320)	842
Microcredits of Swiss programme	5 610	718	(24)	331	(483)	5 434
ERDF I	886	138	(17)	27	(327)	569
ESF I	317	58	(37)	-	-	280
Microcredits	-	-	-	-	-	-
ERDF II (second round)	6 366	745	(124)	566	(1 223)	5 585
Incubators (from ESF II)	80	11	-	-	-	80
ERAF II 2 Public fund	285	129	(15)	-	-	270
Fund of Funds programme – Start-up loans	2 623	2 623	(355)	-	-	2 268
Fund of Funds programme – Microcredits	309	309	(29)	-	-	280
Fund of Funds programme – Parallel loans	3 425	3 425	(1 907)	-	-	1 518
Energy Efficiency Programme for Multi-apartment Buildings Loans	3 751	3 751	(14)	-	-	3 737
Start-up State Aid Cumulation Lending Programme	1 994	1 994	(277)	-	(16)	1 701
Other loans to start-ups	1 583	487	(91)	89	(254)	1 327
Mezzanine Programme – Loans	3 148	2 518	(1 626)	-	-	1 522
Guarantees and interest grants programme	4 184	4 184	-	-	-	4 184
SME energy efficiency loans	1 723	1 723	-	-	-	1 723
Parallel loans	2 000	2 000	(114)	-	-	1 886
Loans for enterprises in rural territories	6 304	599	(29)	-	-	6 275
Parallel loans to large entrepreneurs	-	-	-	-	-	-
Total loans	59 435 *	30 208	(5 693)	4 877	(12 112)	46 507
Guarantees						
Fund of Funds programme - Guarantees	21 566	21 566	(8 591)	-	-	12 975
Energy Efficiency Programme for Multi-apartment Buildings Guarantees	6 163	4 917	(1 007)	-	-	5 156
Housing Guarantee Programme	14 005	14 005	(8 093)	-	-	5 912
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	7 753	7 753	(1 225)	-	-	6 528
Mezzanine Programme - Guarantees	1 363	1 090	(1 341)	-	-	22
Portfolio Guarantee Fund	4 069	4 069	(1 235)	-	-	2 834
Export guarantees	2 007	2 007	(292)	-	-	1 715
Agricultural Guarantees	1 058	1 058	(352)	-	-	706
Total guarantees	57 984	56 465	(22 136)	-	-	35 848
Grants						
Energy Efficiency Programme for Multi-apartment Buildings Grants	25 567	-	-	-	-	25 567
Social Entrepreneurship Programme	1 084	-	-	-	-	1 084
Grants for development of energy efficiency projects	341	-	-	-	-	341
Total grants	26 992	-	-	-	-	26 992
Venture Capital Funds						
Fund of Funds and venture capital funds	13 412	10 730	-	-	-	13 412
Investment Fund Activity	2 812	2 375	-	-	(166)	2 646
Baltic Innovation Fund	2 000	-	-	-	-	2 000
Baltic Innovation Fund II	833	-	-	-	-	833
Total venture capital funds	19 057	13 105	-	-	(166)	18 891
Other Activities						
Energy Efficiency Fund	492	-	-	-	-	492
Regional Creative Industries Alliance	-	-	-	-	-	-
Total other activities	492	-	-	-	-	492
Total support programme funding	163 960 **	99 778	(27 829)	4 877	(12 278)	128 730

* Support programme funding includes funding that is planned to be reallocated to other support programmes. Funding is planned to be reallocated in 2020.

** Support programme funding contains EUR 7,934 thousand allocated for management costs of the Group / Company to be compensated from support programme funding.

18 Support programme funding (cont'd)

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

Movement in the Group's / Company's support programme funding in the 9 months of 2020, in thousands of euro:

Financial Instrument / Programme	Financing, net	Financing received	Reallocated funding between programmes	Compensated grants	Compensated income and expense	Revaluation of liabilities	Programmes' income/ profit distribution	Other changes	Changes in provisions covered by risk coverage	Financing, net
	31.12.2019.									30.09.2020.
Loans										
ERDF II	7 026	-	(1 000)	-	-	-	-	(211)	292	6 107
ESF II	842	-	-	-	-	-	-	(1)	20	861
Microcredits of Swiss programme	5 434	-	(2 000)	-	-	-	-	(8)	3	3 429
ERDF I	569	-	(470)	-	-	-	-	-	3	102
ESF I	280	-	-	-	-	-	-	(6)	3	277
ERDF II (second round)	5 585	-	-	-	-	-	-	(10)	19	5 594
Incubators (from ESF II)	80	-	-	-	-	-	-	1	(1)	80
ERAF II 2 Public fund	270	-	-	-	-	-	-	-	(1)	269
Fund of Funds programme – Start-up loans	2 268	-	11	-	-	-	-	(9)	(25)	2 245
Fund of Funds programme – Microcredits	280	-	-	-	-	-	-	(11)	(1)	268
Fund of Funds programme – Parallel loans	1 518	-	436	-	-	-	-	-	(570)	1 384
Energy Efficiency Programme for Multi-apartment Buildings – Loan Fund	3 737	-	-	-	(47)	-	-	-	(35)	3 655
Start-up State Aid Cumulation Lending Programme	1 701	-	-	-	-	-	-	-	(14)	1 687
Other loans to start-ups	1 327	-	-	-	-	-	-	9	11	1 347
Mezzanine Programme – Loans	1 522	-	482	-	-	-	197	(377)	(689)	1 135
Guarantees and interest grants programme	4 184	-	-	-	-	-	-	56	-	4 240
SME energy efficiency loans	1 723	-	2 000	-	-	-	-	-	-	3 723
Parallel loans	1 886	-	-	-	-	-	-	-	(68)	1 818
Loans for enterprises in rural territories	6 275	-	-	-	-	-	-	-	(73)	6 202
Start-up loans to innovative entrepreneurs	-	-	500	-	-	-	-	-	-	500
Total loans	46 507	-	(41)	-	(47)	-	197	(567)	(1 126)	44 923
Guarantees										
Fund of Funds programme - Guarantees	12 975	-	5 000	-	-	-	558	336	1 865	20 734
Energy Efficiency Programme for Multi-apartment Buildings - Guarantees	5 156	-	-	-	(73)	-	125	-	11	5 219
Housing Guarantee Programme	5 912	-	-	-	-	-	-	-	(1 091)	4 821
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	6 528	-	-	-	-	-	-	-	(286)	6 242
Mezzanine Programme - Guarantees	22	-	(482)	-	-	-	85	-	528	153
Portfolio Guarantee Fund	2 834	-	-	-	(25)	-	-	-	(233)	2 576
Export guarantees	1 715	-	470	-	-	-	-	-	(95)	2 090
Study and student portfolio guarantees		106	-	-	-	-	-	-	-	106
Agricultural Guarantees	706	-	-	-	-	-	-	-	28	734
Total guarantees	35 848	106	4 988	-	(98)	-	768	336	727	42 675

