

# **JSC DEVELOPMENT FINANCE INSTITUTION ALTUM**

Unaudited interim condensed financial report  
for the six months period ended 30 June 2022

<b>TABLE OF CONTENTS</b>	<b>Page</b>
Altum	2
Management Report	3 - 12
Supervisory Council and Management Board	13
Statement of Management's Responsibility	14
Financial statements:	
Statement of Comprehensive Income	15
Statement of Financial Position	16
Consolidated Statement of Changes in Equity	17
Company's Statement of Changes in Equity	18
Statement of Cash Flows	19
Notes to the Financial Statements	20- 77
Other Notes to the Interim Condensed Report	78 – 82

AS Atfistības finanšu institūcija Altum  
Doma laukums 4, Rīga, LV-1050, Latvia  
Phone: + 371 67774010  
Fax: + 371 67820143  
Registration No: 50103744891  
[www.altum.lv](http://www.altum.lv)

## Altum

**MISSION** We help Latvia grow!

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

**VALUES** Excellence / Team / Responsibility

AS Attīstības finanšu institūcija Altum (the joint stock company Development Finance Institution Altum) is a Latvian state-owned company that implements the aid and development programmes by means of financial instruments and grants pursuing the state's policy in the national economy and providing for execution of other government assignments stipulated and delegated by laws and regulations. Eliminating market failures with the help of various support instruments that enhance the development of national economy is the fundamental purpose of Altum's activities.

## Long-term objectives until 2024

Following strategic development directions and long-term objectives are set in the approved JSC Development Finance Institution Altum Strategy for the period 2022 – 2024:

- In the implementation of the state aid programmes, the main financial objective is to ensure positive return on Altum's capital.
- The main non-financial objective is to support and promote availability of finances to business and the development of national economy.
- Priority directions of Altum are the following: issuing and servicing of guarantees and loans, venture capital investments, climate change mitigation implementation of energy efficiency programmes in both the residential and corporate segment, initiation of new projects by expanding the range of the financial instruments offered, as well as the development of the Latvian Land Fund as well as.
- The main target activities embrace support to entrepreneurs, farmers and specific categories of persons; energy efficiency; management of the Latvian Land Fund.
- Altum will particularly focus on environmental, social and corporate governance (ESG) considerations, both in financing decisions and in Altum's internal processes.



# Management Report

## Activity during the reporting period

In the first half of 2022, the Development Finance Institution Altum (hereinafter – the Company) have ensured stable financial results and earned a profit of EUR 6.3 million.

## Key financial and performance indicators of the Group

Based on data from audited financial statements for the respective years

	Company	Group / Company	Group / Company
	2022 6M (unaudited)	2021 6M (unaudited)	2021 (audited)
<b>Key financial data</b>			
Net interest income (EUR '000)	8 391	8 298	16 717
Operating profit (EUR '000)	6 333	5 947	13 829
Profit for the period (EUR '000)	6 333	5 947	13 829
Cos to income ratio (CIR)	38.97%	46.24%	39.46%
Employees	230	222	226
Total assets (EUR '000)	1 044 930	896 486	976 204
Financial debt (EUR '000)	438 447	336 856	360 909
<b>Tangible common equity (TCE) / Total tangible managed assets (TMA) *</b>	<b>25.06%</b>	<b>34.73%</b>	<b>33.82%</b>
Equity and reserves (EUR '000)	391 059	414 970	440 736
<b>Total risk coverage: (EUR '000)</b>	<b>279 029</b>	<b>232 725</b>	<b>285 954</b>
Risk coverage reserve	202 272	127 364	159 196
Risk coverage reserve used for provisions	(31 963)	(29 434)	(29 496)
Portfolio loss reserve (specific reserve capital)	109 979	135 704	159 700
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	(1 259)	(909)	(3 446)
Liquidity ratio for 180 days **	402%	346%	518%
Net Cash flows from operating activities (EUR '000)	62 081	8 881	49 555
Net Cash flows from financing activities (EUR '000)	2 659	3 580	43 768
Net Cash flow from investing activities (EUR '000)	(8 078)	12 710	1 735
<b>Support instruments gross value (EUR '000), of which</b>	<b>1 021 659</b>	<b>906 872</b>	<b>979 130</b>
<b>Financial instruments gross value (EUR '000) ***</b>			
Loans (excluding sales and leaseback transactions)	319 742	323 275	315 674
Guarantees	443 277	379 602	414 978
Venture capital funds	86 316	83 620	85 973
Land Fund, of which:	84 216	72 411	79 163
- sales and leaseback transactions	34 477	34 263	32 999
- investment properties	49 739	38 148	46 164
<b>Total</b>	<b>933 551</b>	<b>858 908</b>	<b>895 788</b>
Number of transactions	32 813	28 951	30 978
<b>Volumes issued (EUR '000) (by financial instrument) ***</b>			
Loans (excluding sales and leaseback transactions)	48 126	59 492	100 966
Guarantees	70 401	55 671	126 997
Venture capital funds	8 400	13 222	29 158
Land Fund, of which:	6 108	3 870	10 595
- sales and leaseback transactions	2 353	2 214	3 254
- investment properties	3 755	1 656	7 341
<b>Total</b>	<b>133 035</b>	<b>132 255</b>	<b>267 716</b>
Number of transactions	3 198	3 270	6 579
Leverage for raised private funding	128%	163%	177%
Volume of support programmes funding per employee (EUR '000)	4 059	3 869	3 964
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1

\* TMA includes the off-balance sheet item, namely, guarantees at net carrying amount.

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

\*\*\* Taking into account the significance of the volume, the Land Fund portfolio, which consists of leaseback transactions and investment properties, is also presented in the operational volumes for the period. As in compliance with the accounting principles and IFRS the leaseback transactions are accounted for under the loans, the loan volume in this table has been reduced for the volume of the leaseback transactions as it is recorded under the Land Fund portfolio.

The figures are explained in the section 'Key Financial and Performance Indicators' under Other Notes to the Unaudited interim condensed financial report.

## Management Report (cont'd)

### Impact of the Russian military invasion of Ukraine

The ongoing war in Ukraine and the related sanctions targeted against the Russian Federation and to a lesser extent to Belarus may have impact on the Company as well as the potential social and economic impact in Latvia and the region. This may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the 2022.

The Company does not issue loans directly to businesses in Ukraine, the Russian Federation and Belarus. Contracts with counterparties for the execution of settlements with customers, as well as for the conclusion of financial transactions for the liquidity and asset and liability management of the Company, are concluded with financial institutions established in EU Member States. In the guarantee's portfolio, the direct impact is from the Company's export credit guarantees issued to offset political and buyer risk losses in trade transactions where Altum's clients' counterparties are residents of Ukraine, the Russian Federation and Belarus. Taking into account the current geopolitical situation, the Company has suspended the issuance of new export credit guarantees to Russia and Belarus since February 25, 2022, as well as terminating contracts where possible in agreement with counterparties. The exposure of such export credit guarantees to Ukraine as at 30 June 2022 was EUR 346 thousand (31 December 2021: EUR 426 thousand), while there were no such exposures to the Russian Federation and Belarus (31 December 2021: EUR 581 thousand and EUR 402 thousand, respectively). The established impairment overlay for expected credit losses for export credit guarantees was reduced from EUR 1,587 thousand on 31 March 2022 to EUR 275 thousand on 30 June 2022.

To assess the indirect impact of the Russian invasion of Ukraine, the Company analyses quarterly and, in case of significant changes, revises the forward-looking forecasts used to calculate expected losses. Changes in the forecasts of macroeconomic indicators, which were updated in conditions of extremely high uncertainty, in the first half of 2022 resulted in an increase in impairment allowances for the expected credit losses by EUR 1,114 thousand (of which, the reduction in the 2nd quarter of 2022 was in amount of EUR 19 thousand due to the reduction of the loan portfolio) for loans and loan commitments. For guarantees, the impact from changes in the forecasts of macroeconomic indicators was small, taking into account that impairment allowances for guarantees are made at the higher value of the estimated expected credit risk losses and the fair value. Changes in macroeconomic forecasts have a smaller impact on the fair value of guarantees.

The Russian Federation's military aggression against Ukraine has caused significant economic and financial turmoil, particularly in commodity markets, with soaring oil, gas, fertiliser and grain prices. To assess the indirect impact, in the spring 2022 the Company has initiated enhanced monitoring of material credit and guarantee exposures to assess whether events in Ukraine and the sanctions imposed against Russia and Belarus are directly or indirectly impacting or may significantly impact the solvency of clients, to identify potential clients in difficulty and to provide a further action plan as well as apply appropriate risk mitigation measures. In addition, the Company has initiated changes to its decision-making procedures, providing for the evaluation of the impact of Russia's invasion of Ukraine, when reviewing the terms of customer loan agreements, as well as in the use of this information to decide whether to downgrade loans to at least Stage 2 in accordance with International Financial Reporting Standard 9.

For more detailed information see Note 3 (4) to the Financial Statements.

### Operational volumes

The core business lines of the Company include lending, issuing of guarantees, investments in capital instruments, transactions of the Latvian Land Fund (hereinafter - the Land Fund) and servicing of grants that form the Company's portfolio of support instruments.

As at 30 June 2022, the Company's gross portfolio of support instruments amounted to EUR 1,021.7 million (31 December 2021: EUR 979.1 million), of which the gross portfolio of financial instruments totalled EUR 933.6 million and consisted of 32,813 projects (31 December 2021: EUR 895.8 million and 30,978 projects).

In the first half of 2022, the Company's financial instrument portfolio increased by EUR 37.8 million (+4.2%) and by 1,835 projects (+5.9%). The growth of the Company's financial instruments portfolio in the first half of 2022 was significantly lower than in the first half of 2021, when due to a sharp rise in the demand for specialised financial instruments to mitigate the negative impact of Covid-19 on the business sector it increased by EUR 55.4 million (+6.9%) and by 2,373 projects (+8.9%), while the demand in 2022 for Covid-19 crisis support instruments continues to decline and the repayments of the principal amounts for a large part of the existing Covid-19 crisis support instruments became due.

# Management Report (cont'd)

## Operational volumes (cont'd)

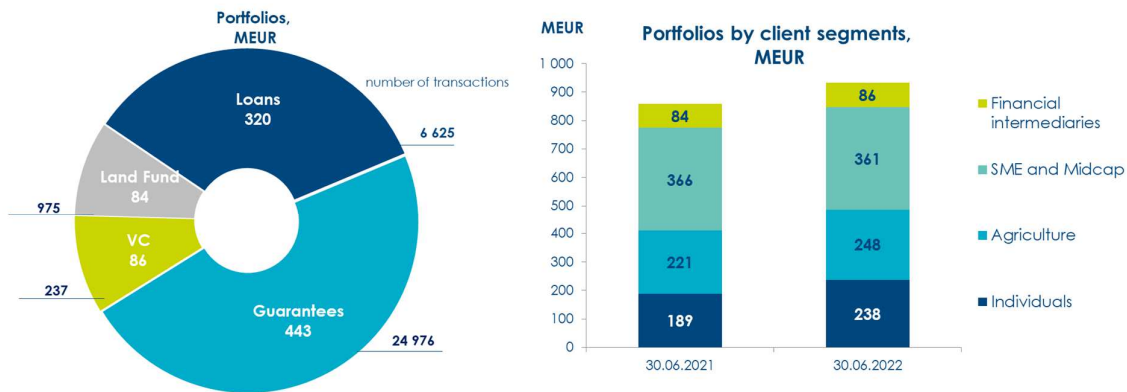
Of all the financial instruments, the guarantee portfolio recorded the highest growth in the first half of 2022, increasing by EUR 28.3 million (+6.8%) and by 1,631 projects (+7%), which is less than in the first half of 2021, when it increased by EUR 20 million (+5.6%) and by 2,071 projects (+10.8%). The increase in the guarantee portfolio in the first half of 2022 was ensured by Housing Guarantees for Families with Children and Housing Guarantees for Young Professionals (+EUR 13.5 million), Guarantee Programme for Improving Energy Efficiency in Multi-Apartments Buildings (+EUR 10.5 million), as well as by loan guarantees for entrepreneurs (+EUR 13.5 million). At the same time, as companies have been able to successfully adapt to the new conditions and as the pandemic has been on the decline, demand from companies for Covid-19 crisis support guarantee programmes has fallen sharply, with the portfolio decreasing by EUR 5.7 million in the first half of 2022.

After low activity in 2021, in the first half of 2022 the Land Fund's portfolio increased by EUR 5.1 million (+6.4%) and by 53 projects (+5.7%), which is more than in the respective period of 2021, when the Land Fund's portfolio increased by EUR 4.2 million (+3.4%) and by 50 projects (+6.9%).

As at 30 June 2022, the balance sheet of the Land Fund included 1,253 properties with a total land area of 24,911 ha and amounting to EUR 84.2 million, including investment properties with a total area of 14,260 ha and amounting to EUR 49.7 million (31 December 2021: 13,778 ha; EUR 46.2 million), and leaseback transactions for 10,651 ha amounting to EUR 34.5 million (31 December 2021: 9,661 ha, EUR 33 million).

In the first half of 2022, the venture capital funds increased by EUR 0.3 million (+0.4%), which is significantly less than in the respective period of 2021, when the volume of the venture capital funds increased by EUR 10.5 million (+14.3%). The small increase in the venture capital funds can be explained by the lower volumes of new transactions in the first half of 2022 compared to the first half of 2021, respectively EUR 8.4 million and EUR 13.1 million, as well as the exit of investments of the 2nd and 3rd generation venture capital funds, taking into account the approaching expiration date of these venture capital funds.

By segment the largest portfolio of the Company is formed in the SMEs and Midcaps segment – 39%, while the Agriculture segment accounts for – 27%, Individuals – 25% and Financial intermediaries – 9%.



Company 30/06/2022

In the first half of 2022, the largest volume growth was in the Agriculture segment, with its portfolio growing by EUR 22.5 million (+10.0%), i.e., significantly more than in the first half of 2021, when the growth was EUR 11.8 million (+5.6%). This was mainly due to sharp price increase for fuel, fertilisers and seed that seriously increased farmers' need for additional funding. Given that the demand for Covid-19 crisis support instruments continued to decline and the repayments of the principal amounts for a large part of the existing Covid-19 crisis support instruments became due, the SMEs and Midcaps segment volume decreased by EUR 8.9 million (-0.5%), which is in contrast to the EUR 8.6 million (+2.4%) increase in the first half of 2021 influenced by the high demand for Covid-19 crisis support instruments from this segment. In the Individuals segment, the portfolio growth remained stable in the first half of 2022 – EUR 26.9 million (+12.7), exceeding the increase in the first half of 2021 – 24.5 million euro (+14.9%) which was due to the steady demand for state aid programmes for the acquisition and improvement of housing. The Financial intermediaries segment grew by EUR 0.3 million (+0.4) in the first half of 2022, which is significantly less than in the corresponding period of 2021, when the portfolio growth in this segment was by EUR 10.4 million (+14.2%).

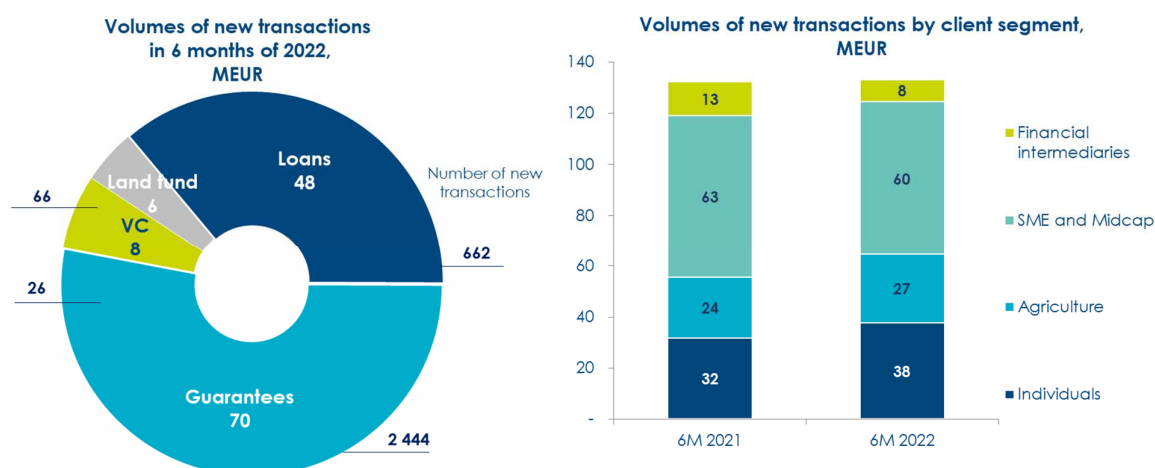
## Management Report (cont'd)

### Volume of new transactions

In the first half of 2022, the total funding disbursed for the implementation of the state aid programmes amounted to EUR 133 million, breaking down as follows: 53% (EUR 70.4 million) for guarantee programmes, 36% (EUR 48.1 million) in loan programmes, 4.6% (EUR 6.1 million) in the Land Fund transactions, and 6.3% (EUR 8.4 million) in investments in the venture capital funds. Totally, 3,198 projects were supported. In the first half of 2022, the volume of the new transactions was more only by 0.2% compared to the respective period in 2021 as its increase in the Altum's ordinary support programmes has been lower than the fall in demand for the Covid-19 crisis support programmes. On the other hand, the impact of the Russian invasion of Ukraine have not yet noticeably affected the volume of new transactions in the first half, but it will in the second half.

In the reporting period, the largest volume of the new transactions was recorded in the following segments: SMEs and Midcaps – 45%; Individuals – 28%; Agriculture – 20%; and Financial Intermediaries – 7%.

In the first half of 2022, new transactions experienced the largest increase in the Agriculture segment, where their volume was by 19% higher than in the first half of 2021. In the SMEs and Midcaps segment, the volume of new transactions was by 5% lower than in the first half of 2021, as in this period the Covid-19 crisis support programmes were in their final stages and were no more of interest, but with the rapidly changing geopolitical situation, the demand for new support instruments is growing.



Company 30/06/2022

In the first half of 2022, there were issued new guarantees for EUR 70.4 million or by 25% (+EUR 14.2 million) more than in the first half of 2021, indicating the increased lending activity of commercial banks that had declined during the Covid-19 pandemic. In the first half of 2022, the largest increase in the guarantee portfolio was in the loan guarantees for entrepreneurs (EUR 26.9 million), Housing Guarantees for Families with Children and Housing Guarantees for Young Professionals (EUR 19.7 million) and in the portfolio guarantees programmes (EUR 11.2 million).

Taking into account the business specifics, when issuing guarantees for working capital loans, for bank issued guarantees and for investment loan, a regular review and the extension of the issued guarantee are required for existing customers. This type of transaction is not attributed to newly issued guarantees because it is considered as an extension of guarantees; however, the volume of such transactions is quite significant, with EUR 39.9 million of guarantees extended in the first half of 2022 (in the first half of 2021: EUR 30.4 million).

In the first half of 2022, the volume of new loans issued amounted to EUR 48.1 million, which is by 19% (-EUR 11.4 million) less than in the respective period in 2021, as the demand for Covid-19-related loans decreased and the increase in the volume of new transactions under the ordinary support programmes has been lower than the fall in demand for the Covid-19 crisis support programmes. In the first half of 2022, the largest amount of new loans was issued under the SME Growth Loan Programme (EUR 14.9 million), loans for acquisition of agricultural land for the purpose of agricultural production (EUR 9.1 million) and working capital loans for agricultural enterprises (EUR 7.9 million).



## Management Report (cont'd)

### Volume of new transactions (cont'd)

Up until the end of the first half of 2022, a total of 21,146 guarantees for EUR 165.7 million of the state aid for housing acquisition was granted within the framework of the Programme for Housing Guarantees for Families with Children. In the first half of 2022, guarantees issued under this programme worth EUR 15 million (in the first half of 2021: EUR 17.1 million), which is by 12% less against the respective period in 2021. The decrease in volumes is due to the sharp rise in construction costs, creating considerable uncertainty in the real estate market. Some potential buyers are postponing the purchase of a property, but this process is likely to be short-lived as price increase will continue, so each month of postponement will increase the purchase price. The guarantees of the Programme help saving for the first instalment required to obtain a mortgage loan and are used by families all over Latvia. In turn, a total of 4,881 guarantees worth EUR 39.8 million were issued to young professionals, of which 495 guarantees worth EUR 4.7 million were issued in the first half of 2022 (in the first half of 2021: EUR 4.3 million).

Having launched the European Investment Fund (EIF) COSME and EaSI counter guarantees for loans up to EUR 25 thousand the Company has already supported 496 projects (COSME – 65 projects, EaSI – 431 projects) in total amount of EUR 7.8 million. 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.

In the first half of 2022, the Company's investments made in the venture capital funds amounted to EUR 8.4 million, of which EUR 3.7 million (in the first half of 2021: EUR 3.8 million) - in the 4th generation venture capital funds, EUR 1.9 million and EUR 1.4 million (in the first half of 2021: EUR 1.2 million and EUR 0.8 million) – in the Baltic Innovation Fund and the Baltic Innovation Fund 2, respectively, EUR 1.3 million (in the first half of 2021: EUR 4.8 million) - in the Altum Capital Fund.

If at the end of 2021 and in the first three months of 2022 an active land market was observed, the number of transactions with investment properties increased and interest in leaseback transactions gradually returned, then in the 2nd quarter of 2022, in response to the geopolitical situation in Europe, the land market became markedly inactive, including demand for leaseback practically stopped. In these circumstances, the Land Fund concluded land acquisitions and sales and leaseback transactions for EUR 6.1 million, up by EUR 2.2 million compared to the first half of 2021.

### Non-financial instrument portfolio

In order to make accessing to the support instruments more convenient for its clients, apart from the financial instruments, the Company services the 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, the grants under the support program BALSTS for the purchase or construction of housing for families with three or more children, grants under the Culture Support Programme, providing support in the form of loans and grants (combined financial instrument) where the grant does not exceed 40% of the total aid amount as well as grants under the support programme for increasing the energy efficiency of private houses. Considering the individual's interest in the support provided under this programme, proposals were developed and, on 8 March 2022, the Cabinet of Ministers approved respective amendments granting additional funding of EUR 3.27 million for continuing the programme as well as extending the range of potential beneficiaries and including support for the installation of solar panels in private houses, which is currently attracting a lot of interest.

Up until 30 June 2022, the EEPMB programme had awarded a total of 521 grants for EUR 120.2 million, of which 76 grants for EUR 22.5 million were granted in the first half of 2022. As of 18 December 2020, the programme was suspended and no new applications were accepted and currently the evaluation of the projects, awarding of grants and implementation of projects are carried out.

Under the support programme for increasing the energy efficiency of private houses, up until 30 June 2022 a total of 685 grant agreements worth EUR 2.1 million were signed, of which 200 grants worth EUR 0.6 million were signed in the first half of 2022 (in the first half of 2021: 374 grants worth EUR 1.1 million).

Up until 30 June 2022, a total of 173 grants for EUR 10.8 million were granted under the Social Entrepreneurship Programme, of which 26 grants worth EUR 1.5 million were granted in the first half of 2022 (in the first half of 2021: 25 grants worth EUR 1.5 million).



## Management Report (cont'd)

### Non-financial instrument portfolio (cont'd)

In order to promote and support planning of the energy efficiency projects, the Company, 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. Up until 30 June 2022, there were a total of 69 grants granted for EUR 0.8 million.

Within the framework of the support programme BALSTS, the Company accepts the applications for the issuance of non-refundable state subsidies or grants for the purchase or construction of housing for families with three or more children. Up until 30 June 2022, a total of 780 grants for EUR 6.5 million were granted, of which 211 grants for EUR 1.8 million were granted in the first half of 2022 (in the first half of 2021: 270 grants worth EUR 2.3 million).

As at 30 June 2022, the portfolio of grants amounted to EUR 88.1 million.

### New products and increasing operational efficiency

In order to find solutions at EU level to the current crisis situation and to support businesses in continuing their economic activity while adapting to new market conditions, including supply chain disruptions, on 23 March 2022 the European Commission approved the Temporary Crisis Framework for State aid measures. On 2 June 2022, the Saeima adopted the "Law on Support for Overcoming the Economic Consequences of Sanctions and Countermeasures Applied Due to Russia's Military Aggression Against Ukraine", simultaneously approving EUR 94.9 million financing for companies that suffered from the consequences of Russia's military aggression in Ukraine, which includes EUR 39 million for investment and working capital loans, EUR 22.5 million for credit guarantees and EUR 1.3 million for export credit guarantees as well as EUR 32.1 million through the equity fund, also attracting private financiers, for investments in companies for adapting their business model, improving export capacity, conquering new markets, new technologies and process optimization, product development in the context of the crisis of Russian military aggression against Ukraine. In cooperation with the Ministry of Economy, the new loan and guarantee support programmes to mitigate the effects of Russia's military aggression against Ukraine on the economy and to implement market reorientation. It will provide immediate support to businesses for working capital and liquidity stabilisation through loans and guarantees, while the state ensures conditions for economic stability for long-term development:

- On June 14, 2022, the Cabinet of Ministers approved the loan program, within the framework of which it is planned to issue approximately 500 loans, the maximum loan amount will be up to EUR 3 million, maturity for working capital loan will be up to 3 years, for investment loans - up to 6 years. Financing of the loan program for companies will be available until 31 December 2022. At the same time, the Cabinet of Ministers approved changes in the export credit guarantee programme, clarifying the conditions for receiving export credit guarantees, including that in the future the possibilities of providing export credit guarantees will not be limited, except that guarantees will not be provided for transactions with Russia, Belarus and Ukraine, and extended the term for providing guarantees - short-term export credit guarantees will be available to companies until the end of 2022.
- On 21 June 2022, the Cabinet of Ministers approved the guarantee support programme, within the framework of which approximately 300-400 guarantees can be issued, the maximum amount of guarantee for one customer will be up to EUR 10 million, the term of the guarantees - up to 6 years, taking into account the business operations and working capital cycle.

It is planned that the loan and guarantee programmes will be available in the 3rd quarter of 2022. In cooperation with the Ministry of Economy, active work is also underway to develop the equity fund program.

The Company continues to strengthen its role as the main government partner for the implementation of financial instrument programmes co-financed by the European Union (hereinafter - the EU). In total, at least EUR 650 million will be available as financial instruments under the Recovery and Resilience Facility (RRF) and the EU Cohesion Policy for the programming period 2021-2027. In cooperation with the Ministry of Economics, the four new support programmes were developed and approved by the Cabinet of Ministers:

- On June 7, 2022, the Cabinet of Ministers approved the energy efficiency programme for companies, within the framework of which EUR 80.5 million of the RRF funding will be available to companies for increasing energy efficiency and wider use of renewable energy technologies. Funding to companies will be available in a form of the Company's loan or a parallel loan with a capital rebate for principal repayment, the maximum loan amount is EUR 5 million, loan term – up to 20 years. The capital rebate will be 30%, but no more than EUR 1.5 million and will be awarded when the project has been implemented and the target indicators have been achieved.

## Management Report (cont'd)

### New products and increasing operational efficiency (cont'd)

- On July 5, 2022, the Cabinet of Ministers approved the digitization programme for companies, within the framework of which EUR 43.1 million of the RRF funding will be available to companies for digital transformations of companies, i.e. for promotion of digitization, automation and robotization. Funding to companies will be available in a form of the Company's loan or a parallel loan with a capital rebate for repayment of the principal amount, the maximum loan amount is EUR 7 million, loan term – up to 10 years. Capital rebate will be up to 35%, but no more than EUR 1.0 million and it will be applied if the preconditions of the digital development roadmap issued by the European Digital Innovation Center (EDIC) are fulfilled and a positive EDIC post-assessment is received no later than 6 months after the completion of the project.
- On July 14, 2022, the Cabinet of Ministers approved the energy efficiency program for multi-apartment buildings, within the framework of which EUR 57.3 million of the RRF funding will be available to improve the energy efficiency of multi-apartment buildings and transition to the use of renewable energy technologies. The programme is intended for apartment owners of multi-apartment residential buildings and its purpose is to make investments in the sector of multi-apartment residential buildings in order to promote the resolution of the housing issue in Latvia, help to achieve the set climate goals in reducing gas emissions and reduce the level of energy poverty. Funding will be available in a form of loan or guarantee with a capital rebate for repayment of the principal amount of the loan, the maximum loan amount is EUR 3.75 million, loan term – up to 20 years, maximum guarantee amount – up to 80% of the loan, guarantee term – up to 20 years. Capital rebate will be up to 49% and it will be applied if the project results in at least 30% of primary energy savings.
- On July 14, 2022, the Cabinet of Ministers approved the low-rent housing construction program, within the framework of which EUR 42.9 million of the RRF funding will be available for the construction of residential rental houses in the regions, in order to promote the availability of low-rent housing that meets construction standards and energy efficiency requirements. Funding to companies will be available in a form of the Company's loan or a parallel loan with a capital rebate for repayment of the principal amount, the term of the loan is up to 30 years. The capital rebate will be up to 30% and will be applied when the building has been put into operation and at least 90% of the apartments have been rented.

In cooperation with the Ministry of Economy, active work is currently underway to receive approval from the European Commission on the new ANM programs – energy efficiency programme for companies and low-rent housing construction programs. It is planned that the programs for the digitization of companies, the energy efficiency of apartment buildings and the construction of low-rent housing will be available in the 4th quarter of this year, while the program for the energy efficiency of companies will be available at the end of 2022 – the beginning of 2023.

Work continues on the implementation of existing programmes and improvement of conditions of the existing programmes:

- the Large Investment Loan Programme offering a capital rebate for medium-sized and large enterprises: under the programme, entrepreneurs will have access to a loan with a capital rebate of up to EUR 10 million. The Company will provide project funding with a loan amounting to the potential capital rebate, the remainder to be raised from other funders. The new programme differs from previous business support programmes to the effect that it includes a capital rebate or a complete or partial reduction (discharge) of the loan principal. A company can qualify for a loan with a capital rebate by achieving the project's objectives and meeting certain criteria. The call for applications opened on 19 January 2022. Currently, the Company is evaluating 14 loan applications with a capital rebate, the total amount of investment projects is EUR 600 million and the amount of the attributable capital rebate is EUR 96.4 million. The capital rebate is planned to be applied gradually over three years after the end of the project implementation and monitoring period. General interest from applicants exceeded the available funding of the programme more than 3 times. The first loans are planned to be issued in 2023.

## Management Report (cont'd)

### New products and increasing operational efficiency (cont'd)

- the Energy Efficiency Support Programme for Private Houses: envisages granting portfolio guarantees, technical assistance and grants for increasing the energy efficiency of private houses. The maximum amount of technical assistance per beneficiary is EUR 1,000, while a grant for increasing the energy efficiency class of a residential house is expected in the amount of EUR 5,000 per beneficiary. Considering the individual's interest in the support provided under this programme, proposals were developed and, on 8 March 2022, the Cabinet of Ministers approved respective amendments granting additional funding of EUR 3.27 million for continuing the programme as well as extending the range of potential beneficiaries and including support for the installation of solar panels in private houses, which is currently attracting a lot of interest. At the same time, amendments to Cabinet Regulation No 500 "General Construction Regulations", dated 19 August 2014, were approved to facilitate the installation of solar panels. From now on, private house owners are eligible for support not only for improving energy efficiency, but also for the installation of microgeneration technologies, i.e., solar panels and small scale wind turbines. The call for applications opened on 27 April 2022.
- the Programme for Multi-apartment Building Renovation Loans: under which it is established a Renovation Fund for financing renovation and other related costs for Multi-apartment buildings. The programme is open for applications from 8 September 2021 and has a total funding of EUR 31 million, available as a loan. The funding is intended for repairs of common areas and improvement of the surroundings as well as for replacing water pipes or roofs, installing a children playground or a sports field, renovating the facade of the building and other works that improve the condition of the building and create a more pleasant living environment. On 15 February 2022, applying for the programme was opened to the owners of rental and historic building as there were found ways to extend support for the renovation of residential buildings. Thus, the Repair Fund will also be available for the renovation of historic pre-war tenement houses and restoration of unoccupied houses, which so far had a limited access to funding.
- At the end of April 2022, the application for the support programme for businesses of the cultural sector affected by the Covid-19 crisis was closed, because the amount of submitted applications reached the funding available for the programme. However, taking into account the high demand, on 18 May 2022, the acceptance of applications for the support programme for cultural businesses was renewed until June 3, with EUR 1.2 million of the planned repayments being diverted for this purpose.
- The programme of small loans in rural areas: Amendments are made to the Cabinet Regulation on the funding from the European Agricultural Fund for Rural Development (EAFRD) amounting to EUR 20 million. The range of beneficiaries has also been expanded by increasing the applicant's maximum turnover from EUR 100 thousand to EUR 150 thousand.
- the Social Entrepreneurship Programme: on 28 February 2022, the Company resumed accepting applications for grants under the Social Entrepreneurship Programme. The Ministry of Welfare has allocated funding of EUR 3 million for the continuation of the programme, both for the implementation of projects that were previously submitted and for new business projects.

In the first half of 2022, 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 Company's operational efficiency, 27% 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. Compared to the performance indicators for the respective period of 2021, in the first half of 2022, the amount of loans granted in the regions increased by 21% or EUR 6.47 million and the number of loans granted increased by 8% while the loans granted under the centralised reviewing (up to EUR 25 thousand) decreased by 22% or EUR 745.3 thousand and the number of loans granted also decreased by 27%, which is due to a decrease in the number of loan applications in this segment. Compared to the performance indicators for the first half of 2021, in the first half of 2022, the total amount of loans granted both under centralised reviewing and in the regions increased by 17% or EUR 5.7 million, while the number of loans granted decreased by 5%. The average loan amount in the regions increased from EUR 76.6 thousand in the first half of 2021 to EUR 86.3 thousand in the first half of 2022, while the average loan amount reviewed remotely on a centralised basis in the first half of 2022 was EUR 14.7 thousand.

## Management Report (cont'd)

### Long-term Funding

In order to diversify the financing structure, already in October 2017, the Company issued the first transferable securities in the form of green bonds with a total value of EUR 20 million. As at 31 December 2021, the total amount of Altum bonds listed on the Nasdaq Riga stock exchange is EUR 85 million.

In the second half of 2021 ALTUM Green Bond Framework was updated according to the 2021 edition of Green & Social Bond Principles published by International Capital Market Association (ICMA) in June 2021. To gain investors' confidence that funds derived from the Altum green bonds will be invested in environmentally friendly projects and ensure that certain environmental targets are met, CICERO (Center for International Climate and Environmental Research, Oslo) issued independent second party opinion upon the updated ALTUM Green Bond Framework, which received the Medium Green shading from CICERO similar the one received in 2017.

In September 2021, the ALTUM became the first company from Latvia to join the Nasdaq Sustainable Bond Network in the world with its green bond issue.

### Rating

On 12 August 2021, the International credit rating agency Moody's Investors Service (Moody's) published the updated credit analysis of the Company. Moody's assigned the Company's Baa1 long-term credit rating with a stable outlook, the 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.

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 Company to implement more successfully the Company's long-term strategy for fund raising.

### Risk Management

In order to have an adequate risk management, the Company 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 Company retains the long-term capability of implementing the established operational targets and assignments.

To manage risks, the Company 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 Company's operations.

In view of the Company's activities in high-risk areas when implementing the state aid programmes, as at 31 March 2022 the Company has the risk coverage of EUR 287 million (31 December 2021: EUR 286 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 provisions for expected credit losses.

In view of the invasion of Ukraine by the Russian Federation, which resulted in the EU and the rest of the world imposing sanctions against the Russian Federation and the Republic of Belarus and their right holders, the Company imposed additional control measures for both the granting of financial instruments and the monitoring of business relationships.

The Company continuously monitors changes in sanctions and keeps a close eye on developments in Ukraine. The Company takes measures to minimise the potential direct or indirect impact on Altum's operations that might be caused by developments in Ukraine or sanctions against Russia and Belarus, including, but not limited to, additional monitoring of transactions with clients whose core business could be affected by the above factors.

## Management Report (cont'd)

### Contribution to Sustainability

Sustainability is a key part of Altum's business and strategy and is becoming an important strategic driver for the banking industry as well as for development finance institutions in Europe. Altum takes responsibility for the long-term impact of its daily economic, environmental and social activities and continuously works to reduce it on the environment and with its sustainable strategy contributes positively to such a development and its business is responsible. Moreover, Altum intends to facilitate and support its clients' transition to a sustainable economy.

From the beginning of 2021, Altum's management as one of priorities has set sustainable financing and the integration of ESG considerations into credit risk management and business processes. It is also one of the objectives of Altum's medium-term strategy 2022-2024 and is included as one of the five key tasks in the Action Plan for 2022 approved by the General Meeting of Shareholders.

To establish Altum's sustainability materiality matrix and to define the level of ambition for sustainable finance for the loan portfolio, in autumn 2021 Altum's stakeholder survey was carried out with a very high response rate. On the basis of this survey, the Altum's Sustainability Materiality Matrix was developed in early 2022 which is available in the Altum Corporate Governance Report 2021: <https://www.altum.lv/en/about-altum/corporate-governance-and-sustainability/corporate-governance/>.

In Q2 2022, work on the development of a detailed ALTUM roadmap for the integration of sustainable finance and ESG factors in credit risk management in (i) SMEs and Midcaps and (ii) Agriculture segments was completed. Based on the current state of events and the set objectives, the roadmap developed as a detailed plan of activities in areas such as new product development and moving existing products towards sustainable funding, portfolio tagging and monitoring, lending as well as collateral assessment and sustainability KPI management.

In April 2022, the Society Integration Fund, implementing the state program "Family Friendly Workplace", recognized ALTUM as an employer that cares about promoting family well-being and creating favourable conditions for the interaction of family and work life.

For the fourth year in a row, the Company participated in the Sustainability Index organized by the Institute for Corporate Sustainability and Responsibility, in 2022, for the second year in a row, receiving the high platinum rating.

### Future Outlook

In the second half of 2022, the Company will continue preparatory work for the launch of the financial instrument support programmes under the new EU Cohesion Policy programming period 2021-2027. Of planned funding in amount of EUR 650 million available as financial instruments under the Recovery and Resilience Facility (RRF) and the EU Cohesion Policy for the programming period 2021-2027, EUR 223.8 million was allocated to the new RRF support programmes. It also covers the possibility of raising funding for these support programmes in the capital markets as well as borrowing from international financial institutions.

In order to prepare for the InvestEU Programme 2021–2027, the preparations undertaken already in 2019 for pillar assessment of the Company was continued. ALTUM considers to apply and undertake the InvestEU implementing partner role, thus increasing the scope of new specialized and customized financial instruments to the corporates in Latvia. An application on the InvestEU pillar assessment was prepared in Q3 2021 to ensure further progress of the project. A positive assessment by the responsible DG of the European Commission on Altum's legal and financial compliance was received in early March 2022, allowing to proceed with the selection of auditors and the start of the actual pillar assessment. At the time of preparing the financial report, the Company has started the organization of the auditor selection process.



---

Reinis Bērziņš  
Chairman of the Management Board

30 August 2022

## Supervisory Board 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	28.12.2019.	27.12.2022.
Jānis Šnore	Member of the Council	28.12.2019.	27.12.2022.
Ilze Baltābola	Member of the Council	22.03.2022.	21.03.2023. *

\* For the time (up to 1 year) until a new candidate is selected in line with the procedures of nominating supervisory board members, according to the Law on Governance of Capital Shares of a Public Person and Capital Companies.

There were no changes in the Supervisory Council of the Company in Q1 2022.

### Management Board

Name, Surname	Position	Appointment Date	Date of expiry of the term of the mandate
Reinis Bērziņš	Chairman of the Board	27.05.2021.	26.05.2024.
Jēkabs Krieviņš	Member of the Board	27.05.2021.	26.05.2024.
Inese Zīle	Member of the Board	27.05.2021.	26.05.2024.
Aleksandrs Bimbirulis	Member of the Board	26.06.2020.	31.03.2022.
Ieva Jansone-Buka	Member of the Board	18.03.2021.	17.03.2024.

There were changes in the Management Board of the Company during the reporting period. Aleksandrs Bimbirulis has left the position of a Member of the Management Board on 31 March 2022.

## Statement of Management's responsibility

Riga

30 August 2022

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 15 to 78 for the period 1 January 2022 to 30 June 2022. The Management confirms that 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 Company and to prevent and detect fraud and other irregularities.



---

Reinis Bērziņš  
Chairman of the Management Board



## Statement of Comprehensive Income

All amounts in thousands of euro

	Notes	Company 01.01.2022.- 30.06.2022. (unaudited)	Group 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)
Interest income	4	9 583	9 318	9 318
Interest expense	5	(1 192)	(1 020)	(1 020)
Net interest income		8 391	8 298	8 298
				-
Income for implementation of state aid programmes	6	3 558	3 076	3 076
Expenses to be compensated for implementation of state aid programmes	7	(2 860)	(2 599)	(2 599)
Net income for implementation of state aid programmes		698	477	477
Gains from trading securities and foreign exchange translation		60	20	20
Share of gain / (losses) of investment in associate and other investments	12	(1 793)	146	18
Remeasurement gain of investment in associate at fair value through profit or loss	12	48	-	-
Gains / (losses) less losses from liabilities at fair value through profit or loss	20	1 951	(153)	(25)
Other income	8	2 331	1 246	1 246
Other expense	9	(805)	(627)	(627)
Operating income before operating expenses		10 881	9 407	9 407
Staff costs		(3 062)	(3 006)	(3 006)
Administrative expense		(718)	(860)	(860)
Amortisation of intangible assets and depreciation of property, plant and equipment		(460)	(484)	(484)
Impairment gain / (loss), net	10	(308)	890	890
Profit before corporate income tax		6 333	5 947	5 947
<b>Profit for the period</b>		<b>6 333</b>	<b>5 947</b>	<b>5 947</b>
Other comprehensive income:		(970)	(301)	(301)
Items to be reclassified to profit or loss in subsequent periods				
Net loss from financial assets measured at fair value through other comprehensive income		(970)	(301)	(301)
<b>Total comprehensive income for the period</b>		<b>5 363</b>	<b>5 646</b>	<b>5 646</b>
Profit is attributable to:				
Owners of the Company		6 333	5 947	-
Non-controlling interest		-	-	-
<b>Profit for the period</b>		<b>6 333</b>	<b>5 947</b>	<b>-</b>
Total comprehensive income is attributable to:				
Owners of the Company		5 363	5 646	-
Non-controlling interest		-	-	-
<b>Total comprehensive income for the period</b>		<b>5 363</b>	<b>5 646</b>	<b>-</b>

The accompanying notes on pages 20 through 77 form an integral part of these financial statements.



Reinis Bērziņš  
Chairman of the Management Board



Olga Alksne  
Chief Accountant

30 August 2022

## Statement of Financial Position

All amounts in thousands of euro

	Notes	Company 30.06.2022. (unaudited)	Group / Company 31.12.2021 (audited)
<b>Assets</b>			
Due from credit institutions and the State Treasury	11	511 668	455 006
Financial assets at fair value through other comprehensive income - investment securities		12 206	14 051
Financial assets at amortised cost:			
Investment securities		37	37
Loans and receivables	14	334 747	330 530
Grants	15	49 625	45 397
Deferred expense		491	642
Accrued income		1 833	1 424
Other investments	13	10 389	8 936
Investments in associates			
Investments accounted for using the equity method	12	52 858	51 727
Investments accounted for using the FVTPL method	12	14 248	13 222
Investment property	16	49 739	46 164
Property, plant and equipment		4 474	4 570
Intangible assets		1 119	1 256
Other assets	17	1 496	3 242
<b>Total assets</b>		<b>1 044 930</b>	<b>976 204</b>
<b>Liabilities</b>			
Due to credit institutions	18	43 450	53 416
Due to general government entities	19	145 434	121 348
Financial liabilities at amortised cost - Issued debt securities		85 391	85 558
Deferred income		4 842	5 747
Accrued expense		1 033	806
Provisions	21	36 289	34 466
Support programme funding	20	334 481	230 287
Other liabilities		2 951	3 840
<b>Total liabilities</b>		<b>653 871</b>	<b>535 468</b>
<b>Equity</b>			
Share capital		204 862	204 862
Reserves	22	180 136	221 347
Revaluation reserve of financial assets measured at fair value through other comprehensive income	22	(272)	698
Retained earnings		6 333	13 829
<b>Net assets attributable to the Company's owners</b>		<b>391 059</b>	<b>440 736</b>
<b>Total equity</b>		<b>391 059</b>	<b>440 736</b>
<b>Total equity and liabilities</b>		<b>1 044 930</b>	<b>976 204</b>

The accompanying notes on pages 20 through 77 form an integral part of these financial statements.