18 Support programme funding (cont'd)

Movement in the Group's / Company's support programme funding in the 9 months of 2020, in thousands of euro: (cont'd)

Financial Instrument / Programme	Financing, net	Financing received	Reallocated funding between programmes	Compensated grants	Compensated income and expense	Revaluation of liabilities	Programmes' income / profit distribution	Other changes	Changes in provisions covered by risk coverage	Financing, net
	31.12.2019.									30.09.2020.
Grants										
Energy Efficiency Programme for Multi-apartment Buildings – Grants	25 567	19 327	-	-	-	-	-	-	-	44 894
Social Entrepreneurship Programme	1 084	707	-	(370)	(107)	-	-	-	-	1 314
Grants for development of energy efficiency projects	341	-	-	(68)	(59)	-	-	-	-	214
Housing grant programme "Balsts"	-	3 510	-	-	-	-	-	-	-	3 510
Total grants	26 992	23 544	-	(438)	(166)	-	-	-	-	49 932
Venture Capital Funds										
Fund of Funds and venture capital funds	13 412	23 311	(5 947)	-	(2 515)	(602)	5	-	-	27 664
Investment Fund Activity	2 646	-	1 000	-	(776)	(1 088)	594	154	-	2 530
Baltic Innovation Fund	2 000	-	-	-	(152)	-	-	-	-	1 848
Baltic Innovation Fund II	833	-	-	-	(4)	-	-	-	-	829
Total venture capital funds	18 891	23 311	(4 947)	-	(3 447)	(1 690)	599	154	-	32 871
Other Activities										
Energy Efficiency Fund	492	-	-	-	(50)	-	-	-	-	442
Regional Creative Industries Alliance	-	21	-	-	(21)	-	-	-	-	-
Total other activities	492	21	-	-	(71)	-	-	-	-	442
Total support programme funding	128 730	46 982	-	(438)	(3 829)	(1 690)	1 564	(77)	(399)	170 843

19 Provisions

Breakdown of the Group's / Company's impairment allowances for financial guarantees and off-balance sheet items, in thousands of euro:

	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.09.2020. (unaudited)	Company 31.12.2019. (audited)
Provisions for financial guarantees	30 869	30 606	30 869	30 606
<i>Group's / Company's share of provisions</i>	<i>10 374</i>	<i>9 294</i>	<i>10 374</i>	<i>9 294</i>
<i>Provisions covered by risk coverage</i>	<i>20 495</i>	<i>21 312</i>	<i>20 495</i>	<i>21 312</i>
Provisions for loan commitments	1 174	458	1 174	458
<i>Group's / Company's share of provisions</i>	<i>882</i>	<i>132</i>	<i>882</i>	<i>132</i>
<i>Provisions covered by risk coverage</i>	<i>292</i>	<i>326</i>	<i>292</i>	<i>326</i>
Provisions for grant commitments	11	12	11	12
<i>Group's / Company's share of provisions</i>	<i>11</i>	<i>12</i>	<i>11</i>	<i>12</i>
<i>Provisions covered by risk coverage</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Total provisions	32 054	31 076	32 054	31 076
<i>Group's / Company's share of provisions</i>	<i>11 267</i>	<i>9 438</i>	<i>11 267</i>	<i>9 438</i>
<i>Provisions covered by risk coverage</i>	<i>20 787</i>	<i>21 638</i>	<i>20 787</i>	<i>21 638</i>

19 Provisions (cont'd)

Movement in the Group's / Company's provisions for financial guarantees, in thousands of euro:

	Group 01.01.2020.- 30.09.2020. (unaudited)	Group 01.01.2019.- 30.09.2019. (unaudited)	Company 01.01.2020.- 30.09.2020. (unaudited)	Company 01.01.2019.- 30.09.2019. (unaudited)
Provisions at the beginning of the period	30 606	24 144	30 606	24 144
Increase in provisions (Note 10)	10 288	8 757	10 288	8 757
Decrease in provisions (Note 10)	(9 507)	(4 348)	(9 507)	(4 348)
Reclassification (Disbursed guarantee)	(517)	(2 273)	(517)	(2 273)
Currency change	-	(2)	-	(2)
Provisions at the end of the period ended 30 September (unaudited)	30 870	26 278	30 870	26 278
<i>Group's / Company's share of provisions</i>	10 374	9 955	10 374	9 955
<i>Provisions covered by risk coverage</i>	20 495	15 754	20 495	15 754
Increase in provisions	-	6 995	-	6 995
Decrease in provisions	-	(2 344)	-	(2 344)
Reclassification (Disbursed guarantee)	-	(324)	-	(324)
Currency change	-	1	-	1
Provisions at the end of the period ended 31 December (audited)	-	30 606	-	30 606
<i>Group's / Company's share of provisions</i>	-	9 294	-	9 294
<i>Provisions covered by risk coverage</i>	-	21 312	-	21 312

20 Reserves

Analysis of the Group's reserves movements, in thousands of euro:

	Specific reserves for support programmes			Other specific reserves	General reserve capital	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Total reserves
	Reserve capital for non-COVID-19 guarantees programmes	Reserve capital for AIF "Altum kapitāla fonds"	Reserve capital for mitigating of impact of COVID-19	Difference recognised in Group's reorganisation reserve			
Reserves as of 31 December 2018 (audited)	11 807	-	-	(15 580)	11 738	3 597	11 562
Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	(449)	(449)
Distribution of previous years profit	-	-	-	-	808	-	808
Distribution of 2018 year profit of the Company	-	-	-	-	4 092	-	4 092
Reserves as of 30 September 2019 (unaudited)	11 807	-	-	(15 580)	16 638	3 148	16 013
Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	(510)	(510)
Increase of reserve capital	3 700	-	-	-	-	-	3 700
Reserves as of 31 December 2019 (audited)	15 507	-	-	(15 580)	16 638	2 638	19 203
Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	(906)	(906)
Increase of reserve capital	626	25 000	100 000	-	-	-	125 626
Distribution of 2019 year profit of the Company	-	-	-	-	8 131	-	8 131
Reserves as of 30 September 2020 (unaudited)	16 133	25 000	100 000	(15 580)	24 768	1 732	152 053

20 Reserves (cont'd)

Analysis of the Company's reserves movements, in thousands of euro:

	Specific reserves for support programmes			Other specific reserves	General reserve capital	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Total reserves
	Reserve capital for non-COVID-19 guarantees programmes	Reserve capital for AIF "Altum kapitāla fonds"	Reserve capital for mitigating of impact of COVID-19	Difference recognised in Group's reorganisation reserve			
Reserves as of 31 December 2018 (audited)	11 807	-	-	(15 935)	11 738	3 597	11 207
Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	(449)	(449)
Distribution of previous years profit	-	-	-	-	791	-	791
Distribution of 2018 year profit of the Company	-	-	-	-	4 462	-	4 462
Reserves as of 30 September 2019 (unaudited)	11 807	-	-	(15 935)	16 991	3 148	16 011
Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	(510)	(510)
Increase of reserve capital	3 700	-	-	-	-	-	3 700
Reserves as of 31 December 2019 (audited)	15 507	-	-	(15 935)	16 991	2 638	19 201
Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	(906)	(906)
Increase of reserve capital	626	25 000	100 000	-	-	-	125 626
Distribution of 2019 year profit of the Company	-	-	-	-	8 131	-	8 131
Reserves as of 30 September 2020 (unaudited)	16 133	25 000	100 000	(15 935)	25 121	1 732	152 051

Breakdown of specific reserves for support programmes:

	Reserve capital for non-COVID-19 guarantees programmes		Reserve capital for mitigating of impact of COVID-19		Reserve capital for AIF "Altum kapitāla fonds"	Total specific reserves for support programmes
	Housing Guarantee Programme	Study and student portfolio guarantees	Loans for financing of working capital	Credit holiday guarantees		
Reserves as of 30 September 2019 (unaudited)	11 807	-	-	-	-	11 807
Increase of reserve capital	3 700	-	-	-	-	3 700
Reserves as of 31 December 2019 (audited)	15 507	-	-	-	-	15 507
Increase of reserve capital	-	626	50 000	50 000	25 000	125 626
Reserves as of 30 September 2020 (unaudited)	15 507	626	50 000	50 000	25 000	141 133
of which:						
Portfolio loss reserve	15 507	626	29 000	50 000	7 131	102 264
Portfolio Loss Reserve (Special Reserve Capital) upon approval of the annual report	-	(126)	(2 490)	(2 784)	-	(5 400)

Item "Reserve capital for mitigation of impact of COVID-19" includes an increase in the Special Reserve capital of EUR 100,000 thousand in accordance with the decision of the Extraordinary General Meeting of Shareholders of the Group of 6 April 2020, adopted on the basis of the Cabinet of Ministers Order No. 122 "On the increase of the reserve capital" of 25 March 2020. An increase in the reserve capital is aimed for:

- EUR 50,000 thousand for the granting of support in the form of working capital to economic operators whose activities have been affected by the spread of Covid-19, in accordance with the Cabinet of Ministers Regulations No. 149 "Regulations on Working Capital Loans to Economic Operators Affected by the Spread of Covid-19",
- EUR 25,000 thousand for credit holiday guarantees (for investment loans, financial leasing, loans for working capital financing, including credit lines) and a guarantee for new loans for working capital financing to ensure the availability of financing for economic operators affected by the spread of Covid-19 coronavirus disease, in accordance with the Cabinet of Ministers Regulations No. 150 "Provisions on guarantees for economic operators affected by the spread of Covid-19".
- EUR 25,000 thousand to mitigate impact of the Covid-19 crisis through a portfolio guarantee program, in accordance with Cabinet Regulation No. 537 of 5 September 2017 "Regulations on Portfolio Guarantees for the Promotion of Lending to Small (Micro), Small and Medium-Sized Enterprises".

20 Reserves (cont'd)

Item "Reserve capital for AIF "Altum kapitāla fonds" includes an increase in the Special Reserve capital of EUR 25,000 thousand in accordance with the decision of the Extraordinary General Meeting of Shareholders of the Group of 11 September 2020, adopted on the basis of the Cabinet of Ministers Order No. 389 "On the increase of the reserve capital" of 31 July 2020. An increase in the reserve capital is intended to finance the AIF "Altum Capital Fund". The AIF "Altum Capital Fund" was registered in the Register of Enterprises of the Republic of Latvia on July 31, 2020.

The funds included in the specific reserve capital will be used to cover the expected credit losses of the programs listed above.