Reinis Bērziņš  
Chairman of the Management Board

30 August 2022



Olga Alksne  
Chief Accountant

## Consolidated Statement of Changes in Equity

All amounts in thousands of euro

	Attributable to owners of the Company					Total equity
	Share capital	Reserves	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Retained earnings	Non-controlling interest	
<b>As at 1 January 2021 (audited)</b>	<b>204 862</b>	<b>170 321</b>	<b>1 213</b>	<b>5 539</b>	<b>659</b>	<b>382 594</b>
Profit for the period	-	-	-	5 947	-	5 947
Other comprehensive income	-	-	(301)	-	-	(301)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(301)</b>	<b>5 947</b>	<b>-</b>	<b>5 646</b>
Increase of reserve capital (Note 22)	-	26 730	-	-	-	26 730
Distribution of 2020 profit of the Company	-	5 539	-	(5 539)	-	-
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2020	-	6 429	-	-	-	6 429
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2020	-	(6 429)	-	-	-	(6 429)
Increase of reserve capital	-	-	-	-	-	-
<b>As at 30 June 2021 (unaudited)</b>	<b>204 862</b>	<b>202 590</b>	<b>912</b>	<b>5 947</b>	<b>659</b>	<b>414 970</b>
Profit for the period	-	-	-	7 882	-	7 882
Other comprehensive income	-	-	(214)	-	-	(214)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(214)</b>	<b>7 882</b>	<b>-</b>	<b>7 668</b>
Increase of reserve capital (Note 22)	-	18 759	-	-	-	18 759
Non-controlling interest	-	(2)	-	-	(659)	(661)
<b>As at 31 December 2021 (audited)</b>	<b>204 862</b>	<b>221 347</b>	<b>698</b>	<b>13 829</b>	<b>-</b>	<b>440 736</b>

As the consolidated financial statements for 2022 are no longer prepared, but the unaudited interim condensed financial statements for 2022 also include comparatives for 2021, the Statement of Changes in Equity for 2021 to 31 December 2021 will be also prepared for the Group. For more information see Note 1.

The accompanying notes on pages 20 through 77 form an integral part of these financial statements.

## Company's Statement of Changes in Equity

All amounts in thousands of euro

	Share capital	Reserves	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Retained earnings	Total equity
<b>As at 1 January 2021 (audited)</b>	<b>204 862</b>	<b>170 319</b>	<b>1 213</b>	<b>5 539</b>	<b>381 933</b>
Profit for the period	-	-	-	5 947	5 947
Other comprehensive income	-	-	(301)	-	(301)
Total comprehensive income	-	-	(301)	5 947	5 646
Increase of reserve capital (Note 22)	-	26 730	-	-	26 730
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2020	-	6 429	-	-	6 429
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2020	-	(6 429)	-	-	(6 429)
Distribution of 2020 profit	-	5 539	-	(5 539)	-
<b>As at 30 June 2021 (unaudited)</b>	<b>204 862</b>	<b>202 588</b>	<b>912</b>	<b>5 947</b>	<b>414 309</b>
Profit for the period	-	-	-	7 882	7 882
Other comprehensive income	-	-	(214)	-	(214)
Total comprehensive income	-	-	(214)	7 882	7 668
Increase of reserve capital (Note 22)	-	18 759	-	-	18 759
<b>As at 31 December 2021 (audited)</b>	<b>204 862</b>	<b>221 347</b>	<b>698</b>	<b>13 829</b>	<b>440 736</b>
Profit for the period	-	-	-	6 333	6 333
Other comprehensive income	-	-	(970)	-	(970)
Total comprehensive income	-	-	(970)	6 333	5 363
Increase of reserve capital (Note 22)	-	3 525	-	-	3 525
Decrease of reserve capital by increasing financing of support programs	-	(58 565)	-	-	(58 565)
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2021	-	3 446	-	-	3 446
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2021	-	(3 446)	-	-	(3 446)
Distribution of 2021 profit	-	13 829	-	(13 829)	-
<b>As at 30 June 2022 (unaudited)</b>	<b>204 862</b>	<b>180 136</b>	<b>(272)</b>	<b>6 333</b>	<b>391 059</b>

The accompanying notes on pages 20 through 77 form an integral part of these financial statements.

## Statement of Cash Flows

All amounts in thousands of euro

	Notes	Company 01.01.2022.- 30.06.2022. (unaudited)	Group 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)
Cash and cash equivalents at the beginning of period		455 007	359 949	359 949
<b>Cash flows from operating activities</b>				
Profit before taxes		6 333	5 947	5 947
Amortisation of intangible assets and depreciation of property, plant and equipment		460	484	484
Interest income	4	(9 583)	(9 318)	(9 318)
Interest received		9 210	6 584	6 584
Interest expenses	5	1 192	1 020	1 020
Interests paid		(1 174)	(603)	(603)
(Decrease) / Increase in impairment allowances	10	308	(740)	(740)
<b>(Decrease) of cash and cash equivalents from operating activities before changes in assets and liabilities</b>		<b>6 746</b>	<b>3 374</b>	<b>3 374</b>
(Increase) / Decrease of loans	14	(4 087)	(18 702)	(18 702)
(Increase) / Decrease of grants	15	(4 228)	(10 206)	(10 206)
Increase / (Decrease) of due to credit institutions and general government entities	18,19	14 102	2 051	2 051
Increase / (Decrease) in deferred income and accrued expense		(678)	384	384
(Increase) / Decrease in deferred expense and accrued income		(259)	(646)	(646)
(Increase) / Decrease of other assets	17	1 686	(579)	(579)
Increase/ (Decrease) in other liabilities		48 799	33 205	33 299
<b>Net cash flows from operating activities</b>		<b>62 081</b>	<b>8 881</b>	<b>8 975</b>
<b>Cash flows from investment activities</b>				
Sale of investment securities		1 007	23 209	23 209
Acquisition of property, plant and equipment and intangible assets		(318)	(28)	(28)
Purchase of investment properties	16	(3 719)	(1 542)	(1 542)
Sale of investment properties	16	232	152	152
Other investments	13	(1 179)	(815)	(815)
Investments in associates, net	12	(4 101)	(6 089)	(6 089)
Investments of subsidiaries in underlying undertakings		-	(2 177)	-
Investments in subsidiaries		-	-	(2 271)
<b>Net cash flows from investing activities</b>		<b>(8 078)</b>	<b>12 710</b>	<b>12 616</b>
<b>Cash flows from financing activities</b>				
Issued debt securities		585	(585)	(585)
Increase of reserve capital	22	2 074	4 165	4 165
<b>Net cash flow from financing activities</b>		<b>2 659</b>	<b>3 580</b>	<b>3 580</b>
Increase in cash and cash equivalents		56 662	25 171	25 171
<b>Cash and cash equivalents at the end of period</b>		<b>511 669</b>	<b>385 120</b>	<b>385 120</b>

The accompanying notes on pages 20 through 77 form an integral part of these financial statements.

## Approval of the Financial Statements

The Management of the Company has approved these unaudited interim condensed financial statements on 30 August 2022.

### 1 General Information

#### (1) Corporate Information

These unaudited interim condensed financial statements contain financial information on the joint stock company "Development Financial Institution Altum" (hereinafter - the Company), as well as comparatives on the Company and its subsidiaries (hereinafter - the Group).

As at 31 December 2021, the Company's subsidiaries are not classified as subsidiaries based on the annual assessment of whether there is control or significant influence over the subsidiaries. In accordance with the Company's accounting policies, the subsidiary is included in the consolidated financial statements until the date that control ceases. Thus, the consolidated financial statements for 2022 are no longer prepared and the Statement of Financial Position as at 31 December 2021 is only the financial position of the Company.

Comparatives on the Group's financial performance for the 6 months of 2021 are included in the Statement of Comprehensive Income, Statement of Changes in Equity and the Cash Flow Statement, respectively, as well as in the relevant notes to the financial statements.

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.

The Company does not perform any regulated activities related to the financial and capital markets as financial institution, therefore the Company is not required to comply with capital adequacy requirements. However, the Company operates in accordance with the best financial and capital market practices regarding internal control, risk management and compliance.

The Company holds investment in alternative investment fund "Altum Capital Fund" (the Fund) registered on 31 July 2020. The Fund is created with the aim to support well-managed, perspective Mid-cap companies to overcome the effect of Covid-19 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 Fund's committed capital was fully subscribed on September 16, 2020, reaching EUR 100 million, of which the majority (EUR 51.1 million or 51.1%) were largest private pension funds and EUR 48.9 million consists of public funding invested by the Company. The Company is also the manager of the Fund registered with the Financial and Capital Market Commission on 26 May 2020.

## 1 General Information (cont'd)

The below listed venture capital funds - associates - are treated as associates during the reporting period only for purposes of financial accounting.

Legal Title	Legal Address	Investment % in share capital
<i>Venture capital funds that were classified as Subsidiaries until 31 December 2021, following a control assessment as at 31 December 2021, are classified as Associates</i>		
KS Overkill Ventures Fund I	Dzirnavu iela 105, Rīga, Latvija, LV-1011	100
KS Buildit Latvia Pre-Seed Fund	Sporta iela 2, Rīga, Latvija, LV-1013	100
KS Commercialization Reactor Pre-seed Fund	Brīvības gatve 300 -9, Rīga, Latvija	100
KS INEC 1	Krišjāņa Barona iela 32-7, Rīga, Latvija, LV-1011	75
KS INEC 2	Krišjāņa Barona iela 32-7, Rīga, Latvija, LV-1011	90
<i>Venture capital funds classified as Associates</i>		
KS Overkill Ventures Fund II	Dzirnavu iela 105, Rīga, Latvija, LV-1011	80
KS Buildit Latvia Seed Fund	Sporta iela 2, Rīga, Latvija, LV-1013	80
KS Commercialization Reactor Seed Fund	Brīvības 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, Latvija, 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
KS AIF "Altum capital fund"	Doma laukums 4, Rīga, Latvija, LV-1050	48.9



## 2 Accounting Policies

### (1) Basis of presentation

These unaudited interim condensed financial statements for the 6 months period ended 30 June 2022 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 2021 prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union.

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

### (2) Application of 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 2022:

- **Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9"** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Interest Rate Benchmark Reform — Phase 2** adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018-2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

The Company makes further assessment on the impact of these new standards and amendments, but the Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

### 3 Risk Management

The major risks that the 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 2021.

#### (1) Credit Risk

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	
	30.06.2022. (unaudited)	31.12.2021 (audited)	30.06.2022. (unaudited)	31.12.2021 (audited)	30.06.2022. (unaudited)	31.12.2021 (audited)	30.06.2022. (unaudited)	31.12.2021 (audited)
<b>Financial assets at AC</b>								
Due from credit institutions and the Treasury	511 669	455 007	-	-	-	-	511 669	455 007
Impairment allowances	(1)	(1)	-	-	-	-	(1)	(1)
<b>Total net due from credit institutions and the Treasury</b>	<b>511 668</b>	<b>455 006</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>511 668</b>	<b>455 006</b>
Investment securities	-	-	-	-	4 036	3 704	4 036	3 704
Impairment allowances	-	-	-	-	(3 999)	(3 667)	(3 999)	(3 667)
<b>Total net investment securities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>
Loans and receivables	264 678	256 865	63 477	67 091	26 064	24 717	354 219	348 673
Impairment allowances*	(3 831)	(3 545)	(4 262)	(4 425)	(11 379)	(10 173)	(19 472)	(18 143)
<b>Total net loans and receivables</b>	<b>260 847</b>	<b>253 320</b>	<b>59 215</b>	<b>62 666</b>	<b>14 685</b>	<b>14 544</b>	<b>334 747</b>	<b>330 530</b>
Grants	49 957	45 729	-	-	-	-	49 957	45 729
Impairment allowances	(332)	(332)	-	-	-	-	(332)	(332)
<b>Total net grants</b>	<b>49 625</b>	<b>45 397</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49 625</b>	<b>45 397</b>
Other financial assets	1 310	2 531	86	-	1 896	2 634	3 292	5 165
Impairment allowances	(21)	(21)	(28)	-	(1 775)	(1 930)	(1 824)	(1 951)
<b>Total net other financial assets</b>	<b>1 289</b>	<b>2 510</b>	<b>58</b>	<b>-</b>	<b>121</b>	<b>704</b>	<b>1 468</b>	<b>3 214</b>
<b>Total financial assets at AC</b>	<b>827 614</b>	<b>760 132</b>	<b>63 563</b>	<b>67 091</b>	<b>31 996</b>	<b>31 055</b>	<b>923 173</b>	<b>858 278</b>
Impairment allowances	(4 185)	(3 899)	(4 290)	(4 425)	(17 153)	(15 770)	(25 628)	(24 094)
<b>Total net financial assets at AC</b>	<b>823 429</b>	<b>756 233</b>	<b>59 273</b>	<b>62 666</b>	<b>14 843</b>	<b>15 285</b>	<b>897 545</b>	<b>834 184</b>
<b>Financial assets at FVOCI</b>								
Investment securities	12 206	14 051	-	-	-	-	12 206	14 051
Impairment allowances	-	-	-	-	-	-	-	-
<b>Total net investment securities</b>	<b>12 206</b>	<b>14 051</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12 206</b>	<b>14 051</b>
<b>Total financial assets at FVOCI</b>	<b>12 206</b>	<b>14 051</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12 206</b>	<b>14 051</b>
Impairment allowances	-	-	-	-	-	-	-	-
<b>Total net financial assets at FVOCI</b>	<b>12 206</b>	<b>14 051</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12 206</b>	<b>14 051</b>
<b>Off-balance sheet items and contingent liabilities</b>								
Outstanding guarantees	411 325	378 876	28 171	32 885	3 781	3 217	443 277	414 978
Impairment allowances*	(29 983)	(28 088)	(3 354)	(3 505)	(2 099)	(2 010)	(35 436)	(33 603)
<b>Total net outstanding guarantees</b>	<b>381 342</b>	<b>350 788</b>	<b>24 817</b>	<b>29 380</b>	<b>1 682</b>	<b>1 207</b>	<b>407 841</b>	<b>381 375</b>
Loan commitments	25 831	21 730	3 242	3 755	-	87	29 073	25 572
Impairment allowances*	(579)	(484)	(201)	(287)	-	(19)	(780)	(790)
<b>Total net loan commitments</b>	<b>25 252</b>	<b>21 246</b>	<b>3 041</b>	<b>3 468</b>	<b>-</b>	<b>68</b>	<b>28 293</b>	<b>24 782</b>
Grant commitments	24 662	11 089	-	-	-	-	24 662	11 089
Impairment allowances	(73)	(73)	-	-	-	-	(73)	(73)
<b>Total net grant commitments</b>	<b>24 589</b>	<b>11 016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24 589</b>	<b>11 016</b>
<b>Total off-balance items and contingent liabilities</b>	<b>461 818</b>	<b>411 695</b>	<b>31 413</b>	<b>36 640</b>	<b>3 781</b>	<b>3 304</b>	<b>497 012</b>	<b>451 639</b>
Impairment allowances	(30 635)	(28 645)	(3 555)	(3 792)	(2 099)	(2 029)	(36 289)	(34 466)
<b>Total net off-balance items and contingent liabilities</b>	<b>431 183</b>	<b>383 050</b>	<b>27 858</b>	<b>32 848</b>	<b>1 682</b>	<b>1 275</b>	<b>460 723</b>	<b>417 173</b>

\* Includes reversal of net impairment allowances as at 30 June 2022 in amount of EUR 686 thousand to be used to increase Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2022 annual report. In the distribution of the 2022 profit, it will be directly attributed to the Portfolio Loss Reserve by increasing it if reversal of net impairment allowances exists or by decreasing it if net impairment allowances exists.

## 3 Risk Management (cont'd)

### (1) Credit Risk (cont'd)

Breakdown of the Group's / Company's financial assets, off-balance sheet items and contingent liabilities by their qualitative assessment as at 31 December 2021, in thousands of euro:

	Stage 1	Stage 2	Stage 3	Total
<b>Financial assets at AC</b>				
Due from credit institutions and the Treasury	455 007	-	-	455 007
Impairment allowances	(1)	-	-	(1)
<b>Total net due from credit institutions and the Treasury</b>	<b>455 006</b>	<b>-</b>	<b>-</b>	<b>455 006</b>
Investment securities	-	-	3 704	3 704
Impairment allowances	-	-	(3 667)	(3 667)
<b>Total net investment securities</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>37</b>
Loans and receivables	256 865	67 091	24 717	348 673
Impairment allowances *	(3 545)	(4 425)	(10 173)	(18 143)
<b>Total net loans and receivables</b>	<b>253 320</b>	<b>62 666</b>	<b>14 544</b>	<b>330 530</b>
Grants	45 729	-	-	45 729
Impairment allowances	(332)	-	-	(332)
<b>Total net grants</b>	<b>45 397</b>	<b>-</b>	<b>-</b>	<b>45 397</b>
Other financial assets	2 531	-	2 634	5 165
Impairment allowances	(21)	-	(1 930)	(1 951)
<b>Total net other financial assets</b>	<b>2 510</b>	<b>-</b>	<b>704</b>	<b>3 214</b>
<b>Total financial assets at AC</b>	<b>760 132</b>	<b>67 091</b>	<b>31 055</b>	<b>858 278</b>
Impairment allowances	(3 899)	(4 425)	(15 770)	(24 094)
<b>Total net financial assets at AC</b>	<b>756 233</b>	<b>62 666</b>	<b>15 285</b>	<b>834 184</b>
<b>Financial assets at FVOCI</b>				
Investment securities	14 051	-	-	14 051
Impairment allowances	-	-	-	-
<b>Total net investment securities</b>	<b>14 051</b>	<b>-</b>	<b>-</b>	<b>14 051</b>
<b>Total financial assets at FVOCI</b>	<b>14 051</b>	<b>-</b>	<b>-</b>	<b>14 051</b>
Impairment allowances	-	-	-	-
<b>Total net financial assets at FVOCI</b>	<b>14 051</b>	<b>-</b>	<b>-</b>	<b>14 051</b>
<b>Off-balance sheet items and contingent liabilities</b>				
Outstanding guarantees	378 876	32 885	3 217	414 978
Impairment allowances *	(28 088)	(3 505)	(2 010)	(33 603)
<b>Total net outstanding guarantees</b>	<b>350 788</b>	<b>29 380</b>	<b>1 207</b>	<b>381 375</b>
Loan commitments	21 730	3 755	87	25 572
Impairment allowances *	(484)	(287)	(19)	(790)
<b>Total net loan commitments</b>	<b>21 246</b>	<b>3 468</b>	<b>68</b>	<b>24 782</b>
Grant commitments	11 089	-	-	11 089
Impairment allowances	(73)	-	-	(73)
<b>Total net grant commitments</b>	<b>11 016</b>	<b>-</b>	<b>-</b>	<b>11 016</b>
<b>Total off-balance items and contingent liabilities</b>	<b>411 695</b>	<b>36 640</b>	<b>3 304</b>	<b>451 639</b>
Impairment allowances	(28 645)	(3 792)	(2 029)	(34 466)
<b>Total net off-balance items and contingent liabilities</b>	<b>383 050</b>	<b>32 848</b>	<b>1 275</b>	<b>417 173</b>

\* Includes net impairment allowances of EUR 3,009 thousand covered by Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2021 annual report. In the distribution of the 2021 profit, it will be directly attributed to the Portfolio Loss Reserve, thus the 2021 result which will be allocated to Reserves will improve. Additional information available in Note 36.

## 3 Risk Management (cont'd)

### (1) Credit Risk (cont'd)

Changes in the 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
<b>As at 31 December 2021 (audited)</b>	<b>3 545</b>	<b>4 425</b>	<b>10 173</b>	<b>18 143</b>	<b>256 865</b>	<b>67 091</b>	<b>24 717</b>	<b>348 673</b>
Transfers between stages:								
from Stage 1 to Stage 2	(187)	321	-	134	(9 903)	9 284	-	(619)
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(40)	(123)	1 881	1 718	(1 726)	(3 490)	4 771	(445)
from Stage 3 to Stage 2	-	15	(136)	(121)	-	513	(649)	(136)
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	15	(33)	-	(18)	2 762	(2 852)	-	(90)
New originated or purchased	449	151	-	600	32 755	2 212	-	34 967
Derecognised during the period	(99)	(445)	(237)	(781)	(9 468)	(3 651)	(850)	(13 969)
Changes to ECL measurement model assumptions (PD, LGD)	-	-	-	-	-	-	-	-
Changes to ECL measurement model assumptions (macroeconomic factors)	535	407	31	973	-	-	-	-
Other movements	(86)	-	-	(86)	-	-	-	-
Write-offs	-	-	(203)	(203)	-	-	(203)	(203)
Change of outstanding balance **	(301)	(456)	(130)	(887)	(6 607)	(5 630)	(1 722)	(13 959)
<b>As at 30 June 2022 (unaudited)</b>	<b>3 831 *</b>	<b>4 262</b>	<b>11 379</b>	<b>19 472</b>	<b>264 678</b>	<b>63 477</b>	<b>26 064</b>	<b>354 219</b>

\* Includes the impairment overlay EUR 1,215 thousand that represents an additional loss reserve for SME and Midcaps portfolio

\*\* Change of outstanding balance includes cash flows from repayment of principal

Changes in the 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
<b>As at 31 December 2021 (audited)</b>	<b>28 088</b>	<b>3 505</b>	<b>2 010</b>	<b>33 603</b>	<b>378 876</b>	<b>32 885</b>	<b>3 217</b>	<b>414 978</b>
Transfers between stages:								
from Stage 1 to Stage 2	(602)	646	-	44	(4 940)	3 996	-	(944)
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(62)	(32)	454	360	(902)	(163)	1 065	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	315	(511)	-	(196)	5 086	(5 135)	-	(49)
New originated or purchased	4 498	25	-	4 523	59 194	118	-	59 312
Derecognised during the period	(1 301)	(133)	(269)	(1 703)	(24 057)	(3 447)	(348)	(27 852)
Changes to ECL measurement model assumptions (PD, LGD)	-	-	-	-	-	-	-	-
Changes to ECL measurement model assumptions (macroeconomic factors)	11	4	1	16	-	-	-	-
Other movements	-	280	(54)	226	(1)	347	(94)	252
Write-offs	-	-	-	-	-	-	-	-
Change of outstanding balance **	(964)	(430)	(43)	(1 437)	(1 931)	(430)	(59)	(2 420)
<b>As at 30 June 2022 (unaudited)</b>	<b>29 983 *</b>	<b>3 354</b>	<b>2 099</b>	<b>35 436</b>	<b>411 325</b>	<b>28 171</b>	<b>3 781</b>	<b>443 277</b>

\* includes the impairment overlay EUR 2,541 thousand that represents an additional loss reserve for SME and Midcaps portfolio

\*\* Change of outstanding balance includes cash flows from repayment of principal of underlying loan

## 3 Risk Management (cont'd)

### (1) Credit Risk (cont'd)

Aging analysis of the loans issued by the Company, in thousands of euro:

	Company 30.06.2022. (unaudited)	Group / Company 31.12.2021 (audited)
Performing	329 346	326 852
Past due up to 30 days	12 791	10 540
Past due from 31 to 60 days	3 361	2 346
Past due from 61 to 90 days	293	727
Past due over 90 days	8 428	8 208
<b>Total gross loans, without interest accrued on the loans</b>	<b>354 219</b>	<b>348 673</b>
Impairment allowances	(19 472)	(18 143)
<b>Total net loans</b>	<b>334 747</b>	<b>330 530</b>

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 :

	Company 30.06.2022. (unaudited)	Group / Company 31.12.2021 (audited)
Real estate (loans)	198 576	189 991
Real estate (leaseback)	34 477	32 993
Movable property	45 167	43 239
Guarantees	4 462	4 974
<b>Total collateral</b>	<b>282 682</b>	<b>271 197</b>
Loan portfolio, gross *	354 219	348 673
Impairment allowances	(19 472)	(18 143)
Loan portfolio, net	334 747	330 530
<b>Exposed</b>	<b>15.55%</b>	<b>17.95%</b>

\* includes loans in amount of EUR 114,937 thousand to mitigate the impact of Covid-19 for which no real estate or movable property is required as collateral while credit risk is covered by risk coverage (Portfolio Loss Reserve).

## 3 Risk Management (cont'd)

### (1) Credit Risk (cont'd)

The 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:

	Company 30.06.2022. (unaudited)	Group / Company 31.12.2021 (audited)
<i>Assets exposed to credit risk</i>		
Due from credit institutions and the Treasury	511 668	455 006
Financial assets at fair value through other comprehensive income - investment securities	12 206	14 051
Financial assets at amortised cost:		
Investment securities	37	37
Loans and receivables	334 747	330 530
Grants	49 625	45 397
Other investments	10 389	8 936
Investments in associates	67 106	64 949
Other assets	1 496	3 242
<b>Total</b>	<b>987 274</b>	<b>922 148</b>
<i>Off-balance sheet items exposed to credit risk</i>		
Contingent liabilities (Note 21)	443 277	414 978
Financial commitments (Note 21)	167 872	161 276
<b>Total</b>	<b>611 149</b>	<b>576 254</b>

As at 30 June 2022, part of the Company's assets in amount of EUR 177,710 thousand (31 December 2021: EUR 152,296 thousand) were pledged. Detailed information on the Company's outstanding loan agreement as at 30 June 2022 is provided in Note 18 and Note 19.

Article 31 of the Law on State Budget 2022 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 of issued guarantees issued under these conditions as at 30 June 2022 was EUR 204,188 thousand (31 December 2021: EUR 268,256 thousand).

## 3 Risk Management (cont'd)

### (2) Liquidity Risk

Maturity profile of the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 30 June 2022, 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	14 421	29 078	-	-	-	43 499
Due to general governments	6 881	37 717	13 927	30 091	59 775	148 391
Issued debt securities	688	87 119	-	-	-	87 807
Support programme funding **	9 272	91 942	98 439	25 691	109 137	334 481
Other liabilities	2 320	631	-	-	-	2 951
<b>Total financial liabilities</b>	<b>33 582</b>	<b>246 487</b>	<b>112 366</b>	<b>55 782</b>	<b>168 912</b>	<b>617 129</b>
Off-balance sheet items and contingent liabilities	398 456	60 137	152 556	-	-	611 149
<b>Total financial liabilities, off-balance items and contingent liabilities ***</b>	<b>432 038</b>	<b>306 624</b>	<b>264 922</b>	<b>55 782</b>	<b>168 912</b>	<b>1 228 278</b>
Due from credit institutions and the Treasury	511 668	-	-	-	-	511 668
Investment securities	2 535	9 708	-	-	-	12 243
<b>Liquid assets</b>	<b>514 203</b>	<b>9 708</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>523 911</b>

\* According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Company has been classified within maturity "Up to 1 year". The exception is the housing guarantees for families with children and housing guarantees for young specialists – these guarantees with remaining contractual maturity exceeding 3 years, counting from the reporting date, are classified within maturity "1 to 5 years", because the compensation mechanism for housing guarantee for families with children and housing guarantee for young specialists stipulates that compensation for the declared guarantee cases is paid within 3 years from the date the guarantee case is declared. In turn, the housing guarantees for families with children and housing guarantees for young specialists with remaining contractual maturity shorter than 1 year, counting from the reporting date, are presented in accordance with the remaining contractual maturity.

Maturity profile of the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 30 June 2022 and supporting analysis is presented in table below.

\*\* After expiring of the support programme its funding remains on the Company's balance sheet since any repayment from the existing support programme accumulates and are used to finance new support programmes.

\*\*\* Since part of off-balance sheet items and contingent liabilities is backed by funding recognized as financial liabilities, EUR 72,258 thousand are included in both the Company's financial liabilities and the Company's off-balance sheet items and contingent liabilities.



## 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 "Up to 1 year" as at 30 June 2022, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Total up to 1 year
Due to credit institutions	3	1 584	5 633	7 201	14 421
Due to general governments	713	569	2 044	3 555	6 881
Issued debt securities	5	-	109	574	688
Support programme funding	562	-	8 710	-	9 272
Other liabilities	2 168	94	-	58	2 320
<b>Total financial liabilities</b>	<b>3 451</b>	<b>2 247</b>	<b>16 496</b>	<b>11 388</b>	<b>33 582</b>
Off-balance sheet items and contingent liabilities *	333 066	9 335	40 668	15 387	398 456
<b>Total financial liabilities, off-balance items and contingent liabilities</b>	<b>336 517</b>	<b>11 582</b>	<b>57 164</b>	<b>26 775</b>	<b>432 038</b>
Due from credit institutions and the Treasury	511 668	-	-	-	511 668
Investment securities	37	105	2 393	-	2 535
<b>Liquid assets</b>	<b>511 705</b>	<b>105</b>	<b>2 393</b>	<b>-</b>	<b>514 203</b>

\* Split of off-balance sheet items and contingent liabilities by type of financial instrument – outstanding financial guarantees, loan commitments and grant commitments as well as commitments to AIF "Altum capital fund", investments in associates and other investments, are presented in Note 23.

Contingent liabilities and financial commitments are funded from various funding sources available to the Company.

Outstanding financial guarantees in amount of EUR 276,988 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 20) and Specific reserve capital (see Note 22). 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.

Loan commitments in amount of EUR 29,073 thousand (up to 1 year) – from financial facilities (either received by the Company or available to the Company upon request) concluded with financial institutions and the Treasury (see Notes 18 and 19) and respective loan support programme funding (see Note 20).

Grant commitments in amount of EUR 24,662 thousand (up to 1 year) – from respective grant support programme funding (see Note 20).

Commitments to investments in associates in amount of EUR 29,735 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 20).

Commitments to AIF "Altum capital fund" in amount of EUR 31,258 thousand (up to 1 year) – from specific reserve capital (see Note 22) and additional funding from shareholders expected in 2021.

Commitments to other investments in amount of EUR 6,740 thousand (up to 1 year) – for Baltic Innovation Fund 2 from support programme funding and repayments on different support programmes (see Note 20) and the Group's / Company's own funding for Three Seas Initiatives Investment Fund.

As a consequence, the liquidity of the Company is not deteriorated.

## 3 Risk Management (cont'd)

### (2) Liquidity Risk (cont'd)

Maturity profile of the Group's / Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 31 December 2021, 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	13 443	39 997	-	-	-	53 440
Due to general governments	6 547	30 634	31 219	18 781	36 605	123 786
Issued debt securities	854	87 623	-	-	-	88 477
Support programme funding **	2 895	62 750	126 942	27 087	10 613	230 287
Other liabilities	3 000	840	-	-	-	3 840
<b>Total financial liabilities</b>	<b>26 739</b>	<b>221 844</b>	<b>158 161</b>	<b>45 868</b>	<b>47 218</b>	<b>499 830</b>
Off-balance sheet items and contingent liabilities	350 748	79 640	145 866	-	-	576 254
<b>Total financial liabilities, off-balance items and contingent liabilities ***</b>	<b>377 487</b>	<b>301 484</b>	<b>304 027</b>	<b>45 868</b>	<b>47 218</b>	<b>1 076 084</b>
Due from credit institutions and the Treasury	455 006	-	-	-	-	455 006
Investment securities	3 592	10 496	-	-	-	14 088
<b>Liquid assets</b>	<b>458 598</b>	<b>10 496</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>469 094</b>

\* According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Company has been classified within maturity "Up to 1 year". The exception is the housing guarantees for families with children and housing guarantees for young specialists – these guarantees with remaining contractual maturity exceeding 3 years, counting from the reporting date, are classified within maturity "1 to 5 years", because the compensation mechanism for housing guarantee for families with children and housing guarantee for young specialists stipulates that compensation for the declared guarantee cases is paid within 3 years from the date the guarantee case is declared. In turn, the housing guarantees for families with children and housing guarantees for young specialists with remaining contractual maturity shorter than 1 year, counting from the reporting date, are presented in accordance with the remaining contractual maturity.

Maturity profile of the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 31 December 2021 and supporting analysis is presented in table below.

\*\* After expiring of the support programme its funding remains on the Group's / Company's balance sheet since any repayment from the existing support programme accumulates and are used to finance new support programmes.

\*\*\* Since part of off-balance sheet items and contingent liabilities is backed by funding recognized as financial liabilities, EUR 70,980 thousand are included in both the Company's financial liabilities and the Company's off-balance sheet items and contingent liabilities.

## 3 Risk Management (cont'd)

### (2) Liquidity Risk (cont'd)

Maturity profile of the Group's / Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 31 December 2021, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Total up to 1 year
Due to credit institutions	-	4 381	3 750	5 312	13 443
Due to general governments	84	354	2 531	3 578	6 547
Issued debt securities	-	505	-	349	854
Support programme funding	77	-	-	2 818	2 895
Other liabilities	2 983	8	-	9	3 000
<b>Total financial liabilities</b>	<b>3 144</b>	<b>5 248</b>	<b>6 281</b>	<b>12 066</b>	<b>26 739</b>
Off-balance sheet items and contingent liabilities *	299 718	14 010	23 605	13 415	350 748
<b>Total financial liabilities, off-balance items and contingent liabilities</b>	<b>302 862</b>	<b>19 258</b>	<b>29 886</b>	<b>25 481</b>	<b>377 487</b>
Due from credit institutions and the Treasury	455 006	-	-	-	455 006
Investment securities	1 072	-	-	2 520	3 592
<b>Liquid assets</b>	<b>456 078</b>	<b>-</b>	<b>-</b>	<b>2 520</b>	<b>458 598</b>

\* Split of off-balance sheet items and contingent liabilities by type of financial instrument – outstanding financial guarantees, loan commitments and grant commitments as well as commitments to AIF "Altum capital fund", investments in associates and other investments, are presented in Note 23.

Contingent liabilities and financial commitments are funded from various funding sources available to the Company.

Outstanding financial guarantees in amount of EUR 261,119 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 20) and Specific reserve capital (see Note 22). 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.

Loan commitments in amount of EUR 25,572 thousand (up to 1 year) – from financial facilities (either received by the Company or available to the Company upon request) concluded with financial institutions and the Treasury (see Notes 18 and 19) and respective loan support programme funding (see Note 20).

Grant commitments in amount of EUR 11,089 thousand (up to 1 year) – from respective grant support programme funding (see Note 20).

Commitments to investments in subsidiaries in amount of EUR 13,977 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 20).

Commitments to AIF "Altum capital fund" in amount of EUR 32,124 thousand (up to 1 year) – from specific reserve capital (see Note 22) and additional funding from shareholders expected in 2022.

Commitments to other investments in amount of EUR 5,867 thousand (up to 1 year) – for Baltic Innovation Fund 2 from support programme funding and repayments on different support programmes (see Note 20) and the Group's / Company's own funding for Three Seas Initiatives Investment Fund.

As a consequence, the liquidity of the Company is not deteriorated.

## 3 Risk Management (cont'd)

### (2) Liquidity Risk (cont'd)

Breakdown of the Company's assets and liabilities by maturity profile as at 30 June 2022 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
<b>Assets</b>							
Due from credit institutions and the Treasury	511 668	-	-	-	-	-	511 668
Investment securities	37	105	2 393	-	9 708	-	12 243
Loans *	9 592	11 983	26 971	42 203	140 498	103 500	334 747
Grants	1 354	338	13 711	486	32 752	984	49 625
Deferred expense and accrued income	279	-	2 044	1	-	-	2 324
Other investments	-	-	-	-	-	10 389	10 389
Investments in associates	1 745	-	9 265	9 311	4 107	42 678	67 106
Investment property	-	-	-	-	-	49 739	49 739
Property, plant and equipment	-	-	-	-	-	4 474	4 474
Intangible assets	-	-	-	-	-	1 119	1 119
Other assets	385	248	352	47	464	-	1 496
<b>Total assets</b>	<b>525 060</b>	<b>12 674</b>	<b>54 736</b>	<b>52 048</b>	<b>187 529</b>	<b>212 883</b>	<b>1 044 930</b>
<b>Liabilities</b>							
Due to credit institutions	-	1 578	5 625	7 187	29 060	-	43 450
Due to general governments	713	569	2 044	3 555	37 722	100 831	145 434
Issued debt securities	-	-	184	246	84 961	-	85 391
Deferred income and accrued expense	204	340	1 342	568	2 575	846	5 875
Provisions	36 289	-	-	-	-	-	36 289
Support programme funding	562	-	8 710	-	91 942	233 267	334 481
Other liabilities	2 168	94	-	58	631	-	2 951
<b>Total liabilities</b>	<b>39 936</b>	<b>2 581</b>	<b>17 905</b>	<b>11 614</b>	<b>246 891</b>	<b>334 944</b>	<b>653 871</b>
<b>Net liquidity</b>	<b>485 124</b>	<b>10 093</b>	<b>36 831</b>	<b>40 434</b>	<b>(59 362)</b>	<b>(122 061)</b>	<b>391 059</b>

\* 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 / Company's assets and liabilities by maturity profile as at 31 December 2021 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
<b>Assets</b>							
Due from credit institutions and the Treasury	455 006	-	-	-	-	-	455 006
Investment securities	1 072	-	-	2 520	10 496	-	14 088
Loans *	11 485	14 348	16 801	39 439	147 944	100 513	330 530
Grants	93	12 642	370	377	31 075	840	45 397
Deferred expense and accrued income	2 066	-	-	-	-	-	2 066
Other investments	-	-	-	-	-	8 936	8 936
Investments in associates	-	-	6 130	10 473	9 924	38 422	64 949
Investment property	-	-	-	-	-	64 949	64 949
Property, plant and equipment	-	-	-	-	-	4 570	4 570
Intangible assets	-	-	-	-	-	1 256	1 256
Other assets	1 004	96	279	1 306	557	-	3 242
<b>Total assets</b>	<b>470 726</b>	<b>27 086</b>	<b>23 580</b>	<b>54 115</b>	<b>199 996</b>	<b>200 701</b>	<b>976 204</b>
<b>Liabilities</b>							
Due to credit institutions	-	4 357	3 750	5 312	39 997	-	53 416
Due to general governments	-	354	2 374	3 448	29 949	85 223	121 348
Issued debt securities	-	505	(2)	59	84 996	-	85 558
Deferred income and accrued expense	186	401	418	2 233	2 492	823	6 553
Provisions	34 466	-	-	-	-	-	34 466
Support programme funding	77	-	-	2 818	62 750	164 642	230 287
Other liabilities	2 983	8	-	9	840	-	3 840
<b>Total liabilities</b>	<b>37 712</b>	<b>5 625</b>	<b>6 540</b>	<b>13 879</b>	<b>221 024</b>	<b>250 688</b>	<b>535 468</b>
<b>Net liquidity</b>	<b>433 014</b>	<b>21 461</b>	<b>17 040</b>	<b>40 236</b>	<b>(21 028)</b>	<b>(49 987)</b>	<b>440 736</b>

\* 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)

### (3) Covid-19 impact

#### (i) Covid-19 impact on loan portfolio

Analysis of the Company's loan portfolio by client segments as at 30 June 2022, in thousands of euro:

	Stage 1		Stage 2		Stage 3		Total gross loans	Total impairment allowance
	Gross loans	Impairment allowance	Gross loans	Impairment allowance	Gross loans	Impairment allowance		
Financial Intermediaries	3	-	-	-	-	-	3	-
Agriculture	133 073	489	11 277	227	8 117	2 340	152 467	3 056
SME and Midcaps	96 073	2 118	49 968	4 031	15 596	8 503	161 637	14 652
of which,								
Covid-19 crisis related working capital loans	25 278	781	17 402	729	4 020	3 471	46 700	4 981
Daily loan products	70 795	1 337	32 566	3 302	11 576	5 032	114 937	9 671
Private individuals	3 717	6	350	4	1 568	534	5 635	544
Land Fund	31 812	3	1 882	-	783	2	34 477	5
<b>Total segments, gross</b>	<b>264 678</b>	<b>2 616</b>	<b>63 477</b>	<b>4 262</b>	<b>26 064</b>	<b>11 379</b>	<b>354 219</b>	<b>18 257</b>
Impairment overlay *	-	1 215	-	-	-	-	-	1 215
<b>Total segments, net</b>	<b>264 678</b>	<b>3 831</b>	<b>63 477</b>	<b>4 262</b>	<b>26 064</b>	<b>11 379</b>	<b>354 219</b>	<b>19 472</b>

\* The impairment overlay represents an additional loss reserve for SME and Midcaps portfolio over the modelled ECL amounts to account for other economic uncertainties.

Analysis of the Group's / Company's loan portfolio by client segments as at 31 December 2021, in thousands of euro:

	Stage 1		Stage 2		Stage 3		Total gross loans	Total impairment allowance
	Gross loans	Impairment allowance	Gross loans	Impairment allowance	Gross loans	Impairment allowance		
Financial Intermediaries	881	2	77	2	577	337	1 535	341
Agriculture	115 778	270	10 778	192	6 000	1 533	132 556	1 995
SME and Midcaps	104 890	1 966	54 714	4 229	15 466	7 646	175 070	13 841
of which,								
Covid-19 crisis related working capital loans	36 922	1 000	18 663	720	3 247	2 485	58 832	4 205
Daily loan products	67 968	966	36 051	3 509	12 219	5 161	116 238	9 636
Private individuals	4 314	4	302	2	1 897	654	6 513	660
Land Fund	31 002	3	1 220	-	777	2	32 999	5
<b>Total segments, gross</b>	<b>256 865</b>	<b>2 245</b>	<b>67 091</b>	<b>4 425</b>	<b>24 717</b>	<b>10 172</b>	<b>348 673</b>	<b>16 842</b>
Impairment overlay *	-	1 301	-	-	-	-	-	1 301
<b>Total segments, net</b>	<b>256 865</b>	<b>3 546</b>	<b>67 091</b>	<b>4 425</b>	<b>24 717</b>	<b>10 172</b>	<b>348 673</b>	<b>18 143</b>

\* The impairment overlay represents an additional loss reserve for SME and Midcaps portfolio over the modelled ECL amounts to account for other economic uncertainties.

Loans issued by the Company to SME and Midcap client segment are split between specific Covid-19 related support instrument – working capital loans and daily (ordinary) loan product portfolio.