21 Off-balance sheet items and contingent liabilities

All amounts in thousands of euro

	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.09.2020. (unaudited)	Company 31.12.2019. (audited)
Contingent liabilities:				
Outstanding guarantees	345 450	284 232	345 450	284 232
Financial commitments:				
Loan commitments	37 949	18 951	37 949	18 951
Grant commitments	8 338	7 701	8 338	7 701
Commitments to AIF "Altum kapitāla fonds"	48 772	-	48 772	-
Commitments to venture capital funds	91 993	70 497	103 320	83 968
Total contingent liabilities	532 502	381 381	543 829	394 852

Group's / Company's provisions for loan commitments, in thousands of euro:

	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.09.2020. (unaudited)	Company 31.12.2019. (audited)
Unutilised loan facilities	37 949	18 951	37 949	18 951
Impairment allowances	(1 174)	(458)	(1 174)	(458)
Total unutilized loan facilities, net	36 775	18 493	36 775	18 493

Group's / Company's provisions for grant commitments, in thousands of euro:

	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.09.2020. (unaudited)	Company 31.12.2019. (audited)
Grant commitments	8 338	7 701	8 338	7 701
Impairment allowances	(11)	(12)	(11)	(12)
Total grant commitments, net	8 327	7 689	8 327	7 689

Breakdown of the Group's off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 30 September 2020, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
Contingent liabilities							
Outstanding guarantees	345 450	-	-	-	-	-	345 450
Financial commitments							
Loan commitments	37 949	-	-	-	-	-	37 949
Grant commitments	8 338	-	-	-	-	-	8 338
Commitments to AIF "Altum kapitāla fonds"	-	6 220	-	33 423	8 856	272	48 771
Commitments to venture capital funds	649	7 172	2 592	7 775	56 197	17 609	91 994
Total financial commitments	46 936	13 392	2 592	41 198	65 053	17 881	187 052
Total contingent liabilities and financial commitments	392 386	13 392	2 592	41 198	65 053	17 881	532 502

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

Breakdown of the Group's off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 31 December 2019, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
Contingent liabilities							
Outstanding guarantees	284 232	-	-	-	-	-	284 232
Financial commitments							
Loan commitments	18 951	-	-	-	-	-	18 951
Grant commitments	7 726	-	-	-	-	-	7 726
Commitments to venture capital funds	600	1 798	2 397	7 190	43 003	15 509	70 497
Total financial commitments	27 277	1 798	2 397	7 190	43 003	15 509	97 174
Total contingent liabilities and financial commitments	311 509	1 798	2 397	7 190	43 003	15 509	381 406

Breakdown of the Company's off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 30 September 2020, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
Contingent liabilities							
Outstanding guarantees	345 450	-	-	-	-	-	345 450
Financial commitments							
Loan commitments	37 949	-	-	-	-	-	37 949
Grant commitments	8 338	-	-	-	-	-	8 338
Commitments to AIF "Altum kapitāla fonds"	-	6 220	-	33 423	8 856	272	48 771
Commitments to venture capital funds	1 260	7 477	3 000	8 489	62 994	20 101	103 321
Total financial commitments	47 547	13 697	3 000	41 912	71 850	20 373	198 379
Total contingent liabilities and financial commitments	392 997	13 697	3 000	41 912	71 850	20 373	543 829

Breakdown of the Company's off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 31 December 2019, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
Contingent liabilities							
Outstanding guarantees	284 232	-	-	-	-	-	284 232
Financial commitments							
Loan commitments	18 951	-	-	-	-	-	18 951
Grant commitments	7 726	-	-	-	-	-	7 726
Commitments to venture capital funds	714	2 141	2 855	8 565	51 220	18 473	83 968
Total financial commitments	27 391	2 141	2 855	8 565	51 220	18 473	110 645
Total contingent liabilities and financial commitments	311 623	2 141	2 855	8 565	51 220	18 473	394 877

Subitem *Commitments to AIF "Altum kapitāla fonds"* are contingent liabilities based on a limited partnership agreement between the Company as a general partner and the members of the AIF "Altum Capital Fund" as limited partners which put an obligation on the Group / Company to allocate financial resources to the fund.

Subitem *Commitments to venture capital funds* are contingent liabilities, which are based on agreements between the Group / Company and the venture capital fund which put an obligation on the Group / Company to allocate financial resources to the fund.

22 Grants

All amounts in thousands of euro

	Group 30.09.2020. (unaudited)	Group 31.12.2019. (audited)	Company 30.09.2020. (unaudited)	Company 31.12.2019. (audited)
Energy Efficiency Programme for Multi-apartment Buildings	28 991	16 826	28 991	16 826
Social Entrepreneurship Programme	1 080	371	1 080	371
Grants for development of energy efficiency projects	-	1	-	1
Total grants, gross	30 071	17 198	30 071	17 198
Impairment allowances	(12)	(12)	(12)	(12)
Total grants, net	30 059	17 186	30 059	17 186

Movement in the Group's / Company's net book value of grants in the 9 months of 2020, in thousands of euro:

	Group 01.01.2020.- 30.09.2020. (unaudited)	Group 01.01.2019.- 30.09.2019. (unaudited)	Company 01.01.2020.- 30.09.2020. (unaudited)	Company 01.01.2019.- 30.09.2019. (unaudited)
Grants				
At the beginning of period	17 198	-	17 198	-
Changes	12 873	(8 754)	12 873	(8 754)
Reclassification	-	22 575	-	22 575
At the end of period ended 30 September (unaudited)	30 071	13 821	30 071	13 821
Impairment provision				
At the beginning of period	12	14	12	14
Changes	-	(2)	-	(2)
At the end of period ended 30 September (unaudited)	12	12	12	12
Grants net book at the beginning of the period	17 186	(14)	17 186	-
Grants net book value at the end of the period ended 30 September (unaudited)	30 059	17 186	30 059	17 186

23 Related party transactions

Related parties are defined as members of the Supervisory Council and the Management Board of the Group / Company, their close family members, as well as companies under their control. In accordance with International Accounting Standard (IAS) 24 "Related Party Disclosures", the key management personnel, directly or indirectly authorised and responsible for planning, management and control of the Group's / Company's operations are treated as related parties to the Group / Company. The powers granted to the heads of the structural units of the Group / Company do not entitle them to manage the operations of the Group / Company and decide on material transactions that could affect the Group's / Company's operations and/or result in legal consequences.