## 3 Risk Management (cont'd)

### (3) COVID-19 impact (cont'd)

#### (i) Covid-19 impact on loan portfolio (cont'd)

Split of specific Covid-19 related support instrument - working capital loans – portfolio for the SME and Midcap client segment by industries as at 30 June 2022, in thousands euro:

	Gross loans	Changes to 31.12.2021.	Granted in 2022 6M	Granted in 2021 12M	Impairment allowance	Changes to 31.12.2021.	Net loans	% of Total Gross loans, SME & Midcap
<i>Covid-19 more exposed industries</i>								
Retail	3 269	(926)	555	1 768	309	(1)	2 960	2.0%
Hotels and restaurants	2 361	(460)	344	600	201	(6)	2 160	1.5%
Tourism services	2 257	(315)	272	521	242	(20)	2 015	1.4%
Art, entertainment and leisure	2 219	629	1 673	1 518	148	6	2 071	1.4%
Land transport services	1 970	(70)	250	1 625	62	(13)	1 908	1.2%
Beauty	88	(12)	-	100	4	(1)	84	0.1%
<b>Total Covid-19 more exposed industries</b>	<b>12 164</b>	<b>(1 154)</b>	<b>3 094</b>	<b>6 132</b>	<b>966</b>	<b>(35)</b>	<b>11 198</b>	<b>7.5%</b>
<i>Covid-19 less exposed industries</i>								
Manufacturing	10 923	(3 954)	396	5 596	837	(177)	10 086	6.8%
Wholesale	8 050	(2 728)	-	1 771	832	(102)	7 218	5.0%
Construction	7 156	(699)	574	2 906	1 875	1 113	5 281	4.4%
Transport, warehousing and communications	2 604	(487)	345	1 040	239	69	2 365	1.6%
Information technologies and communication	1 732	(651)	30	640	50	(5)	1 682	1.1%
Professional, science and technical services	1 364	(497)	-	547	85	12	1 279	0.8%
Municipal authorities	774	(125)	-	305	30	(5)	744	0.5%
Real estate	419	(71)	-	100	20	6	399	0.3%
Electricity, gas and water utilities	283	(174)	-	34	5	(12)	278	0.2%
Health and social care	105	(53)	-	45	2	(2)	103	0.1%
Forestry	-	(1 432)	-	218	-	(94)	-	0.0%
Other industries	1 126	(107)	250	310	40	6	1 086	0.7%
<b>Total Covid-19 less exposed industries</b>	<b>34 536</b>	<b>(10 978)</b>	<b>1 595</b>	<b>13 512</b>	<b>4 015</b>	<b>809</b>	<b>30 521</b>	<b>21.4%</b>
<b>Total Covid-19 crisis related working capital loans</b>	<b>46 700</b>	<b>(12 132)</b>	<b>4 689</b>	<b>19 644</b>	<b>4 981</b>	<b>774</b>	<b>41 719</b>	<b>28.9%</b>



## 3 Risk Management (cont'd)

### (3) COVID-19 impact (cont'd)

#### (i) Covid-19 impact on loan portfolio (cont'd)

Split of daily (ordinary) loan product portfolio for the SME and Midcap client segment by industries as at 30 June 2022, in thousands euro:

	Gross loans	Changes to 31.12.2021.	Granted in 2022 6M	Granted in 2021 12M	Impairment allowance	Changes to 31.12.2021.	Net loans	% of Total Gross loans, SME & Midcap
<b>Covid-19 more exposed industries</b>								
Hotels and restaurants	4 681	81	770	1 947	300	(35)	4 381	2.9%
Retail	2 142	263	896	604	106	(4)	2 036	1.3%
Art, entertainment and leisure	2 120	279	743	598	348	53	1 772	1.3%
Beauty and sports	618	(26)	84	55	244	(7)	374	0.4%
Land transport services	561	26	242	264	16	(5)	545	0.3%
Tourism services	332	(1)	-	-	114	8	218	0.2%
<b>Total Covid-19 more exposed industries</b>	<b>10 454</b>	<b>622</b>	<b>2 735</b>	<b>3 468</b>	<b>1 128</b>	<b>10</b>	<b>9 326</b>	<b>6.5%</b>
<b>Covid-19 less exposed industries</b>								
Manufacturing	53 126	629	9 804	20 815	4 239	145	48 887	32.9%
Real estate	13 781	551	2 288	5 387	1 640	(307)	12 141	8.5%
Wholesale	7 148	(241)	894	3 008	579	22	6 569	4.4%
Health and social care	6 169	431	1 619	2 420	263	75	5 906	3.8%
Electricity, gas and water utilities	5 806	144	718	596	870	18	4 936	3.6%
Municipal authorities	5 066	28	720	1 577	168	148	4 898	3.1%
Construction	4 487	155	1 084	2 344	215	2	4 272	2.8%
Transport, warehousing and communications	2 757	1 567	1 827	792	302	111	2 455	1.7%
Professional, science and technical services	2 684	(369)	404	1 143	33	(3)	2 651	1.7%
Information technologies and communication	610	34	146	196	75	11	535	0.4%
Forestry	-	(2 691)	-	1 320	-	(54)	-	0.0%
Fishery	21	(2 063)	31	761	-	(119)	21	0.0%
Other industries	2 828	(98)	726	1 648	159	(26)	2 669	1.7%
<b>Total Covid-19 less exposed industries</b>	<b>104 483</b>	<b>(1 923)</b>	<b>20 261</b>	<b>42 007</b>	<b>8 543</b>	<b>23</b>	<b>95 940</b>	<b>64.6%</b>
<b>Total daily (ordinary) loan products</b>	<b>114 937</b>	<b>(1 301)</b>	<b>22 996</b>	<b>45 475</b>	<b>9 671 *</b>	<b>33</b>	<b>105 266 *</b>	<b>71.1%</b>

\* excludes impairment overlay in amount of EUR 1,215 thousand represents an additional loss reserve for SME and Midcaps portfolio over the modelled ECL amounts to account for other economic uncertainties

For daily (ordinary) loan product portfolio the loan application assessment process, including, accepted credit risk level, eligible credit rating of the client, expected debt service capacity, collateral has not been lowered by Covid-19 situation. The same loan application assessment process applies to specific Covid-19 related support instrument – working capital loans.

In the agricultural segment, in 2021 there was an increase in the prices of raw materials and energy resources, which continued in the 1st quarter of 2022. As a result of the increase in raw material prices, which was followed by an increase in sales prices, which was able to compensate for the increase in raw material costs. The companies of the agricultural segment closed 2021 with sufficiently good financial results. Taking into account the seasonality of the industry, the operational financial results for the 1st quarter of 2022 do not give an idea of the state of economic activity, but according to the available information, the winter sowings are of good quality and the 2022 harvest could be in good volume and quality. The availability of different raw materials and their significant increase in costs can be a challenge. It should even be noted that the agricultural segment is heavily subsidized and loans to this segment are mainly secured by agricultural land, which is prudently valued. Therefore, the Company does not see a deterioration in the quality of the loan portfolio in this segment as a result of the Covid-19 crisis.

## 3 Risk Management (cont'd)

### (3) COVID-19 impact (cont'd)

#### (i) Covid-19 impact on loan portfolio (cont'd)

Manufacturing industry. In 2021, the growth of manufacturing companies has continued. Given the constraints on the entertainment, catering, tourism and other services sectors, public consumption trends have been significantly affected and most of the revenue is spent on various goods. The sub-sector that is experiencing the sharpest fluctuations is wood processing, as in 2021 the trend of the second half of 2020 will continue with rapidly rising sales prices, and profit indicators will increase accordingly. However, the first quarter of 2022 has created new challenges for the availability of raw materials, due to economic sanctions against Belarus and Russia, as well as a possible sharp changes in product prices after demand adjustments, creating additional risks for companies in the industry. The sufficiently good results of the manufacturing industry in 2021 and in the 1st quarter of 2022 are also shown by the macroeconomic indicators - the output of exported goods continues to increase in almost all sub-sectors. Therefore, it can be concluded that the negative impact of Covid-19 on the operations of the companies in the sector has been insignificant. In its turn, in the second half of 2021, as well as in the 1st quarter of 2022, negative trends were observed in connection with the rapid rise in energy prices and the shortage of raw materials, which may affect the financial results of some energy-intensive sub-sector companies in both 2021 and 2022.

The second largest industry in terms of loan portfolio is real estate operations. Real estate portfolios, where the hotel business is located, were most affected - due to travel restrictions, the flow of visitors to the region in 2021 has almost completely stopped. It is too early to judge the recovery of this segment, but in the 1st quarter of 2022 there are positive trends, as the Covid-19 limit is significantly reduced. The second most significantly affected segment is shopping centers. Restrictions on trade, social distancing, and the boom in e-commerce have had a significant impact on the financial performance of shopping centers, with a large number of tenants requesting rent rebates, but the proportion of vacant space in some centers increasing. In the office segment - most office workers have had to work remotely and many still work from home, so the need for offices in the future has become relevant in the real estate industry. The impact of the Covid-19 crisis on the industry as a whole has been moderate, with negative effects being felt for companies that did not diversify their tenant portfolios by industry. For example, rental space was mostly leased to beauty, retail customers, hotels, in this example landlords had to reduce rents or look for other tenants, thus suffering from the effects of Covid-19. However, entrepreneurs who had tenants in various industries in their portfolio have relatively smaller problems and were not able to significantly affect the customer's solvency. The warehousing segment is better off during the pandemic, as the volume of goods delivered has increased significantly due to the boom in e-commerce. At the same time, the requirements of buyers to ensure the speed of delivery of goods create additional demand for warehouse space. In general, in the 1st quarter of 2022, positive trends are provided to this industry with a significant reduction of Covid-19 restrictions.

The third largest industry in terms of loan portfolio is wholesale. In the wholesale sector, as in the manufacturing sector, the impact of the Covid-19 crisis has varied across sub-sectors. For example, wholesalers of various raw materials and equipment have closed 2020 with very good results, and they have been able to improve their performance due to the growth of the manufacturing sector in 2021 as well. Timber wholesalers have been less successful, having had to cope with the fall in demand caused by BREXIT in addition to the disruption of logistics chains caused by Covid-19. However, at the end of 2020, a large number of timber wholesalers had found new outlets in Asia and were able to close the year without significant losses due to rising global timber prices. This trend will continue in 2021 and the first quarter of 2022, but the challenges for the industry are similar to those for the woodworking industry. The reporting period was slightly more successful for fuel and fuel traders as they were able to take advantage of the positive effects of rising prices, but overall the industry has not fully recovered from the losses caused by the Covid-19 crisis in 2020 and rising prices could have a negative impact on demand in the long run. On the positive side, most companies in this sector have a sufficiently high equity ratio and the owners were able to provide financial support to the companies.

In the retail, the reporting period was challenging for all sub-sectors except pharmaceuticals, food and household goods. However, the operative financial data for the 1st quarter of 2022 indicate positive trends due to the gradual lifting of Covid-19 restrictions, which increased the turnover of retailers of clothing, footwear, cosmetics, jewelry and other product groups. Covid-19 has had a significant impact on many players in the industry, and companies will soon have to start solving the problems with the accumulated debts of the SRS, as well as debts to landlords and suppliers of goods. On the positive side, declining epidemiological constraints have made it easier to sell existing stocks to rebuild.

## 3 Risk Management (cont'd)

### (3) COVID-19 impact (cont'd)

#### (ii) Covid-19 impact on guarantee portfolio

Analysis of the Company's guarantees portfolio by client segments as at 30 June 2022, in thousands of euro:

	Stage 1		Stage 2		Stage 3		Total outstanding guarantees	Total impairment allowance
	Outstanding guarantees	Impairment allowance	Outstanding guarantees	Impairment allowance	Outstanding guarantees	Impairment allowance		
Agriculture	10 010	1 269	1 770	257	-	-	11 780	1 526
SME and Midcaps	169 525	9 351	26 204	2 798	3 565	1 890	199 294	14 039
of which,								
Covid-19 crisis related guarantees *	9 745	667	12 622	1 432	54	30	22 421	2 129
Daily guarantees products	159 780	8 684	13 582	1 366	3 511	1 860	176 873	11 910
Private individuals	231 790	18 409	197	19	216	209	232 203	18 637
<b>Total segments, gross</b>	<b>411 325</b>	<b>29 029</b>	<b>28 171</b>	<b>3 074</b>	<b>3 781</b>	<b>2 099</b>	<b>443 277</b>	<b>34 202</b>
Impairment overlay **	-	954	-	280	-	-	-	1 234
<b>Total segments, net</b>	<b>411 325</b>	<b>29 983</b>	<b>28 171</b>	<b>3 354</b>	<b>3 781</b>	<b>2 099</b>	<b>443 277</b>	<b>35 436</b>

\* Includes SME loan credit holiday guarantees, portfolio guarantees and SME and Midcap companies loan holiday guarantees

\*\* Includes impairment overlay in amount of EUR 954 thousand that represents an additional loss reserve for SME and Midcaps portfolio over the modelled ECL amounts to account for other economic uncertainties as well as impairment overlay in amount EUR 280 thousand that represents an additional loss reserve for export credit guarantees.

Analysis of the Group's / Company's guarantees portfolio by client segments as at 31 December 2021, in thousands of euro:

	Stage 1		Stage 2		Stage 3		Total outstanding guarantees	Total impairment allowance
	Outstanding guarantees	Impairment allowance	Outstanding guarantees	Impairment allowance	Outstanding guarantees	Impairment allowance		
Agriculture	11 479	1 587	1 209	148	10	6	12 698	1 741
SME and Midcaps	163 416	9 212	31 384	3 331	3 018	1 824	197 818	14 367
of which,								
Covid-19 crisis related guarantees *	10 874	1 047	16 775	2 018	212	124	27 861	3 189
Daily guarantees products	152 542	8 165	14 609	1 313	2 806	1 700	169 957	11 178
Private individuals	203 981	16 335	292	26	189	180	204 462	16 541
<b>Total segments, gross</b>	<b>378 876</b>	<b>27 134</b>	<b>32 885</b>	<b>3 505</b>	<b>3 217</b>	<b>2 010</b>	<b>414 978</b>	<b>32 649</b>
Impairment overlay **	-	954	-	-	-	-	-	954
<b>Total segments, net</b>	<b>378 876</b>	<b>28 088</b>	<b>32 885</b>	<b>3 505</b>	<b>3 217</b>	<b>2 010</b>	<b>414 978</b>	<b>33 603</b>

\* Includes SME loan credit holiday guarantees, portfolio guarantees and SME and Midcap companies loan holiday guarantees

\*\* Includes impairment overlay that represents an additional loss reserve for SME and Midcaps portfolio over the modelled ECL amounts to account for other economic uncertainties.

Guarantees issued by the Company to SME and Midcap client segment are split between specific Covid-19 related support instrument – SME loan credit holiday guarantees, portfolio guarantees and SME and Midcap companies loan holiday guarantees and daily (ordinary) guarantee product portfolio.

## 3 Risk Management (cont'd)

### (3) COVID-19 impact (cont'd)

#### (ii) Covid-19 impact on guarantee portfolio (cont'd)

Split of specific Covid-19 related support guarantee instruments for the SME and Midcap client segment guarantee portfolio by industries as at 30 June 2022, in thousands euro:

	Gross outstanding guarantees	Changes to 31.12.2021.	Issued in 2022 6M	Issued in 2021 12M	Impairment allowance	Changes to 31.12.2021.	Net outstanding guarantees	% of Total gross outstanding guarantees, SME & Midcap
<i>Covid-19 more exposed industries</i>								
Hotels and restaurants	5 038	(122)	-	-	532	(118)	4 506	2.5%
Passenger transport services	2 598	(442)	-	1 457	323	(102)	2 275	1.3%
Retail	996	-	-	304	38	(23)	958	0.5%
Art, entertainment and leisure	336	(16)	-	-	27	(4)	309	0.2%
<b>Total Covid-19 more exposed industries</b>	<b>8 968</b>	<b>(580)</b>	<b>-</b>	<b>1 761</b>	<b>920</b>	<b>(247)</b>	<b>8 048</b>	<b>4.5%</b>
<i>Covid-19 less exposed industries</i>								
Wholesale	6 404	(726)	-	4 735	640	(315)	5 764	3.2%
Manufacturing	3 959	(3 600)	-	2 794	240	(392)	3 719	2.0%
Municipal authorities	1 726	(235)	-	1 352	226	(59)	1 500	0.9%
Construction	786	(4)	-	-	36	(3)	750	0.4%
Health and social care	214	(7)	-	-	16	(4)	198	0.1%
Electricity, gas and water utilities	206	(33)	-	-	14	(13)	192	0.1%
Information technologies and communication	104	63	-	32	7	(1)	97	0.1%
Forestry	54	(318)	-	-	30	(24)	24	0.0%
<b>Total Covid-19 less exposed industries</b>	<b>13 453</b>	<b>(4 860)</b>	<b>-</b>	<b>8 913</b>	<b>1 209</b>	<b>(811)</b>	<b>12 244</b>	<b>6.8%</b>
<b>Total specific COVID-19 related guarantee products *</b>	<b>22 421</b>	<b>(5 440)</b>	<b>-</b>	<b>10 674</b>	<b>2 129</b>	<b>(1 058)</b>	<b>20 292</b>	<b>11.3%</b>

\* Includes SME loan credit holiday guarantees, portfolio guarantees and SME and Midcap companies loan holiday guarantees

## 3 Risk Management (cont'd)

### (3) COVID-19 impact (cont'd)

#### (ii) Covid-19 impact on guarantee portfolio (cont'd)

Split of daily (ordinary) guarantee product portfolio of the SME and Midcap client segment by industries as at 30 June 2022, in thousands euro:

	Gross outstanding guarantees	Changes to 31.12.2021.	Issued in 2022 6M	Issued in 2021 12M	Impairment allowance	Changes to 31.12.2021.	Net outstanding guarantees	% of Total gross outstanding guarantees, SME & Midcap
<b>Covid-19 more exposed industries</b>								
Retail	6 723	1 064	370	1 766	763	74	5 960	3.4%
Passenger transport services	1 954	727	331	441	18	(6)	1 936	1.0%
Hotels and restaurants	643	119	104	45	88	27	555	0.3%
Art, entertainment and leisure	298	(2)	14	182	22	(1)	275	0.1%
<b>Total Covid-19 more exposed industries</b>	<b>9 618</b>	<b>1 908</b>	<b>819</b>	<b>2 434</b>	<b>891</b>	<b>94</b>	<b>8 726</b>	<b>4.8%</b>
<b>Covid-19 less exposed industries</b>								
Manufacturing	55 174	(761)	6 367	20 713	3 872	(209)	51 302	27.7%
Wholesale	45 192	1 967	6 047	13 921	2 177	268	43 015	22.7%
Construction	36 016	4 772	4 297	5 361	2 871	636	33 145	18.1%
Forestry	10 718	1 746	1 462	1 977	378	-	10 340	5.4%
Transport, warehousing and communications	5 406	(967)	143	396	571	21	4 835	2.7%
Real estate	3 720	(1 306)	48	1 704	307	(100)	3 413	1.9%
Professional, science and technical services	4 804	265	503	1 242	340	25	4 464	2.4%
Information technologies and communication	2 317	(539)	329	1 059	140	(13)	2 177	1.2%
Municipal authorities	2 158	(14)	192	1 006	232	9	1 926	1.1%
Electricity, gas and water utilities	783	(24)	60	386	41	7	742	0.4%
Health and social care	584	(9)	98	164	61	(2)	523	0.3%
Other industries	383	(122)	-	89	29	(5)	354	0.2%
<b>Total Covid-19 less exposed industries</b>	<b>167 255</b>	<b>5 008</b>	<b>19 546</b>	<b>48 018</b>	<b>11 019</b>	<b>637</b>	<b>156 236</b>	<b>83.9%</b>
<b>Total daily (ordinary) guarantee products</b>	<b>176 873</b>	<b>6 916</b>	<b>20 365</b>	<b>50 452</b>	<b>11 910 *</b>	<b>731</b>	<b>164 962 *</b>	<b>88.7%</b>

\* excludes impairment overlay EUR 1,234 thousand that represents an additional loss reserve for SME and Midcaps portfolio over the modelled ECL amounts to account for other economic uncertainties.

For daily (ordinary) guarantee product portfolio the guarantee application assessment process, including, accepted credit risk level, eligible credit rating of the client, expected debt service capacity has not been lowered by Covid-19 situation. The same guarantee application assessment process applies to specific Covid-19 related support instruments.

In the agricultural segment, in 2021 there was an increase in the prices of raw materials and energy resources, which continued in the 1st half of 2022. As a result of the increase in raw material prices, which was followed by an increase in sales prices, which was able to compensate for the increase in raw material costs. The companies of the agricultural segment closed 2021 with sufficiently good financial results. Taking into account the seasonality of the industry, the operational financial results for the 2nd quarter of 2022 do not give an idea of the state of economic activity, but according to the available information, the winter sowings are of good quality and the 2022 harvest could be in good volume and quality. The availability of different raw materials and their significant increase in costs can be a challenge. It should even be noted that the agricultural segment is heavily subsidized and loans to this segment are mainly secured by agricultural land, which is prudently valued. Therefore, the Company does not see a deterioration in the quality of the loan portfolio in this segment as a result of the Covid-19 crisis.

## 3 Risk Management (cont'd)

### (3) COVID-19 impact (cont'd)

#### (i) Covid-19 impact on loan portfolio (cont'd)

Manufacturing industry. In 2021, the growth of manufacturing companies has continued. Given the constraints on the entertainment, catering, tourism and other services sectors, public consumption trends have been significantly affected and most of the revenue is spent on various goods. The sub-sector that is experiencing the sharpest fluctuations is wood processing, as in 2021 the trend of the second half of 2020 will continue with rapidly rising sales prices, and profit indicators will increase accordingly. However, the first half of 2022 has created new challenges for the availability of raw materials, due to economic sanctions against Belarus and Russia, as well as a possible sharp decline in product prices after demand adjustments, creating additional risks for companies in the industry. Price correction will most likely not happen for energy wood in the next 6 months, because the demand for it significantly exceeds the supply, creating a growing price dynamic. The sufficiently good results of the manufacturing industry in 2021 and in the 1st half of 2022 are also shown by the macroeconomic indicators - the output of exported goods continues to increase in almost all sub-sectors. Therefore, it can be concluded that the negative impact of Covid-19 on the operations of the companies in the sector has been insignificant. In its turn, in the second half of 2021, as well as in the first two quarters of 2022, negative trends were observed in connection with the rapid rise in energy prices and the shortage of raw materials, which may affect the financial results of some energy-intensive sub-sector companies in 2022.

The second largest industry in terms of the size of the guarantee portfolio is wholesale. In the wholesale sector, as in the manufacturing sector, the impact of the Covid-19 crisis has varied across sub-sectors. For example, wholesalers of various raw materials and equipment have closed 2020 with very good results, and they have been able to improve their performance due to the growth of the manufacturing sector in 2021 as well. Timber wholesalers have been less successful, having had to cope with the fall in demand caused by BREXIT in addition to the disruption of logistics chains caused by Covid-19. However, at the end of 2020, a large number of timber wholesalers had found new outlets in Asia and were able to close the year without significant losses due to rising global timber prices. This trend will continue in 2021 and the first quarter of 2022, but the challenges for the industry are similar to those for the woodworking industry. The reporting period was slightly more successful for fuel and fuel traders as they were able to take advantage of the positive effects of rising prices, but overall the industry has not fully recovered from the losses caused by the Covid-19 crisis in 2020 and 2021 and additional rising prices could have a negative impact on demand. in the long run. On the positive side, most companies in this sector have a sufficiently high equity ratio and the owners were able to provide financial support to the companies.

In the retail, 2021 was challenging for all sub-sectors except pharmaceuticals, food and household goods. However, the operative financial data for the first two quarters of 2022 indicate positive trends due to the gradual lifting of Covid-19 restrictions, which increased the turnover of retailers of clothing, footwear, cosmetics, jewelry and other product groups. Covid-19 has had a significant impact on many players in the industry, and companies will soon have to start solving the problems with the accumulated debts of the SRS, as well as debts to landlords and suppliers of goods. On the positive side, declining epidemiological constraints have made it easier to sell existing stocks to rebuild.

Construction. The Covid-19 crisis affected the industry both directly and indirectly. Due to travel restrictions and illness of employees, the construction process was delayed in many companies and the company's cash flow suffered accordingly. In addition, suppliers changed the terms of delivery by switching to prepayment and upsetting the usual balance of project financing. Many of the industries directly affected by Covid-19 abandoned construction projects or postponed them. However, the industry as a whole is showing good results in 2021, as frozen projects have been reopened and, following the peak of the frozen consumption crisis, demand has risen sharply from both institutional and private customers, leading to rising prices and, consequently, higher profits. Facilitating travel conditions also allows Latvian companies to return to the Scandinavian market. The main challenge in the near future will be the rising cost of construction materials, which could cause significant losses to those construction companies whose projects will refuse to revise estimates and increase project funding.

## 3 Risk Management (cont'd)

### (4) Impact of the Russian military invasion of Ukraine

The ongoing war in Ukraine and the related sanctions targeted against the Russian Federation and to a lesser extent to Belarus may have impact on the Company as well as the potential social and economic impact in Latvia and the region. This may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the 2022.

The Company does not issue loans directly to businesses in Ukraine, the Russian Federation and Belarus. Contracts with counterparties for the execution of settlements with customers, as well as for the conclusion of financial transactions for the liquidity and asset and liability management of the Company, are concluded with financial institutions established in EU Member States. In the guarantee's portfolio, the direct impact is from the Company's export credit guarantees issued to offset political and buyer risk losses in trade transactions where the Company's clients' counterparties are residents of Ukraine, the Russian Federation and Belarus.

Export credit guarantees (high risk exposures) issued to these countries, in thousands euro:

	30.06.2022. (unaudited)	31.12.2021 (audited)
Belarus	0	402
Russian Federation	0	581
Ukraine	346	426
<b>Total issued export credit guarantees</b>	<b>346</b>	<b>1 409</b>
Impairment allowance *	(275)	-
<b>Total net issued export credit guarantees</b>	<b>72</b>	<b>1 409</b>

\* Impairment overlay for expected credit losses for export credit guarantees

Given the current geopolitical situation, the Company has suspended the issuance of new export guarantees to Russia and Belarus in order to reduce the total exposure. As a result, the established impairment overlay for expected credit losses for export credit guarantees was reduced from 1,587 thousand. euro on March 31, 2022 to 275 thousand euro on June 30, 2022.

The Company has made investments in AIF "Altum Capital Fund". The investment portfolio of AIF "Altum Capital Fund" is diversified both in terms of sectors and regions in which the portfolio companies generate revenues. Therefore, the impact of Russia's war in Ukraine on each of the portfolio companies is different. The direct impact, i.e., the termination of cooperation with Russia and Belarus, as well as the curtailment of operations in the war-affected Ukraine, has affected 2 portfolio companies. Both companies so far generated a significant portion of their revenue in these countries and have taken steps to cut ties with the aggressor countries. Also, both portfolio companies review their development plans and work on the development of new markets and segments. The rest of the portfolio companies also feel the indirect consequences of the war to varying degrees, depending on the specifics of their operations – changes in supply chains, reduction of economic activity and consumer solvency in the region, limited operational cash flow, rising prices of energy resources, raw materials and materials, burdensome labour availability and pressure on the wage fund. Operational management of these issues this year is the cornerstone that will show how successfully these companies will be able to overcome difficulties and develop operations. The value of the company's investment decreased by EUR 410 thousand as a result of the revaluation of the portfolio of AIF " Altum Capital Fund" in the first half of 2022.

In order to assess the indirect effects of the Russian invasion of Ukraine, the Company analyses the forward-looking forecasts every quarter, and in case of significant changes, the forward-looking forecasts are used for calculating the expected credit losses. Thanks to the strong growth of the Latvian economy in the 1st quarter of 2022, GDP growth forecasts for the full 2022 year were improved, predicting a more noticeable impact of geopolitical factors starting from the second half of the year. According to the revised GDP growth forecasts made by the Bank of Latvia in June, 2022, the growth rate of the economy for 2022 was improved to 2.9% from the 1.8% forecasted in March, 2022 and diminished to 2.4% from 3.2% for 2023 . As the revised probability-weighted scenarios have not changed significantly, the Company continues to use the scenarios defined in the 1st quarter, which predict a slowdown in Latvia's economic growth. The forecasts used to estimate the expected losses include two economic scenarios with strong economic implications:

- a base case scenario that assumes the most likely future economic development, taking into account the impact of the Russian invasion of Ukraine and the sharp rise in commodity and energy prices, as well as the sanctions imposed on Russia and Belarus, on Latvia's economic growth rates,
- a second scenario, which envisages a less plausible, but possible negative scenario reflecting a larger and more sustained impact of the geopolitical crisis and sanctions, rising commodity and energy prices compared to the base case scenario.

## 3 Risk Management (cont'd)

### (4) Impact of the Russian military invasion of Ukraine (cont'd)

The GDP annual growth rates, which are derived from a combination of external macroeconomic forecasts and which are one of the key variables, are summarized below:

	2022	2023	2024
GDP annual growth rate, in %			
Base case scenario *	2.00	2.90	3.70
Adverse scenario	0.60	2.40	3.70
<b>Weighted average **</b>	<b>1.70</b>	<b>2.80</b>	<b>3.70</b>

\* The base case scenario combines two external scenarios:

(i) the macroeconomic development scenario of the Ministry of Finance (published on March 9, 2022), which forecasts that the imposed sanctions on the Russia and Belarus, burdens on transactions with Ukraine and a sharp rise in prices, especially energy prices, in 2022 and 2023 will result in GDP growth to 2.1% and 2.5% respectively (in December 2021 the forecast for growth in 2022 was 5.4%, for 2023 - 3.5%). In turn, the GDP growth for 2024 has been forecasted in accordance with the average development rates - 3.3% (in December 2021 - 3.4%).

(ii) The Bank of Latvia's macroeconomic development scenario (published on 30 March 2022) forecasts that the Russian invasion of Ukraine and sanctions and the related decline in exports, disruption of imported raw materials and supplies, intensification of global energy and other commodity prices and the decline in consumer confidence will decrease Latvia's GDP growth rates in 2022 and 2023 to 1.8% and 3.2% respectively (in December 2021 forecast for growth was 4.2% in 2023 and 4.0% in 2023). In 2024, as confidence improves, a faster recovery of economic growth has been forecasted - by 4.1%. A 50% probability of occurrence of the scenario was applied to each of the external scenarios - the Ministry of Finance and the Bank of Latvia.

\*\* The base case scenario was weighted at 80% and the adverse scenario at 20% (scenario weights were not changed). The GDP growth rate forecast for 2022 is used to calculate the 12-month ECL, while the GDP growth rate forecast for 2022-2024 is used to calculate the lifetime ECL.

As the macroeconomic projections have been updated in an extremely uncertain environment. Altum plans to continue periodically evaluate the current macroeconomic situation and future information that affects the assumptions and estimates used to make provisions for expected credit losses.

Changes in the forecasts of macroeconomic indicators in the 1st half of 2022 resulted in the increase in credit loss allowance for loans and loan commitments in the amount of EUR 1,114 thousand. For guarantees, the impact of changes in the macroeconomic forecasts was small for guarantees, given that credit loss allowance for guarantees are made at the highest of the estimated expected credit risk losses and fair value. Changes in macroeconomic forecasts have less impact on the fair value of guarantees.

Altum co-financed venture capital funds operate in accordance with the current sanctions regulations and actively monitor changes in binding regulatory enactments. Fund managers estimate that the impact on venture capital fund investments and their value as a result of the war in Ukraine is currently low.

To assess the indirect impact, the Company continues enhanced monitoring of material credit and guarantee exposures to assess whether events in Ukraine and the sanctions imposed against Russia and Belarus are directly or indirectly impacting or may significantly impact the solvency of clients, to identify potential clients in difficulty and to provide a way forward and apply appropriate risk mitigation measures. In addition, the Company has initiated changes to its decision-making procedures to consider the impact of the Russian invasion of Ukraine when reviewing the terms of customer loan agreements and to use this information to decide whether to upgrade loans to at least Stage 2 in accordance with International Financial Reporting Standard 9.

In the medium to long term, changes in the value of venture capital investments due to macroeconomic changes (including inflation, supply disruptions, shortages of raw materials, etc.) may be significant and may require a reorientation of business, while macroeconomic changes may open up new opportunities and stimulate faster growth. Altum's assessment of venture capital investments is based on a conservative approach on a quarterly basis, with individual assessments of all venture capital investments, taking into account the specific situation of each investment.



## 4 Interest income

All amounts in thousands of euro

	Company 01.01.2022.- 30.06.2022. (unaudited)	Group 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)
Interest on loans and guarantees *	9 455	9 068	9 068
Interest on securities at fair value	128	238	238
Interest on securities at amortised cost	-	12	12
<b>Total interest income</b>	<b>9 583</b>	<b>9 318</b>	<b>9 318</b>

\* The 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 6 months of 2022 amounts to EUR 787 thousand (6 months of 2021: EUR 686 thousand).

## 5 Interest expense

All amounts in thousands of euro

	Company 01.01.2022.- 30.06.2022. (unaudited)	Group 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)
Interest on balances due to credit institutions	519	343	343
Interest on issued debt securities	451	404	404
Allocation of state support programmes' profit to support programme funding *	216	261	261
Other commission expense	6	12	12
<b>Total interest expense</b>	<b>1 192</b>	<b>1 020</b>	<b>1 020</b>

\* 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 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 support programmes

All amounts in thousands of euro

	Company 01.01.2022.- 30.06.2022. (unaudited)	Group 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)
Compensation of expenses for management of state support programmes	1 514	1 207	1 207
Compensation of venture capital fund management fees	1 347	1 669	1 669
Compensation of expenses for management of state support programmes of the previous years	485	-	-
Compensation of expenses of capital congestion	212	200	200
<b>Total income from implementation of state support programmes</b>	<b>3 558</b>	<b>3 076</b>	<b>3 076</b>

## 7 Expenses to be compensated for implementation of state support programmes

All amounts in thousands of euro

	Company 01.01.2022.- 30.06.2022. (unaudited)	Group 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)
Compensated staff costs	1 126	753	753
Compensated administrative expense	387	147	147
Compensated venture capital fund management fees	1 347	1 699	1 699
<b>Total compensated expense for implementation of state support programmes</b>	<b>2 860</b>	<b>2 599</b>	<b>2 599</b>

## 8 Other income

All amounts in thousands of euro

	Company 01.01.2022.- 30.06.2022. (unaudited)	Group 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)
Income from lease payments for operating leases	897	674	674
Income from payments for financial leases	2	3	3
Profit from investment property revaluation	5	-	-
Profit from sale of investment property	94	36	36
Profit from sale of repossessed collateral	6	5	5
Other commission income	4	13	13
Income from management of the AIF "Altum capital fund"	322	279	279
Other operating income	1 001	236	236
<b>Total other income</b>	<b>2 331</b>	<b>1 246</b>	<b>1 246</b>

## 9 Other expense

All amounts in thousands of euro

	Company 01.01.2022.- 30.06.2022. (unaudited)	Group 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)
Maintenance and service costs of Land Fund	272	174	174
Debt collection costs	92	60	60
Maintenance costs of repossessed collateral	1	-	-
Depreciation of right-of-use assets	71	73	73
Commission expense on investments in securities	45	40	40
AIF "Altum capital fund" management costs	322	279	279
Other commission expense	2	1	1
<b>Total other expense</b>	<b>805</b>	<b>627</b>	<b>627</b>

## 10 Impairment losses, net

All amounts in thousands of euro

	Company 01.01.2022.- 30.06.2022. (unaudited)	Group 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)
Impairment losses on:	5 996	4 981	4 981
Loans, net	3 240	2 851	2 851
<i>impairment losses</i>	2 006	2 867	2 867
<i>impairment losses covered by Portfolio Loss Reserve</i>	1 854	1 169	1 169
<i>impairment losses covered by Risk Coverage Reserve</i>	(620)	(1 185)	(1 185)
Grants	-	3	3
<i>impairment losses</i>	-	3	3
<i>impairment losses covered by Portfolio Loss Reserve</i>	-	-	-
Other assets	-	8	8
<i>impairment losses</i>	67	8	8
<i>impairment losses covered by Risk Coverage Reserve</i>	(67)	-	-
Financial assets related to loan agreements	2	20	20
Guarantees, net	2 520	1 660	1 660
<i>impairment losses</i>	7 956	5 482	5 482
<i>impairment losses covered by Portfolio Loss Reserve</i>	824	1 219	1 219
<i>impairment losses covered by Risk Coverage Reserve</i>	(6 261)	(5 041)	(5 041)
Loan commitments, net	234	396	396
<i>impairment losses</i>	466	383	383
<i>impairment losses covered by Portfolio Loss Reserve</i>	82	99	99
<i>impairment losses covered by Risk Coverage Reserve</i>	(314)	(86)	(86)
Grant commitments	-	43	43
Reversal of impairment on:	(5 247)	(5 478)	(5 478)
Loans, net	(1 970)	(2 115)	(2 115)
<i>reversal of impairment</i>	(1 770)	(2 414)	(2 414)
<i>reversal of impairment covered by Portfolio Loss Reserve</i>	(942)	(744)	(744)
<i>reversal of impairment covered by Risk Coverage Reserve</i>	742	1 043	1 043
Disbursed guarantee compensations	-	(12)	(12)
<i>reversal of impairment</i>	(16)	(26)	(26)
<i>reversal of impairment covered by Portfolio Loss Reserve</i>	-	(3)	(3)
<i>reversal of impairment covered by Risk Coverage Reserve</i>	16	17	17
Grants	-	(20)	(20)
Other assets	-	-	-
<i>reversal of impairment</i>	(40)	-	-
<i>compensation of decrease in value from Risk Coverage Reserve</i>	40	-	-
Financial assets related to loan agreements	(90)	(13)	(13)
Debt securities	-	(11)	(11)
Guarantees, net	(3 040)	(3 091)	(3 091)
<i>reversal of impairment</i>	(5 822)	(6 309)	(6 309)
<i>reversal of impairment covered by Portfolio Loss Reserve</i>	(1 035)	(772)	(772)
<i>reversal of impairment covered by Risk Coverage Reserve</i>	3 817	3 990	3 990
Loan commitments, net	(147)	(209)	(209)
<i>reversal of impairment</i>	(75)	(145)	(145)
<i>reversal of impairment covered by Portfolio Loss Reserve</i>	(98)	(89)	(89)
<i>reversal of impairment covered by Risk Coverage Reserve</i>	26	25	25
Grant commitments	-	(7)	(7)
Total impairment losses / (reversal), net	749	(497)	(497)
Recovery of loans written off in previous periods	(441)	(393)	(393)
<b>Total impairment losses and (income) from recovery of loans written-off</b>	<b>308</b>	<b>(890)</b>	<b>(890)</b>

Additional information Including on impairment allowances used to increase / decrease Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2022 annual report available in Note 3 (1).

## 11 Due from credit institutions and the Treasury

All amounts in thousands of euro

	Company 30.06.2022. (unaudited)	Group / Company 31.12.2021 (audited)
Due from credit institutions and State Treasury	511 669	455 007
<i>cash and cash equivalent</i>	<i>511 669</i>	<i>455 007</i>
Impairment allowances	(1)	(1)
<b>Net due from credit institutions and State Treasury</b>	<b>511 668</b>	<b>455 006</b>

The increase in the Company's Due from credit institutions and the Treasury is due to the financing received by the Company from the Ministry of Economy, the Central Finance and Contracting Agency (CFCA) and the Treasury for the implementation of state support programmes and the launch of a new state support programme (Investment Loans with Capital Allowance).

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	-	-	437 249	17 757	-	-	-	-	455 006
<b>Total gross as at 31 December 2021 (audited)</b>	-	-	<b>437 249</b>	<b>17 757</b>	-	-	-	-	<b>455 006</b>
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	-	493 198	18 470	-	-	-	-	511 668
<b>Total gross as at 30 June 2022 (unaudited)</b>	-	-	<b>493 198</b>	<b>18 470</b>	-	-	-	-	<b>511 668</b>

As at 30 June 2022, the Company held accounts with 4 banks and the Treasury of the Republic of Latvia. The average interest rate on balances of position *Due from credit institutions and the Treasury* as at 30 June 2022 was -0.02% (31 December 2021: -0.01%).

## 12 Investments in Associates

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	
		Company 30.06.2022. (unaudited)	Group / Company 31.12.2021 (audited)	Company 30.06.2022. (unaudited)	Group / Company 31.12.2021 (audited)
The 2nd generation VCFs	LV	15 683	16 929	11 055	11 885
The 3rd generation VCFs	LV	10 794	13 310	9 265	10 473
The 4th generation VCFs	LV	22 663	20 073	16 748	14 371
AIF "Altum capital fund"	LV	32 283	19 008	15 790	14 998
Baltic Innovation Fund *	LU	88 392	85 544	14 248	13 222
<b>Total investments in associates</b>		<b>169 815</b>	<b>154 864</b>	<b>67 106</b>	<b>64 949</b>

\* Investments in Associates are stated under the equity method, except for investments in Baltic Innovation Fund that are valued using the FVTPL method.

## 12 Investments in Associates (cont'd)

As at 30 June 2022 the total venture capital fund's portfolio value at cost value was EUR 75,754 thousand (31 December 2021: EUR 77,405 thousand).

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

	Investments in venture capital funds		Investments in AIF "Altum capital fund"		Investments in Baltic Innovation Fund		Total	
	01.01.2022.-30.06.2022. (unaudited)	01.01.2021.-30.06.2021. (audited)	01.01.2022.-30.06.2022. (unaudited)	01.01.2021.-30.06.2021. (audited)	01.01.2022.-30.06.2022. (unaudited)	01.01.2021.-30.06.2021. (audited)	01.01.2022.-30.06.2022. (unaudited)	01.01.2021.-30.06.2021. (audited)
Carrying amount at the beginning of period	36 729	32 969	14 998	-	13 222	15 019	64 949	47 988
Invested	3 660	1 543	1 365	4 825	1 836	1 108	6 861	7 476
Refunded	(1 370)	(1 714)	(532)	-	(858)	(317)	(2 760)	(2 031)
Reclassified (increase of support programme funding, see Note 20)	-	824	-	-	-	-	-	824
Mezzanine interest received and realised gain on exit	493	(404)	532	-	-	-	1 025	(404)
Realised gain from refunded	-	-	-	-	48	47	48	47
Share of net gain / (loss) of investment in associate *	(2 444)	153	(573)	152	-	-	(3 017)	305
Loss from investment in associate at fair value through profit or loss	-	-	-	-	-	-	-	-
<b>Net carrying amount at the period ended at 30 June (unaudited)</b>	<b>37 068</b>	<b>33 371</b>	<b>15 790</b>	<b>4 977</b>	<b>14 248</b>	<b>15 857</b>	<b>67 106</b>	<b>54 205</b>
Invested	-	2 690	-	10 093	-	709	-	13 492
Refunded	-	(5 717)	-	(282)	-	(6 583)	-	(12 582)
Reclassified due to changes in the status of subsidiaries to associates	-	6 563	-	-	-	-	-	6 563
Mezzanine interest received and realised gain on exit	-	2 134	-	282	-	-	-	2 416
Realised gain from refunded	-	-	-	-	-	422	-	422
Share of net gain / (loss) of investment in associate *	-	(2 312)	-	(72)	-	-	-	(2 384)
Loss from investment in associate at fair value through profit or loss	-	-	-	-	-	2 817	-	2 817
<b>Net carrying amount at the period ended at 31 December (audited)</b>	<b>-</b>	<b>36 729</b>	<b>-</b>	<b>14 998</b>	<b>-</b>	<b>13 222</b>	<b>-</b>	<b>64 949</b>

\* includes changes in revaluation of investment.

The Company's share of gain / (loss) of investment in associates and other investments, in thousands of euro:

	Investments in VCF		Investments in AIF "Altum capital fund"		Investments in Three Seas Initiative Investment Fund		Total	
	01.01.2022.-30.06.2022. (unaudited)	01.01.2021.-30.06.2021. (audited)	01.01.2022.-30.06.2022. (unaudited)	01.01.2021.-30.06.2021. (audited)	01.01.2022.-30.06.2022. (unaudited)	01.01.2021.-30.06.2021. (audited)	01.01.2022.-30.06.2022. (unaudited)	01.01.2021.-30.06.2021. (audited)
Net share of gain / (loss) of investment in associates	(2 444)	11	(414)	(151)	-	-	(2 858)	(140)
Net income / (expense), excluding revaluation gain / (loss)	493	-	373	181	-	-	866	181
Share of net gain / (loss) of investment in Three Seas Initiatives Investment Fund	-	-	-	-	199	(23)	199	(23)
<b>Total on 30 June (unaudited)</b>	<b>(1 951)</b>	<b>11</b>	<b>(41)</b>	<b>30</b>	<b>199</b>	<b>(23)</b>	<b>(1 793)</b>	<b>18</b>
Net share of gain / (loss) of investment in associates	-	(1 346)	-	231	-	-	-	(1 115)
Net income / (expense), excluding revaluation gain / (loss)	-	-	-	(256)	-	-	-	(256)
Share of net gain / (loss) of investment in Three Seas Initiatives Investment Fund	-	-	-	-	-	(29)	-	(29)
<b>Total on 31 December 2021 (audited)</b>	<b>-</b>	<b>(1 335)</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>(52)</b>	<b>-</b>	<b>(1 382)</b>

## 12 Investments in Associates (cont'd)

In the 6 months of 2022, the Company's expenses included:

- Management fees for the 2nd and 3rd generation venture capital funds amounted EUR 262 thousand (6 months of 2021: EUR 337 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the 4th generation venture capital funds amounted EUR 887 thousand (6 months of 2021: EUR 419 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the Baltic Innovation Fund amounted EUR 64 thousand (6 months of 2021: EUR 92 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the AIF "Altum capital fund" amounted EUR 322 thousand (6 months of 2021: EUR 278 thousand) (see Note 22).

Part of the investments of the 4th generation VCF until 31 December 2021 were classified as participation in the share capital of subsidiaries, after the control assessment as of 31 December 2021 such investments were classified as investments in associates and the management fee of such VCFs for 6 months of 2022 is reflected in the above breakdown. The comparatives for such VCF for 6 months of 2021 is 681 thousand euros, which were 100% compensated from the risk coverage reserve (see Note 20).