The Group's balances from transactions with related parties, including off-balance sheet financial liabilities, in thousands of euro:

	People with significant control (PSC)		Transactions with shareholders		Associates		Other companies owned by the Group's shareholders	
	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)
Investments in venture capital funds – associates	-	-	-	-	51 593	51 410	-	-
Due to general governments	-	-	-	-	-	-	5 552	5 565
Support programme funding	-	-	171 153	128 480	-	-	35 317	35 480
Off-balance sheet financial liabilities for venture capital funds	-	-	-	-	91 993	70 497	-	-

23 Related party transactions (cont'd)

The Company's balances from transactions with related parties, including off-balance sheet financial liabilities, in thousands of euro:

	Transactions with shareholders		Associates		Other companies owned by the Group's shareholders		Investments in subsidiaries	
	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)
Investments in venture capital funds – associates	-	-	51 593	51 410	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	4 890	3 812
Due to general governments	-	-	-	-	5 552	5 565	-	-
Support programme funding	171 153	128 480	-	-	35 317	35 480	-	-
Off-balance sheet financial liabilities for venture capital funds	-	-	103 320	83 967	-	-	-	-

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

The Group's / Company's transactions with related parties, in thousands of euro:

	Received State aid funding		Issued State aid funding or funding paid back	
	01.01.2020.-30.09.2020. (unaudited)	01.01.2019.-30.09.2019. (unaudited)	01.01.2020.-30.09.2020. (unaudited)	01.01.2019.-30.09.2019. (unaudited)
Transactions with shareholders				
Ministry of Finance of the Republic of Latvia	4 705	18 562	4 705	-
Ministry of Economy of the Republic of Latvia	168 311	4 899	168 311	-
Ministry of Wealth Fair of the Republic of Latvia	-	1 200	-	-
Ministry of Education and Science of the Republic of Latvia	-	-	-	-
Associates				
Venture capital funds	10 730	2 000	(5 103)	-
Other companies owned by the Group's shareholders				
Rural Support Service	-	-	-	-
Central Finance and Contracting Agency of the Republic of Latvia	600	-	-	(402)

In the reporting period, the remuneration of the members of the Supervisory Council, Audit Committee and the Management Board of the Company amounted to EUR 482 thousand (9 months of 2019: EUR 420 thousand), incl. social insurance contributions.

24 Fair values of assets and liabilities

The fair values of the Group's financial assets and financial liabilities and their differences to their carrying amount are presented below, in thousands of euro:

	Carrying Amount		Fair Value	
	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)
Assets				
Due from credit institutions and the Treasury	325 480	181 199	325 480	181 198
Financial assets at fair value through profit or loss	5 561	4 217	5 561	4 217
Financial assets at fair value through other comprehensive income - investment securities	37 069	47 941	37 069	47 941
Financial assets at amortised cost:				
Investment securities	465	478	1 142	1 140
Individuals	304 292	220 129	295 576	216 113
Companies	10 831	11 820	2 712	8 417
Loans	293 461	208 309	292 864	207 696
Grants	30 059	17 186	30 059	17 186
Investments in venture capital funds – associates (investments in BIF)	16 087	13 851	16 087	13 851
Investment properties	34 493	24 366	34 493	24 366
Other assets	3 476	3 067	3 476	3 067
Total assets	756 982	512 434	748 943	509 079
Liabilities				
Due to credit institutions	50 837	29 542	50 837	29 542
Due to general governments	90 964	86 272	90 964	86 272
Financial liabilities at amortised cost - Issued debt securities	65 568	45 348	65 568	45 348
Support programme funding	170 843	128 730	170 843	128 730
Total liabilities	378 212	289 892	378 212	289 892

The fair values of the Company's financial assets and financial liabilities and their differences to their carrying amount are presented below, in thousands of euro:

	Carrying Amount		Fair Value	
	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)
Assets				
Due from credit institutions and the Treasury	325 480	181 047	325 480	181 046
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income - investment securities	37 069	47 941	37 069	47 941
Financial assets at amortised cost:				
Investment securities	465	478	1 133	1 140
Individuals	304 292	220 129	295 576	216 113
Companies	10 831	11 820	2 712	8 417
Loans	293 461	208 309	292 864	207 696
Grants	30 059	17 186	30 059	17 186
Investments in venture capital funds – associates (investments in BIF)	16 087	13 851	16 087	13 851
Investments in subsidiaries	4 890	3 812	4 890	3 812
Investment properties	34 493	24 366	34 493	24 366
Other assets	3 476	3 067	3 476	3 067
Total assets	756 311	511 877	748 263	508 522
Liabilities				
Due to credit institutions	50 837	29 542	50 837	29 542
Due to general governments	90 964	86 272	90 964	86 272
Financial liabilities at amortised cost - Issued debt securities	65 568	45 348	65 568	45 348
Support programme funding	170 843	128 730	170 843	128 730
Total liabilities	378 212	289 892	378 212	289 892

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

The hierarchy of the Group's financial assets and liabilities measured and disclosed at fair value, in thousands of euro:

	Level 1		Level 2		Level 3		Total	
	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)
Assets measured at fair value								
Financial assets at fair value through profit or loss	-	-	-	-	5 561	4 217	5 561	4 217
Financial assets at fair value through other comprehensive income - investment securities	24 165	35 021	12 904	12 920	-	-	37 069	47 941
Investments in venture capital funds – associates (investments in BIF)	-	-	-	-	16 087	13 851	16 087	13 851
Investment properties	-	-	-	-	34 493	24 366	34 493	24 366
Assets with fair values disclosed								
Due from credit institutions and the Treasury	-	-	325 480	181 198	-	-	325 480	181 198
Financial assets at amortised cost:								
Investment securities	-	-	1 142	1 140	-	-	1 142	1 140
Loans	-	-	-	-	295 576	216 113	295 576	216 113
Grants	-	-	-	-	30 059	17 186	30 059	17 186
Other assets	-	-	-	-	3 476	3 067	3 476	3 067
Total assets	24 165	35 021	339 526	195 258	385 252	278 800	748 943	509 079
Liabilities measured at fair value								
Support programme funding	-	-	-	-	170 843	128 730	170 843	128 730
Liabilities with fair value disclosed								
Due to credit institutions	-	-	-	-	50 837	29 542	50 837	29 542
Due to general governments	-	-	-	-	90 964	86 272	90 964	86 272
Financial liabilities at amortised cost - Issued debt securities	-	-	-	-	65 568	45 348	65 568	45 348
Total liabilities	-	-	-	-	378 212	289 892	378 212	289 892

The hierarchy of the Company's financial assets and liabilities measured and disclosed at fair value, in thousands of euro:

	Level 1		Level 2		Level 3		Total	
	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)	30.09.2020. (unaudited)	31.12.2019. (audited)
Assets measured at fair value								
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income - investment securities	24 165	35 021	12 904	12 920	-	-	37 069	47 941
Investments in subsidiaries	-	-	-	-	4 890	3 812	4 890	3 812
Investments in venture capital funds – associates (investments in BIF)	-	-	-	-	16 087	13 851	16 087	13 851
Investment properties	-	-	-	-	34 493	24 366	34 493	24 366
Assets with fair values disclosed								
Due from credit institutions and the Treasury	-	-	325 480	181 046	-	-	325 480	181 046
Financial assets at amortised cost:								
Investment securities	-	-	1 133	1 140	-	-	1 133	1 140
Loans	-	-	-	-	295 576	216 113	295 576	216 113
Grants	-	-	-	-	30 059	17 186	30 059	17 186
Other assets	-	-	-	-	3 476	3 067	3 476	3 067
Total assets	24 165	35 021	339 517	195 106	384 581	278 395	748 263	508 522
Liabilities measured at fair value								
Support programme funding	-	-	-	-	170 843	128 730	170 843	128 730
Liabilities with fair value disclosed								
Due to credit institutions	-	-	-	-	50 837	29 542	50 837	29 542
Due to general governments	-	-	-	-	90 964	86 272	90 964	86 272
Financial liabilities at amortised cost - Issued debt securities	-	-	-	-	65 568	45 348	65 568	45 348
Total liabilities	-	-	-	-	378 212	289 892	378 212	289 892

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

(1) Assets

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

(2) Liabilities

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

(3) Fair value hierarchy of financial assets and liabilities

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

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

(4) Debt securities

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

(5) Derivatives

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

(6) Investments in venture capital funds

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

Investments in venture capital funds, except from investment in Baltic Innovation Fund, are measured using the equity method both at the Group and the Company level. Investments in Baltic Innovation Fund are measured at fair value through profit or loss statement.

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

(7) Investment properties

The fair value of the Group's / Company's investment property is determined based on reports of independent appraisers, who hold a recognised and relevant professional qualification, and who have had recent experience of the valuation of property in similar locations and of similar category.

Investments in property are measured at fair value applying one or complex of the following three methods: (a) market approach, (b) income approach and (c) cost approach.

The appropriate valuation method is selected depending on the nature of property and acquisition purpose. Investment property represents agricultural land, which average selling price per hectare is 2,5 thsd euro.

(8) Assets held for sale

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

25 Segment Information

Taking into account constant increase in operational volumes of the Land Fund over the last 3 years as well as significance of portfolio of the Land Fund in the Altum's financial and non-financial instrument portfolio, the Group's management has allocated as a separate segment the Land Fund services starting from the 1st quarter of 2020. The comparatives for the 6 months of 2019 for the Land Fund services have been reclassified accordingly following the new segmentation in order to ensure comparability of information, Thus the Group's management considers that the Goup's operations are performed in 6 operational segments:

- Loan service
- Guarantee service,
- Venture capital fund service,
- Grant service,
- Land Fund service,
- Other services.

Other services include transaction, which are connected to the repossessed assets, new state aid development as well as transactions, which cannot be attributed to state aid programmes.

Segment information is prepared in a manner consistent with the internal management information provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Management board of the Company is the chief operating decision maker.

The Group doesn't provide detailed information on the type of transaction since all the transactions are external.

25 Segment Information (cont'd)

Analysis of the operating segments of the Group for the period from 1 January 2020 till 30 September 2020, in thousands of euro:

	Loan service	Guarantee service	Venture capital fund service	Grant service	Land Fund service	Other services	Total
Interest income	8 578	2 049	18	-	1 000	7	11 652
Interest expense	(1 087)	(23)	-	-	(388)	-	(1 498)
Net interest income	7 491	2 026	18	-	612	7	10 154
Income for implementation of state aid programmes	470	396	2 776	723	-	55	4 420
Expenses to be compensated for implementation of state aid programmes	(80)	(327)	(2 740)	(723)	-	(70)	(3 940)
Net income for implementation of state aid programmes	390	69	36	-	-	(15)	480
Gains from debt securities and foreign exchange translation	(11)	(12)	-	-	(2)	-	(25)
Share of (losses) of investment in joint venture and associate	-	-	(1 690)	-	-	-	(1 690)
Share of gain of investment in joint venture and associate at fair value through profit or loss	-	-	-	-	-	-	-
Gains less losses from liabilities at fair value through profit or loss	-	-	1 690	-	-	-	1 690
Other income	-	-	672	7	779	347	1 805
Other expense	(202)	(32)	(116)	(24)	(306)	(34)	(714)
Operating income / (loss) before operating expenses	7 668	2 051	610	(17)	1 083	305	11 700
Staff costs	(2 654)	(567)	47	(555)	(204)	(202)	(4 135)
Administrative expense	(732)	(206)	1	(256)	(52)	(42)	(1 287)
Amortisation of intangible assets and depreciation of property, plant and equipment	(331)	(131)	(22)	(128)	(27)	(26)	(665)
(Impairment) gain, net	(2 328)	(1 102)	-	-	-	(2)	(3 432)
Profit or (loss) from assets held for sale revaluation	-	-	-	-	-	-	-
Total segment profit/(loss)	1 623	45	636	(956)	800	33	2 181
Financial assets at fair value through profit or loss	-	-	5 561	-	-	-	5 561
Investments in venture capital funds - associates	-	-	51 593	-	-	-	51 593
Additions of property and equipment, intangible assets and investment property	405	116	22	183	10 189	29	10 944
Total segment assets	375 504	154 910	121 611	58 534	65 988	24 779	801 326
Total segment liabilities	215 968	78 344	33 729	57 244	54 675	1 601	441 561