## 13 Other Investments

Total cost of other investments on 30 June 2022 was EUR 10,562 thousand (31 December 2021: EUR 8,793 thousand). The initial cost of the investment also includes the fund management fee in the amount of EUR 632 thousand (31 December 2021: EUR 250 thousand), which is later recognized as an expense, and thus is not included in the investment's book value at the end of the reporting period.

All amounts in thousands of euro

	<b>Company</b>	<b>Group / Company</b>
	30.06.2022. (unaudited)	31.12.2021. (audited)
Baltic Innovation Fund 2	3 237	1 982
Three Seas Initiatives Investment Fund	7 152	6 954
<b>Total other investments</b>	<b>10 389</b>	<b>8 936</b>

Baltic Innovation Fund 2 (BIF 2) is a EUR 156,000 thousand Fund-of-Funds initiative launched by the European Investment Fund (EIF) in co-operation with the Baltic national promotional institutions – KredEx (Estonia), Altum (Latvia) and Invega (Lithuania). BIF 2 continues to sustain investments into private equity and venture capital funds focused on the Baltic States to boost equity investments into SMEs with high growth potential. The Company signed agreement on BIF 2 on 16 August 2019. The total capital committed by the Company to the BIF2 is EUR 26,500 thousand thus arriving at the ownership rate 16.99% of the total committed capital of the BIF 2 (EUR 156,000 thousand).

The Three Seas Initiative Investment Fund is a new financial instrument for financing and developing infrastructure projects in 12 countries, including Latvia, aimed at reducing infrastructure development gaps between different European regions. The Three Seas Initiative Investment Fund is a new financial instrument to support transport, energy and digitalization infrastructure projects in Central and Eastern Europe. The Company signed the subscription agreement on 16 September 2020. The total capital committed by the Company to the Three Seas Initiative Investment Fund is EUR 20,000 thousand thus arriving at the ownership rate of 2.15% on 30 June 2022 (31 December 2021: 2.17%) of the total committed capital the Three Seas Initiative Investment Fund (30 June 2022: EUR 928,100 thousand, 31 December 2021: EUR 923,000 thousand).

In the 6 months of 2022, the Company's expenses included:

- Management fees for the Baltic Innovation Fund II amounted EUR 112 thousand (6 months of 2021: EUR 103 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the Three Seas Initiatives Investment Fund amounted EUR 159 thousand (6 months of 2021: EUR 63 thousand) which were compensated from the risk coverage reserve.

## 14 Loans

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

Loans by the borrower profile, in thousands of euro:

	<b>Company</b>	<b>Group / Company</b>
	30.06.2022. (unaudited)	31.12.2021 (audited)
SME and Midcaps	161 637	175 070
Agriculture	152 467	134 085
Private individuals	5 635	6 513
Financial Intermediaries	3	6
Land Fund	34 477	32 999
<b>Total gross loans</b>	<b>354 219</b>	<b>348 673</b>
Impairment allowances	(19 472)	(18 143)
<b>Total net loans</b>	<b>334 747</b>	<b>330 530</b>

Breakdown of loans by industries, in thousands of euro:

	<b>Company</b>	<b>Group / Company</b>
	30.06.2022. (unaudited)	31.12.2021 (audited)
Agriculture and forestry	184 354	170 808
Manufacturing	64 321	67 635
Retail and wholesale	20 737	24 241
Real estate	14 200	13 719
Construction	11 696	12 238
Municipal authorities	8 430	8 843
Hotels and restaurants	7 111	7 498
Transport, warehousing and communications	7 891	6 856
Electricity, gas and water utilities	6 089	6 120
Health and social care	6 275	5 896
Professional, science and technical services	4 047	4 914
Information technologies and communication	2 342	2 959
Fishing	2 090	2 084
Other industries	8 998	8 344
Private individuals	5 638	6 518
<b>Total gross loans</b>	<b>354 219</b>	<b>348 673</b>
Impairment allowances	(19 472)	(18 143)
<b>Total net loans</b>	<b>334 747</b>	<b>330 530</b>

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

	<b>Company</b>	<b>Group / Company</b>
	30.06.2022. (unaudited)	31.12.2021 (audited)
Number of customers	39	42
Total credit exposure of customers (EUR '000)	64 517	67 623
Percentage of total gross portfolio of loans	18.21%	19.39%

## 14 Loans (cont'd)

Movement in impairment allowances, in thousands of euro:

	<b>Company</b>	<b>Group / Company</b>
	01.01.2022.- 30.06.2022. (unaudited)	01.01.2021.- 30.06.2021. (audited)
Impairment allowances at the beginning of the period	18 143	20 713
Increase in impairment allowances (Note 10)	3 860	4 036
Decrease in impairment allowances (Note 10)	(2 713)	(3 158)
Write-off of loans	(203)	-
Reclassification (increase of impairment allowances due to changes in off-balance sheet and balance sheet)	385	614
<b>Impairment allowances at the end of the period ended 30 June (unaudited)</b>	<b>19 472</b>	<b>22 205</b>
<i>Company's share of impairment allowances</i>	9 468	12 450
<i>Impairment allowances covered by Portfolio Loss Reserve</i>	4 306	2 907
<i>Impairment allowances covered by Risk Coverage Reserve</i>	4 784	6 848
Increase in impairment allowances (Note 10)	-	5 595
Decrease in impairment allowances (Note 10)	-	(8 837)
Write-off of loans	-	(1 080)
Reclassification (increase of impairment allowances due to changes in off-balance sheet and balance sheet)	-	260
<b>Impairment allowances at the end of the period ended 31 December (audited)</b>	<b>-</b>	<b>18 143</b>
<i>Company's share of impairment allowances</i>	-	9 334
<i>Impairment allowances covered by Portfolio Loss Reserve</i>	-	4 144
<i>Impairment allowances covered by Risk Coverage Reserve</i>	-	4 665

As at 30 June 2022 the average annual interest rate for the loan portfolio of the Company was 4.35% (31 December 2021: 4.05%).

## 15 Grants

All amounts in thousands of euro

	<b>Company</b>	<b>Group / Company</b>
	30.06.2022. (unaudited)	31.12.2021 (audited)
Energy Efficiency Programme for Multi-apartment Buildings	46 726	43 153
Social Entrepreneurship Programme	1 163	1 290
Grants for development of energy efficiency projects	139	41
Housing grant programme "Balsts"	1 564	1 042
Grants for private house renovation	113	167
Grants for energy efficiency improvement of family buildings	80	-
Grants for cultural industry support programme *	172	36
<b>Total grants, gross</b>	<b>49 957</b>	<b>45 729</b>
Impairment allowances	(332)	(332)
<b>Total grants, net</b>	<b>49 625</b>	<b>45 397</b>

\* Combined financial instrument.



## 15 Grants (cont'd)

Movement in the Company's net book value of grants in 6 months of 2022, in thousands of euro:

	<b>Company</b>	<b>Group / Company</b>
	30.06.2022.	31.12.2021
	(unaudited)	(audited)
<b>Carrying amount</b>		
Carrying amount at the beginning of period	45 729	31 282
Changes	4 228	10 198
Carrying amount at the end of period	49 957	41 480
<b>Impairment allowances</b>		-
At the beginning of period	(332)	(175)
Changes	-	17
Reclassification (increase of impairment allowances due to changes in off-balance sheet and balance sheet)	-	(24)
Carrying amount at the end of period	(332)	(182)
<b>Grants net book at the beginning of the period</b>	<b>45 397</b>	<b>31 107</b>
<b>Grants net book value at the end of the period ended 30 June (unaudited)</b>	<b>49 625</b>	<b>41 298</b>
<b>Carrying amount</b>		
Carrying amount at the beginning of period		41 480
Changes		4 249
Carrying amount at the end of period ended 31 December		45 729
<b>Impairment allowances</b>		-
At the beginning of period		(182)
Changes		(232)
Reclassification (increase of impairment allowances due to changes in off-balance sheet and balance sheet)		82
At the end of period ended 31 December		(332)
<b>Grants net book at the beginning of the period</b>		<b>41 298</b>
<b>Grants net book value at the end of the period ended 31 December (audited)</b>		<b>45 397</b>

## 16 Investment Properties

All amounts in thousands of euro

	<b>Company</b>	<b>Group / Company</b>
	30.06.2022.	31.12.2021
	(unaudited)	(audited)
Carrying amount at the beginning of period	46 164	36 759
Acquired during the reporting period *	3 719	7 150
Recognized on termination of reverse leases	83	1 662
Disposals during the reporting period	(232)	(211)
Net gain from fair value adjustment	5	804
<b>Carrying amount at the end of the period</b>	<b>49 739</b>	<b>46 164</b>

\* All acquisitions of investment properties made were related to the activities of the Land Fund programme.

The Land Fund was established on 1 July 2015. According to the Cabinet of Ministers decree dated March 11, 2015, the Company is the manager of the Land Fund. The Law "On Land Privatisation in Rural Areas" stipulated establishment of the Land Fund. The Land Fund of Latvia is one of the tools used to ensure that agricultural land is preserved and used for agricultural purposes.

## 17 Other Assets

All amounts in thousands of euro

	Company 30.06.2022. (unaudited)	Group / Company 31.12.2021 (audited)
Financial assets	3 292	5 165
Other assets (repossessed collateral)	28	28
<b>Total other assets, gross</b>	<b>3 320</b>	<b>5 193</b>
Impairment allowances for financial assets	(1 824)	(1 951)
	<i>Company's share of provisions</i>	<i>(786)</i>
	<i>Impairment allowances covered by Portfolio Loss Reserve</i>	<i>(186)</i>
	<i>Provisions covered by risk coverage</i>	<i>(979)</i>
<b>Total financial assets, net</b>	<b>1 468</b>	<b>3 214</b>
<b>Total other assets, net</b>	<b>1 496</b>	<b>3 242</b>

The 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 Company's net book value of financial assets in 6 months of 2022, in thousands of euro:

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
<b>Financial assets</b>				
At the beginning of period	1 590	870	2 705	5 165
Changes	(61)	(631)	(1 181)	(1 873)
As at 30 June 2022 (unaudited)	1 529	239	1 524	3 292
<b>Impairment provision</b>				
At the beginning of period	(1 590)	(330)	(31)	(1 951)
Changes in impairment allowances	61	92	(26)	127
As at 30 June 2022 (unaudited)	(1 529)	(238)	(57)	(1 824)
<b>Net book value at the beginning of period</b>	<b>-</b>	<b>540</b>	<b>2 674</b>	<b>3 214</b>
<b>Net book value as at 30 June 2022 (unaudited)</b>	<b>-</b>	<b>1</b>	<b>1 467</b>	<b>1 468</b>

## 17 Other Assets (cont'd)

Movement in the Company's net book value of financial assets in 2021, in thousands of euro:

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
<b>Financial assets</b>				
At the beginning of period	1 624	280	3 664	5 568
Changes	316	582	14	912
As at 30 June (unaudited)	1 940	862	3 678	6 480
<b>Impairment provision</b>				
At the beginning of period	(1 624)	(169)	(167)	(1 960)
Changes in impairment allowances	(316)	(87)	70	(333)
As at 30 June (unaudited)	(1 940)	(256)	(97)	(2 293)
<b>Net book value at the beginning of period</b>	-	111	3 497	3 608
<b>Net book value as at 30 June (unaudited)</b>	-	606	3 581	4 187
<b>Financial assets</b>				
Changes	(350)	8	(973)	(1 315)
As at 31 December (unaudited)	1 590	870	2 705	(1 315)
<b>Impairment provision</b>				
Changes in impairment allowances	350	(74)	66	342
As at 31 December (unaudited)	(1 590)	(330)	(31)	342
<b>Net book value as at 31 December (unaudited)</b>	-	540	2 674	3 214

Movement in the Group's net book value of financial assets in 2021, in thousands of euro:

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
<b>Financial assets</b>				
At the beginning of period	1 624	280	3 699	5 603
Changes	316	582	(21)	877
As at 30 June (unaudited)	1 940	862	3 678	6 480
<b>Impairment provision</b>				
At the beginning of period	(1 624)	(169)	(167)	(1 960)
Changes in impairment allowances	(316)	(87)	70	(333)
As at 30 June (unaudited)	(1 940)	(256)	(97)	(2 293)
<b>Net book value at the beginning of period</b>	-	111	3 532	3 643
<b>Net book value as at 30 June (unaudited)</b>	-	606	3 581	4 187
<b>Financial assets</b>				
Changes	(350)	8	(973)	(1 315)
As at 31 December (unaudited)	1 590	870	2 705	(1 315)
<b>Impairment provision</b>				
Changes in impairment allowances	350	(74)	66	342
As at 31 December (unaudited)	(1 590)	(330)	(31)	342
<b>Net book value as at 31 December (unaudited)</b>	-	540	2 674	3 214

## 18 Due to Credit Institutions

All amounts in thousands of euro

	Company	Group / Company
	30.06.2022. (unaudited)	31.12.2021 (audited)
Due to credit institutions registered in OECD countries	43 450	53 416
<b>Total due to credit institutions</b>	<b>43 450</b>	<b>53 416</b>

Balances due to credit institutions registered in the OECD countries include loan received by the Company from the European Investment Bank (EIB) of EUR 43,450 thousand (31 December 2021: EUR 53,416 thousand), of which EUR 13 thousand constitutes accrued interest expenses (31 December 2021: EUR 14 thousand).

On October 2, 2009, an agreement was signed with the European Investment Bank for a loan of EUR 100,000 thousand to finance projects under the SMEs Growth Loan Programme. As at 30 June 2022 the principal amount of the loan EUR 7,812 thousand (31 December 2021: EUR 12,153 thousand), the accrued interest on the loan amounts to EUR 13 thousand (31 December 2021: EUR 14 thousand), the final repayment date 20 August 2024. The Ministry of Finance of the Republic of Latvia has issued a guarantee for the loan, as a collateral serves the commercial pledge to the right of the Company's claims. As at 30 June 2022, the amount of the secured claim was EUR 7,825 thousand (31 December 2021: EUR 12,166 thousand).

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. As at 30 June 2022 the principal amount of the loan EUR 35,625 thousand (31 December 2021: EUR 41,250 thousand), the final repayment date 20 November 2025. As at 30 June 2022, according to the loan agreement the Company is available the financing in the amount of EUR 35,000 thousand. On 10 December 2021, Altum signed an agreement with the European Investment Bank for an additional loan of EUR 40,000 thousand to finance working capital loans to small and medium-sized enterprises affected by the Covid-19, the absorption of which had not been started until June 30, 2022. The volume and pace of drawdown under both agreements is subordinated to the further volume of new lending transactions. The loans are unsecured.

As at 30 June 2022, the average interest rate for the balances *Due to credit institutions* was 0.09% (31 December 2021: 0.08%).

## 19 Due to General Governments

All amounts in thousands of euro

	Company	Group / Company
	30.06.2022. (unaudited)	31.12.2021 (audited)
Loans received from Rural Support Service	3 319	3 321
Loans received from the Treasury	142 115	118 027
<b>Total due to general governments</b>	<b>145 434</b>	<b>121 348</b>

Item *Loans 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 June 2022 the Company liabilities to Rural Support Service consist of the principal amount of EUR 3,072 thousand (31 December 2021: EUR 3,104 thousand) and accrued interest – EUR 247 thousand (31 December 2021: EUR 217 thousand). The final repayment date is 31 December 2025. The loan from Rural Support Service is unsecured.

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

- Agricultural land acquisition programme: as at 30 June 2022 the principal amount of the loan EUR 76,844 thousand (31 December 2021: EUR 69,077 thousand), the final repayment date 20 January 2058. As a collateral serves the commercial pledge to the right of the Company's claims resulting from loans granted by the Company under the programme. As at 30 June 2022, according to the loan agreement the Company is available the financing in the amount of EUR 23,156 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As at 30 June 2022, the amount of the secured claim was EUR 92,215 thousand (31 December 2021: EUR 82,893 thousand).

## 19 Due to General Governments (cont'd)

- SME development programme: as at 30 June 2022 the principal amount of the loan EUR 49,204 thousand (31 December 2021: EUR 32,103 thousand), the final repayment date 20 December 2043. As a collateral serves the commercial pledge to the right of the Company's claims resulting from loans granted by the Company under the programme. As at 30 June 2022, according to the loan agreement the Company still is available the financing in the amount of EUR 5,796 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As at 30 June 2022, the amount of the secured claim was EUR 59,046 thousand (31 December 2021: EUR 38,524 thousand).
- Parallel loan programme: as at 30 June 2022 the principal amount of the loan EUR 4,600 thousand (31.12.2021: EUR 4,600 thousand), the final repayment date 20 January 2039. As a collateral serves the commercial pledge to the right of the Company's claims resulting from loans granted by the Company under the programme. As at 30 June 2022, according to the loan agreement the Company still is available the financing in the amount of EUR 15,400 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As at 30 June 2022, the amount of the secured claim was EUR 5,520 thousand (31 December 2021: EUR 5,520 thousand).
- Programme of Small Loans for Rural Areas: as at 30 June 2022 the principal amount of the loan EUR 2,253 thousand (31 December 2021: EUR 2,327 thousand), the final repayment date 31 January 2039. As a collateral serves the commercial pledge to the right of the Company's claims resulting from loans granted by the Company under the programme. As at 30 June 2022, according to the loan agreement the Company still is available the financing in the amount of EUR 3,747 thousand, the size and pace of the drawdown the loan relates to the further volume of new loan transactions. As at 30 June 2022, the amount of the secured claim was EUR 2,703 thousand (31 December 2021: EUR 2,792 thousand).
- Latvian Land Fund (the financing for the Fund's transactions): the loan amount has been used in 2020 and as at 30 June 2022 the principal amount of the loan EUR 9,210 thousand (31 December 2021: EUR 9,919 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 June 2022, the amount of registered mortgage was EUR 10,400 thousand (31 December 2021: EUR 10,400 thousand).

As at 30 June 2022 the accrued interest on the loans received from the Treasury amounts to EUR 2,919 (31 December 2021: EUR 2,210).

The Company has also concluded the following loan agreements with the Treasury, the absorption of which has not been started until June 30, 2022:

- Micro Loans and Star-up Loans programme: the amount of the loan agreement EUR 23,000 thousand, the final repayment date 20 January 2039, 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.
- Working capital loan programme for farmers: the amount of the loan agreement EUR 25,612 thousand, the final repayment date 30 June 2025, 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 30,734 thousand.
- Loan program for construction works of apartment houses and improvement of their territories: the amount of the loan agreement EUR 30,000 thousand, the final repayment date January 20, 2044, commercial pledge on the Company's claims for the loans under the program. The size and pace of the drawdown the loan relates to the further volume of new loan transactions. The maximum secured claim is EUR 36,000 thousand.

## 20 Support programme funding

The Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Company's credit risk losses as at 30 June 2022, in thousands of euro:

Financial Instrument / Programme	Programme funding	Of which, Risk Coverage Reserve	Fair Value Correction	Provisions covered by risk coverage	Net programme funding
<b>Loans</b>					
ERDF II	8 294	1 498	(1 000)	(183)	7 111
ESF II	2 326	97	-	(40)	2 286
Microcredits of Swiss programme (closed programme)	565	93	-	(3)	562
ERDF I	449	3	-	-	449
ESF I	316	6	-	(2)	314
ERDF II (second round)	7 038	176	-	(33)	7 005
Incubators (from ESF II)	82	3	-	-	82
ERDF II 2 Public fund	226	-	-	-	226
Fund of Funds programme – Start-up loans	2 706	2 706	(439)	(183)	2 084
Fund of Funds programme – Microcredits	295	295	(9)	(10)	276
Fund of Funds programme – Parallel loans	4 012	4 012	(433)	(1 938)	1 641
Energy Efficiency Loans for Multi-apartment Buildings (I)	2 179	2 142	(12)	(17)	2 150
Start-up State Aid Cumulation Lending Programme	1 891	1 891	(387)	(275)	1 229
Other loans to start-ups	1 779	148	-	(41)	1 738
Mezzanine Programme – Loans	3 555	3 378	-	(1 013)	2 542
Guarantees and interest grants programme	4 285	4 285	(1 256)	-	3 029
SME energy efficiency loans	3 723	3 723	(175)	(437)	3 111
ERAF SME growth loans	4 037	242	-	(91)	3 946
ERAF loans for business sustainability	3 007	654	-	(84)	2 923
Parallel loans	2 000	2 000	(28)	(251)	1 721
Parallel loans 2	3 298	1 220	-	(466)	2 832
Loans for enterprises in rural territories	7 803	1 707	(196)	(96)	7 511
Start-up loans to innovative entrepreneurs	4 066	813	-	(88)	3 978
Multi-apartment building improvement loans*	750	750	-	(1)	749
Rental multi-apartment building improvement loans	4 024	241	-	(5)	4 019
Energy Efficiency Loans for Multi-apartment Buildings (II)	250	250	-	-	250
ERDF Multi-apartment building improvement loans	500	14	-	-	500
Cultural industry support programme **	2 333	-	-	-	2 333
ELFLA Agricultural and rural development loans	5 005	1 201	-	(15)	4 990
Investment Loans with a capital rebate *	99 565	50 778	-	-	99 565
<b>Total loans</b>	<b>180 359</b>	<b>84 326</b>	<b>(3 935)</b>	<b>(5 272)</b>	<b>171 152</b>

\* Combined financial instrument.

\*\* Combined financial instrument. Risk coverage (Portfolio Loss Reserve) of EUR 816 thousand has been included in the reserve for mitigation of the consequences of Covid-19, which is part of the specific reserves attributable to support programs (see Note 22).