25 Segment Information (cont'd)

Analysis of the operating segments of the Group for the period from 1 January 2019 till 30 September 2019, in thousands of euro:

	Loan service	Guarantee service	Venture capital fund service	Grant service	Land Fund service	Other services	Total
Interest income	7 594	1 659	77	1	551	-	9 882
Interest expense	(1 186)	(91)	-	-	(156)	-	(1 433)
Net interest income	6 408	1 568	77	1	395	-	8 449
Income for implementation of state aid programmes	274	339	2 277	918	-	24	3 832
Expenses to be compensated for implementation of state aid programmes	(83)	(338)	(2 308)	(792)	-	(37)	(3 558)
Net income for implementation of state aid programmes	191	1	(31)	126	-	(13)	274
Gains from debt securities and foreign exchange translation	16	2	6	-	-	-	24
Share of (losses) of investment in joint venture and associate	-	-	(1 414)	-	-	-	(1 414)
Share of gain of investment in joint venture and associate at fair value through profit or loss	-	-	-	-	-	-	-
Gains less losses from liabilities at fair value through profit or loss	-	-	1 414	-	-	-	1 414
Other income	-	-	-	-	439	187	626
Other expense	(178)	(34)	(6)	(22)	(183)	(20)	(443)
Operating income / (loss) before operating expenses	6 437	1 537	46	105	651	154	8 930
Staff costs	(2 217)	(498)	1	(480)	(166)	(117)	(3 477)
Administrative expense	(695)	(184)	(32)	(219)	(80)	(39)	(1 249)
Amortisation of intangible assets and depreciation of property, plant and equipment	(293)	(114)	(22)	(124)	(16)	(13)	(582)
(Impairment) gain, net	1 252	2 112	-	-	(3)	-	3 361
Profit or (loss) from assets held for sale revaluation	-	-	-	-	-	-	-
Total segment profit/(loss)	4 484	2 853	(7)	(718)	386	(15)	6 983
Financial assets at fair value through profit or loss	-	-	4 217	-	-	-	4 217
Investments in venture capital funds - associates	-	-	51 173	-	-	-	51 173
Additions of property and equipment, intangible assets and investment property	243	75	16	114	6 936	12	7 396
Total segment assets	318 346	33 588	60 080	74 453	40 863	5 156	532 486
Total segment liabilities	163 383	63 929	18 140	31 968	25 800	1 090	304 310

26 Events after the reporting date

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

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OTHER NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

KEY FINANCIAL AND PERFORMANCE INDICATORS

	2019 (audited)	2018 (audited)	2017 (corrected) *	2016 (corrected) *	2015 (corrected) *
Key financial data					
Net interest income (EUR '000) **	11 569	11 302**	11 602	11 024	16 419
Profit for the period (EUR '000)	8 131	4 092	8 709*	2 170	4 924
Cos to income ratio (CIR) ***	52.58%	74.84%***	50.3%*	88.40%	55.80%
Employees	203	222	230	242	282
Total assets (EUR '000)	560 061	495 939	453 668*	443 400*	406 918
Tangible common equity (TCE) / Total tangible managed assets (TMA) ****	29.40%	31.70%	35.1%*	36.50%	37.30%
Equity and reserves (EUR '000)	232 738	221 590	222 848*	210 406*	199 610
Total risk coverage: (EUR '000)	87 456	77 815	67 593*	66 508*	41 021
Risk coverage reserve	99 778	85 276	62 651	63 636*	40 662
Risk coverage reserve used for provisions	(27 829)	(19 268)	(4 753)	(4 323)	(1 276)
Portfolio loss reserve (specific reserve capital)	15 507	11 807	9 695	7 195	1 635
Liquidity ratio for 180 days *****	582%	227%	482%*	449%	352%
Financial instruments (gross value)					
Outstanding (EUR '000) (by financial instrument)					
Loans (excluding sales and leaseback transactions)	225 144	210 208	207 065	217 429	218 562
Guarantees	284 232	236 895	182 376	147 175	131 120
Venture capital funds	68 331	59 698	62 299	64 785	44 378
Land Fund, of which:	39 634	21 717	11 328	4 635	991
- sales and leaseback transactions	15 268	6 923	520	-	-
- investment properties	24 366	14 794	10 808	4 635	991
Total	617 341	528 518	463 068	434 024	395 051
Number of transactions	22 437	18 603	14 655	11 561	8 940
Volumes issued (EUR '000) (by financial instrument)					
Loans (excluding sales and leaseback transactions)	64 320	59 608	51 349	59 465	52 329
Guarantees	98 240	88 765	68 615	56 109	50 065
Venture capital funds	9 022	4 149	2 638	21 356	18 798
Land Fund, of which: *****	16 384	10 823	6 359	3 704	991
- sales and leaseback transactions	7 239	6 835	520	-	-
- investment properties	9 145	3 988	5 839	3 704	991
Total	187 966	163 345	128 961	140 634	122 183
Number of transactions	5 559	5 590	4 839	4 537	2 841
Leverage for raised private funding	142%	162%	185%	162%	104%
Volume of support programmes funding per employee (EUR '000)	3 041	2 381	2 013	1 793	1 401
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1	-	-

* Due to change of accounting policy on investments in venture capital funds and adoption of IFRS 9 requirements that effects the accounting of public funding risk coverage the comparatives for 2017 and 2016 have been restated.

** Due to reclassification of fees and commission related to lending activities following the industry practise, excludes fees and commission not related to lending activities, the comparatives for 2018 have been reclassified with subsequent ratio recalculation.

*** Due to reclassification of staff and administrative costs to be compensated as well as respective income on compensation, the comparatives for 2018 have been reclassified with subsequent ratio recalculation.

**** TMA includes off-balance sheet item outstanding guarantees.

***** Liquidity ratio calculation takes into account the previous experience and management estimate of expected amount and timing of guarantees claims

***** Taking into account the significance of the volume, the Land Fund portfolio, which consists of sales and leaseback transactions and investment properties, is also presented in the outstanding volumes and in volumes issued in the period. Since according to the accounting principles and IFRS the sales and leaseback transactions are accounted for under the loans, the volume of loans presented in this table has been reduced for the volume of the sales and leaseback transactions as it is recorded under the Land Fund portfolio. The operational volumes for 3 months of 2019 have been adjusted accordingly.

Definitions of ratios

<i>Net income from interest, fees and commission</i>	<p>"Net income from interest, fees and commission" is equal to the item "Net interest income" in the Statement of Comprehensive Income. Until 2018 this ratio included the following items of the Statement of Comprehensive Income: "Net interest income" and "Net income from fees and commissions". In 2019 following the industry practise Fee and commission income from lending activities is reclassified to Interest income from "Net income from fees and commissions". Subsequently the fee and commission income not related to lending activities is reclassified within Other income and as such is not included in this ratio. The item "Net income from fees and commissions" is not applicable in The Statement of Comprehensive Income any more. The comparatives have been reclassified accordingly.. ALTUM uses this indicator as the key financial metric for profitability by evaluating ALTUM Group's net income amount generated by the portfolio of financial instruments and recognised in the Statement of Comprehensive income. ALTUM management measures and monitors the actual performance of this indicator on a quarterly basis compared to the approved level in ALTUM Group's budget.</p>
<i>Cost to income ratio (CIR)</i>	<p>"Cost to income ratio" (CIR) is calculated by dividing the amount of "Staff costs", "Administrative expense", "Amortisation of intangible assets and depreciation of property, plant and equipment" by "Operating income before operating expenses" included in the Statement of Comprehensive Income. ALTUM uses CIR to evaluate the operational efficiency. This is one of the measures of operational efficiency which ALTUM management assesses on a quarterly basis in the management reports to evaluate the outputs from different operational activities and efficiency improving measures.</p>
<i>Tangible common equity (TCE) / Tangible managed assets (TMA)</i>	<p>"Tangible Common Equity" (TCE) is calculated by subtracting the revaluation reserve of available for sale investments from total equity.</p> <p>The amount of "Total managed assets" (TMA) is calculated by adding the guarantees shown as off-balance sheet items to the total assets of ALTUM Group taking into account provisions for these guarantees and subtracting "Deferred expense", "Accrued income", "Property, plant and equipment", "Intangible assets", "Other assets" and "Assets held for sale".</p> <p>Data for the calculation of both indicators (TCE, TMA) are obtained from ALTUM Group's Financial statements: Statement of Financial Position and Consolidated Statement of Changes in Equity, notes - Off balance sheet items and contingent liabilities and Provisions. ALTUM uses the ratio "TCE/TMA" to evaluate ALTUM Group's capital position adequacy and to measure ALTUM Group's tangible common equity in terms of ALTUM Group's tangible managed assets including the off-balance sheet item Guarantee portfolio. The Risk and Liquidity Management Committee of ALTUM monitors its level on a quarterly basis.</p>
<i>Total risk coverage</i>	<p>"Total Risk Coverage" is the net funding available for covering the expected credit losses of the State aid programmes implemented by ALTUM. "Total Risk Coverage" is calculated as the total of "Risk Coverage Reserve" and "Portfolio Loss Reserve" (Specific Capital Reserves) less "Risk Coverage Reserve Used for Provisions". The expected losses are estimated before implementation of the respective State aid programme and part of the public funding received under respective State aid programme for coverage of expected losses on credit risk is transferred either to "Portfolio Loss Reserve" as ALTUM Group's specific capital reserve or accounted separately as provisions for risk coverage under liabilities item "Risk Coverage Reserve". "Portfolio Loss Reserve" (specific capital reserve) is disclosed in the Note on Reserves to the Financial statements of the ALTUM Group. "Risk Coverage Reserve" is disclosed in the Note on Support Programme Funding to the Financial statements of ALTUM Group. "Risk Coverage Reserve Used for Provisions" is the amount of "Risk Coverage Reserve" allocated to and used for provisioning for impairment loss on loan portfolio and guarantees which in its turn is disclosed in the Note on Loans and Note on Provisions to the Financial statements of ALTUM Group.</p> <p>"Total Risk Coverage" is key indicator to be used for assessment of ALTUM's risk coverage on implemented programmes and long-term financial stability.</p>
<i>180-day liquidity ratio</i>	<p>"180-days-liquidity ratio" is calculated by dividing the amount of the balances "Due from other credit institutions and the Treasury" with a maturity of up to 1 month and "Financial assets at fair value through other comprehensive income and Investment securities" by the amount of the total liabilities maturing within 6 months and total financial commitments maturing within 6 months (off-balance sheet items). The data required for the calculation of the "180-days liquidity ratio" is disclosed in the following ALTUM Group's Financial statements: Statement of Financial Position and notes – Maturity profile of assets and liabilities under the section of Risk Management, Off-balance sheet items and contingent liabilities. ALTUM uses the "180-days-liquidity ratio" to assess and monitor ALTUM Group's ability to fulfil ALTUM Group's contractual and/or contingent liabilities during 6 (six) month with the currently available liquidity resources. "180-days-liquidity ratio" helps to manage ALTUM Group's liquidity risk in line with ALTUM Group's/ALTUM's funding management objectives and risk framework. Risk and Liquidity Management Committee of ALTUM monitors its level on a quarterly basis.</p>
<i>Total contribution to the economy, including the participation of the final recipients, by volumes issued in the period</i>	<p>The 'total contribution to the economy, including the participation of the final recipients, by volumes issued in the period' is calculated by adding to the volumes issued by ALTUM the financing provided by the private co-financier and the project promoter.</p>

Definition of ratios (cont'd)

<i>Leverage for raised private funding</i>	"Leverage for raised private funding" indicates the amount of additional private funds invested in a project in addition to ALTUM's financing. "Leverage for raised private funding" 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.
<i>Employees</i>	Average number of employees in the period excluding members of the Council and the Audit Committee.
<i>Volume of support programmes funding per employee</i>	"Support programmes funding per employee" is calculated by dividing the gross value of the Financial Instruments Portfolio by the average number of employees during the period, excluding members of the Supervisory Council and the Audit Committee.
<i>Venture capital</i>	The Venture Capital Funds presented at their gross value.