## 20 Support programme funding (cont'd)

The Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Company's credit risk losses as at 30 June 2022, in thousands of euro (cont'd):

Financial Instrument / Programme	Programme funding	Of which, Risk Coverage Reserve	Fair Value Correction	Provisions covered by risk coverage	Net programme funding
<b>Guarantees</b>					
Fund of Funds programme – Guarantees	36 312	36 312	-	(6 554)	29 758
Energy Efficiency Guarantees for Multi-apartment Buildings	8 309	8 102	-	(1 167)	7 142
Housing Guarantee Programme	21 377	21 377	(2 875)	(13 400)	5 102
Portfolio guarantees for renovation of family buildings	502	502	-	-	502
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	8 753	8 753	(1 261)	(971)	6 521
Mezzanine Programme – Guarantees	920	874	-	(256)	664
Portfolio Guarantee Fund	3 881	3 414	(237)	(2 961)	683
Export credit guarantees	3 390	3 390	(1 841)	(421)	1 128
Study and student portfolio guarantees ***	669	-	-	-	669
ELFLA Agricultural and rural development guarantees	2 500	2 500	-	-	2 500
Agricultural Guarantees	2 741	2 741	(827)	(934)	980
<b>Total guarantees</b>	<b>89 354</b>	<b>87 965</b>	<b>(7 041)</b>	<b>(26 664)</b>	<b>55 649</b>
<b>Grants</b>					
Energy Efficiency Grants for Multi-apartment Buildings	54 693	-	-	-	54 693
Housing grant programme "Balsts"	6 119	-	-	-	6 119
Grants for energy efficiency improvement of family buildings	1 587	-	-	-	1 587
Social Entrepreneurship Programme	1 578	-	-	-	1 578
Grants for development of energy efficiency project	-	-	-	-	-
Grants for improving energy efficiency of family buildings	3 258	-	-	-	3 258
Grants for Cultural industry support *	2 193	-	-	-	2 193
<b>Total grants</b>	<b>69 428</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69 428</b>
<b>Venture Capital Funds</b>					
Fund of Funds and venture capital funds	30 616	25 412	-	-	30 616
Investment Fund Activity	4 215	3 372	-	(27)	4 188
Baltic Innovation Fund	1 936	581	(508)	-	1 428
Baltic Innovation Fund II	2 054	616	(641)	-	1 413
<b>Total venture capital funds</b>	<b>38 821</b>	<b>29 981</b>	<b>(1 149)</b>	<b>(27)</b>	<b>37 645</b>
<b>Other Activities</b>					
Energy Efficiency Fund	607	-	-	-	607
Regional Creative Industries Alliance	-	-	-	-	-
<b>Total other activities</b>	<b>607</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>607</b>
Funding allocated to increase reserve capital	-	-	-	-	-
<b>Total support programme funding</b>	<b>378 569 ****</b>	<b>202 272</b>	<b>(12 125)</b>	<b>(31 963)</b>	<b>334 481</b>

\* Combined financial instrument.

\*\*\* Risk coverage (Portfolio Loss Reserve) of EUR 2,375 thousand has been included in the reserve for non-Covid-19 programmes, which is part of the specific reserves attributable to support programs (see Note 22)

\*\*\*\* Support programme funding contains EUR 14,511 thousand allocated for management costs of the Company to be compensated from support programme funding.

## 20 Support programme funding (cont'd)

The Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Company's credit risk losses as at 31 December 2021, in thousands of euro:

Financial Instrument / Programme	Programme funding	Credit risk coverage	Provisions covered by risk coverage	Net programme funding
<b>Loans</b>				
ERDF II	1 805	1 655	(226)	1 579
ESF II	1 020	132	(51)	969
Microcredits of Swiss programme (closed programme)	82	82	(5)	77
ERDF I	122	24	(3)	119
ESF I	316	7	(2)	314
ERDF II (second round)	5 801	249	(39)	5 762
Incubators (from ESF II)	82	5	-	82
ERAF II 2 Public fund (programme closed)	226	-	-	226
Fund of Funds programme – Start-up loans	2 705	2 705	(226)	2 479
Fund of Funds programme – Microcredits	295	295	(13)	282
Fund of Funds programme – Parallel loans	4 298	4 298	(2 584)	1 714
Energy Efficiency Loans for Multi-apartment Buildings (I)	5 293	5 142	(11)	5 282
Start-up State Aid Cumulation Lending Programme	1 875	1 875	(269)	1 606
Other loans to start-ups	1 517	197	(49)	1 468
Mezzanine Programme – Loans	3 484	3 310	(1 046)	2 438
Guarantees and interest grants programme	4 269	4 269	-	4 269
SME energy efficiency loans	3 723	3 723	(350)	3 373
Parallel loans	2 000	2 000	(155)	1 845
Loans for enterprises in rural territories	7 810	1 709	(72)	7 738
Start-up loans to innovative entrepreneurs	1 500	300	(26)	1 474
Multi-apartment building improvement loans **	1 000	1 000	-	1 000
Rental multi-apartment building improvement loans	1 000	60	-	1 000
Cultural industry support programme ***	2 717	-	-	2 717
<b>Total loans</b>	<b>52 940 ****</b>	<b>33 037</b>	<b>(5 127)</b>	<b>47 813</b>
<b>Guarantees</b>				
Fund of Funds programme - Guarantees	29 909	29 909	(6 183)	23 726
Energy Efficiency Guarantees for Multi-apartment Buildings	8 294	7 985	(1 015)	7 279
Housing Guarantee Programme	21 530	21 530	(11 971)	9 559
Portfolio guarantees for renovation of family buildings	502	502	-	502
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	7 753	7 753	(996)	6 757
Mezzanine Programme - Guarantees	892	847	(190)	702
Portfolio Guarantee Fund	3 913	3 446	(2 358)	1 555
Export credit guarantees	2 477	2 477	(636)	1 841
Study and student portfolio guarantees *****	549	-	-	549
Agricultural Guarantees	2 741	2 741	(1 020)	1 721
<b>Total guarantees</b>	<b>78 560</b>	<b>77 190</b>	<b>(24 369)</b>	<b>54 191</b>

\* The IFRS 9 implementation adjustment of EUR (7,645) thousand incorporated in 2018 (for details see financial report of 2021 Note 2 (15)) consisting of Accrued liabilities of state aid of EUR 4,876 thousands and Fair value correction of EUR 12,341 thousands previously disclosed in this note as separate columns reconciling Programme funding and Net programme funding are netted off vs Programme funding as at 31 December 2021. That disclosure treatment is the same as was presented in the audited financial statements for the year ended 31 December 2018. Net decrease of Fair value correction for the year 2021 of EUR 152 thousands has been also netted off vs Programme funding as at 31 December 2021.

\*\* Combined financial instrument.

\*\*\* Combined financial instrument. Risk coverage (Portfolio Loss Reserve) of EUR 816 thousand has been included in the Specific reserve capital for mitigating of impact of Covid-19, which is part of the Specific Reserves attributable to support programmes (see Note 22).

\*\*\*\* Support programme funding includes funding that had to be reallocated between the programmes, partly done in 2021 (from the Microcredits of Swiss programme), to be continued in 2022.

\*\*\*\*\* Risk coverage of EUR 2,141 thousand has been included in the Specific reserve for non-Covid-19 programmes (Portfolio Loss Reserve), which is part of the Specific reserves attributable to support programmes (see Note 22)



## 20 Support programme funding (cont'd)

The Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Company's credit risk losses as at 31 December 2021, in thousands of euro (cont'd):

Financial Instrument / Programme	Programme funding *	Credit risk coverage	Provisions covered by risk coverage	Net programme funding
<b>Grants</b>				
Energy Efficiency Grants for Multi-apartment Buildings	48 826	-	-	48 826
Housing grant programme "Balsts"	7 350	-	-	7 350
Grants for energy efficiency improvement of family buildings **	1 872	-	-	1 872
Social Entrepreneurship Programme	1 849	-	-	1 849
Grants for Cultural industry support **	1 849	-	-	1 849
<b>Total grants</b>	<b>61 746</b>	<b>-</b>	<b>-</b>	<b>61 746</b>
<b>Venture Capital Funds</b>				
Fund of Funds and venture capital funds	52 084	43 230	-	52 084
Investment Fund Activity	5 008	4 507	-	5 008
Baltic Innovation Fund	1 939	582	-	1 939
Baltic Innovation Fund II	2 166	650	-	2 166
<b>Total venture capital funds</b>	<b>61 197</b>	<b>48 969</b>	<b>-</b>	<b>61 197</b>
<b>Other Activities</b>				
Energy Efficiency Fund	3 888	-	-	3 888
Regional Creative Industries Alliance	-	-	-	-
<b>Total other activities</b>	<b>3 888</b>	<b>-</b>	<b>-</b>	<b>3 888</b>
Funding allocated to increase reserve capital *****	1 452	-	-	1 452
<b>Total support programme funding</b>	<b>259 783 *****</b>	<b>159 196</b>	<b>(29 496)</b>	<b>230 287</b>

\* The IFRS 9 implementation adjustment of EUR (7,645) thousand incorporated in 2018 (for details see financial report of 2021 Note 2 (15)) consisting of Accrued liabilities of state aid of EUR 4,876 thousands and Fair value correction of EUR 12,341 thousands previously disclosed in this note as separate columns reconciling Programme funding and Net programme funding are netted off vs Programme funding as at 31 December 2021. That disclosure treatment is the same as was presented in the audited financial statements for the year ended 31 December 2018. Net decrease of Fair value correction for the year 2021 of EUR 152 thousands has been also netted off vs Programme funding as at 31 December 2021.

\*\* Combined financial instrument.

\*\*\*\*\* It is expected that the financing will be transferred to the Group's reserve capital following the decision of the shareholders' meeting, which is planned in the 2nd quarter of 2022.

\*\*\*\*\* Support programme funding contains EUR 19,355 thousand allocated for management costs of the Group / Company to be compensated from support programme funding.

## 20 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 Company need not have to repay the reductions of funding to the funding provider.

Movement in the Company's support programme funding in 6 months of 2022, 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
	31.12.2021.									30.06.2022.
<b>Loans</b>										
ERDF II	1 579	-	(2 000)	-	-	-	-	7 489	43	7 111
ESF II	969	-	-	-	-	-	2	1 319	(4)	2 286
Microcredits of Swiss programme (closed programme)	77	-	-	-	-	-	-	483	2	562
ERDF I	119	-	-	-	-	-	-	327	3	449
ESF I	314	-	-	-	-	-	-	-	-	314
ERDF II (second round)	5 762	-	-	-	-	-	14	1 223	6	7 005
Incubators (from ESF II)	82	-	-	-	-	-	-	-	-	82
ERDF II 2 Public fund	226	-	-	-	-	-	-	-	-	226
Fund of Funds programme – Start-up loans	2 479	-	-	-	-	-	-	(439)	44	2 084
Fund of Funds programme – Microcredits	282	-	-	-	-	-	-	(9)	3	276
Fund of Funds programme – Parallel loans	1 714	-	(286)	-	-	-	-	(434)	647	1 641
Energy Efficiency Loans for Multi-apartment Buildings (I)	5 282	-	(3 000)	-	(114)	-	-	(12)	(6)	2 150
Start-up State Aid Cumulation Lending Programme	1 606	-	-	-	-	-	-	(371)	(6)	1 229
Other loans to start-ups	1 468	-	-	-	-	-	8	254	8	1 738
Mezzanine Programme – Loans	2 438	-	(7)	-	-	-	77	-	34	2 542
Guarantees and interest grants programme	4 269	-	-	-	-	-	16	(1 256)	-	3 029
SME energy efficiency loans	3 373	-	-	-	-	-	-	(175)	(87)	3 111
ERDF SME growth loans	-	-	4 000	-	-	-	37	-	(91)	3 946
ERDF loans for business sustainability	-	-	3 000	-	-	-	7	-	(84)	2 923
Parallel loans	1 845	-	-	-	-	-	-	(28)	(96)	1 721
Parallel loans 2	-	-	3 286	-	-	-	12	-	(466)	2 832
Loans for enterprises in rural territories	7 738	-	-	-	-	-	-	(196)	(31)	7 511
Start-up loans to innovative entrepreneurs	1 474	-	2 500	-	-	-	67	-	(63)	3 978
Multi-apartment building improvement loans*	1 000	-	(250)	-	-	-	-	-	(1)	749
Rental multi-apartment building improvement loans	1 000	-	3 000	-	-	-	24	-	(5)	4 019
Energy Efficiency Loans for Multi-apartment Buildings (II)	-	-	250	-	-	-	-	-	-	250
ERDF Multi-apartment building improvement loans	-	-	500	-	-	-	-	-	-	500
Cultural industry support programme *	2 717	-	(364)	-	(14)	-	-	(6)	-	2 333
ELFLA Agricultural and rural development loans	-	5 000	-	-	-	-	5	-	(15)	4 990
Investment Loans with a capital rebate *	-	99 565	-	-	-	-	-	-	-	99 565
<b>Total loans</b>	<b>47 813 **</b>	<b>104 565</b>	<b>10 629</b>	<b>-</b>	<b>(128)</b>	<b>-</b>	<b>269</b>	<b>8 169</b>	<b>(165)</b>	<b>171 152</b>

\* Combined financial instrument.

\*\* Support programme funding includes funding that had to be reallocated between the programmes, partly done in 2021 (from the Microcredits of Swiss programme), to be continued in 2022

## 20 Support programme funding (cont'd)

Movement in the Company's support programme funding in 6 months of 2022, 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
	31.12.2021.									30.06.2022.
<b>Guarantees</b>										-
Fund of Funds programme - Guarantees	23 726	-	6 000	-	-	-	415	-	(383)	29 758
Energy Efficiency Guarantees for Multi-apartment Buildings	7 279	-	-	-	(102)	-	117	-	(152)	7 142
Housing Guarantee Programme	9 559	-	-	-	-	-	-	(3 028)	(1 429)	5 102
Portfolio guarantees for renovation of family buildings*	502	-	-	-	-	-	-	-	-	502
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	6 757	-	1 000	-	-	-	-	(1 261)	25	6 521
Mezzanine Programme - Guarantees	702	-	7	-	-	-	22	-	(67)	664
Portfolio Guarantee Fund	1 555	-	-	-	-	-	-	(237)	(635)	683
Export credit guarantees	1 841	-	1 000	-	-	-	-	(1 840)	127	1 128
Study and student portfolio guarantees	549	120	-	-	-	-	-	-	-	669
ELFLA Agricultural and rural development guarantees	-	2 500	-	-	-	-	-	-	-	2 500
Agricultural Guarantees	1 721	-	-	-	-	-	-	(827)	86	980
<b>Total guarantees</b>	<b>54 191</b>	<b>2 620</b>	<b>8 007</b>	<b>-</b>	<b>(102)</b>	<b>-</b>	<b>554</b>	<b>(7 193)</b>	<b>(2 428)</b>	<b>55 649</b>
<b>Grants</b>										
Energy Efficiency Grants for Multi-apartment Buildings	48 826	14 500	-	(8 633)	-	-	-	-	-	54 693
Housing grant programme "Baists"	7 350	-	-	(1 231)	-	-	-	-	-	6 119
Grants for energy efficiency improvement of family buildings *	1 872	-	-	(285)	-	-	-	-	-	1 587
Social Entrepreneurship Programme	1 849	1 023	-	(1 216)	(78)	-	-	-	-	1 578
Grants for development of energy efficiency project	-	-	-	-	-	-	-	-	-	-
Grants for improving energy efficiency of family buildings	-	-	3 269	-	(11)	-	-	-	-	3 258
Grants for Cultural industry support *	1 849	-	364	-	(14)	-	-	(6)	-	2 193
<b>Total grants</b>	<b>61 746</b>	<b>15 523</b>	<b>3 633</b>	<b>(11 365)</b>	<b>(103)</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>69 428</b>
<b>Venture Capital Funds</b>										
Fund of Funds and venture capital funds	52 084	-	(19 000)	-	(1 369)***	(1 288)	189*****	-	-	30 616
Investment Fund Activity	5 008	-	-	-	(262)****	(1 156)	304*****	321*****	(27)	4 188
Baltic Innovation Fund	1 939	-	-	-	(65)	-	61*****	(507)	-	1 428
Baltic Innovation Fund II	2 166	-	-	-	(112)	-	-	(641)	-	1 413
<b>Total venture capital funds</b>	<b>61 197</b>	<b>-</b>	<b>(19 000)</b>	<b>-</b>	<b>(1 808)</b>	<b>(2 444)</b>	<b>554</b>	<b>(827)</b>	<b>(27)</b>	<b>37 645</b>
<b>Other Activities</b>										
Energy Efficiency Fund	3 888	-	(3 269)	-	(12)	-	-	-	-	607
Regional Creative Industries Alliance	-	3	-	-	(3)	-	-	-	-	-
<b>Total other activities</b>	<b>3 888</b>	<b>3</b>	<b>(3 269)</b>	<b>-</b>	<b>(15)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>607</b>
Funding allocated to increase reserve capital	1 452	2 074	-	-	-	-	-	(3 526)	-	-
<b>Total support programme funding</b>	<b>230 287</b>	<b>124 785</b>	<b>-</b>	<b>(11 365)</b>	<b>(2 156)</b>	<b>(2 444)</b>	<b>1 377</b>	<b>(3 409)</b>	<b>(2 620)</b>	<b>334 481</b>

\* Combined financial instrument.

\*\*\* include EUR 887 thousand management fees for the 4th generation venture capital funds (see Note 12).

\*\*\*\* include EUR 262 thousand management fees for the 2nd and 3rd generation venture capital funds (see Note 12).

\*\*\*\*\* include EUR 164 thousand mezzanine interest received and EUR 25 thousand realised gain on investments in 4th generation venture capital funds in 6 months of 2022 (see Note 12).

\*\*\*\*\* include EUR 125 thousand mezzanine interest received and EUR 179 thousand realised gain on investments in 2nd and 3rd generation venture capital funds in 6 months of 2022 (see Note 12).

\*\*\*\*\* include EUR 48 thousand realised gain on investment in Baltic Innovation Fund in 6 months of 2022 (see Note 12).

\*\*\*\*\* include deferred payments in amount of EUR 151 thousand (deferred income) from exited investments in 2nd and 3rd generation venture capital funds.

## 20 Support programme funding (cont'd)

Gains less losses from liabilities at fair value through profit or loss, in thousands of euro: (cont'd)

	Company 01.01.2022.- 30.06.2022. (unaudited)	Group / Company 01.01.2021.- 30.06.2021. (unaudited)
Revaluation of investments in 2nd and 3rd generation venture capital funds	(1 142)	(128)
Realised gain on investments in 2nd and 3rd generation venture capital funds	179	356
Mezzanine interest received from investments in 2nd and 3rd generation venture capital funds	125	-
Revaluation of investments in 4th generation venture capital funds	(1 302)	(253)
Realised gain on investments in 4th generation venture capital funds	25	-
Mezzanine interest received from investments in 4th generation venture capital funds	164	-
<b>Gains less losses from liabilities at fair value through profit or loss</b>	<b>(1 951)</b>	<b>(25)</b>

## 21 Provisions

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

	Company 30.06.2022. (unaudited)	Group / Company 31.12.2021 (audited)
Provisions for financial guarantees	35 436	33 603
<i>Company's share of provisions</i>	5 184	5 494
<i>Provisions covered by Portfolio Loss Reserve</i>	4 418	4 719
<i>Provisions covered by Risk Coverage Reserve</i>	25 834	23 390
Provisions for loan commitments	780	790
<i>Company's share of provisions</i>	130	140
<i>Provisions covered by Portfolio Loss Reserve</i>	93	188
<i>Provisions covered by Risk Coverage Reserve</i>	557	462
Provisions for grant commitments	73	73
<i>Company's share of provisions</i>	73	73
<i>Provisions covered by risk coverage</i>	-	-
<b>Total provisions</b>	<b>36 289</b>	<b>34 466</b>
<i>Company's share of provisions</i>	5 387	5 707
<i>Provisions covered by Portfolio Loss Reserve</i>	4 511	4 907
<i>Provisions covered by Risk Coverage Reserve</i>	26 391	23 852

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

	Company 01.01.2022.- 30.06.2022. (unaudited)	Group / Company 01.01.2021.- 31.12.2021. (audited)
Provisions at the beginning of the period	33 603	31 413
Increase in provisions (Note 10)	8 781	6 701
Decrease in provisions (Note 10)	(6 856)	(7 081)
Reclassification (Disbursed guarantee)	(92)	(346)
<b>Provisions at the end of the period ended 30 June (unaudited)</b>	<b>35 436</b>	<b>30 687</b>
<i>Company's share of provisions</i>	5 184	5 465
<i>Provisions covered by Portfolio Loss Reserve</i>	4 418	3 837
<i>Provisions covered by Risk Coverage Reserve</i>	25 834	21 385
Increase in provisions (Note 10)		9 370
Decrease in provisions (Note 10)		(5 835)
Reclassification (Disbursed guarantee)		(619)
<b>Provisions at the end of the period ended 31 December (audited)</b>		<b>33 603</b>
<i>Company's share of provisions</i>		5 494
<i>Provisions covered by Portfolio Loss Reserve</i>		4 719
<i>Provisions covered by Risk Coverage Reserve</i>		23 390

## 22 Reserves

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

	Specific reserves for support programmes	Other specific reserves-difference recognised in Group's reorganisation reserve	General reserve capital	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Total reserves
<b>Reserves as of 1 January 2021 (audited)</b>	<b>161 133</b>	<b>(15 935)</b>	<b>25 121</b>	<b>1 213</b>	<b>171 532</b>
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	(301)	(301)
Decrease of Specific Reserves to General reserve capital at allocation of the profit for year 2020	(6 429)	-	6 429	-	-
Distribution of 2020 year profit of the Company	-	-	5 539	-	5 539
Increase of reserve capital	26 730	-	-	-	26 730
<b>Reserves as of 30 June 2021 (unaudited)</b>	<b>181 434</b>	<b>(15 935)</b>	<b>37 089</b>	<b>912</b>	<b>203 500</b>
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	(214)	(214)
Increase of reserve capital	18 759	-	-	-	18 759
<b>Reserves as of 31 December 2021 (audited)</b>	<b>200 193</b>	<b>(15 935)</b>	<b>37 089</b>	<b>698</b>	<b>222 045</b>
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	(970)	(970)
Distribution of 2021 year profit of the Company	-	-	13 829	-	13 829
Decrease of Specific Reserves to General reserve capital at allocation of the profit for year 2021	(3 446)	-	3 446	-	-
Increase of reserve capital	3 525	-	-	-	3 525
Decrease of reserve capital	(58 565)	-	-	-	(58 565)
<b>Reserves as of 30 June 2022 (unaudited)</b>	<b>141 707</b>	<b>(15 935)</b>	<b>54 364</b>	<b>(272)</b>	<b>179 864</b>

Analysis of the Group's reserves movements on 31 December 2021, in thousands of euro:

	Specific reserves for support programmes	Other specific reserves-difference recognised in Group's reorganisation reserve	General reserve capital	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Total reserves
<b>Reserves as of 1 January 2021 (audited)</b>	<b>161 133</b>	<b>(15 580)</b>	<b>24 768</b>	<b>1 213</b>	<b>171 534</b>
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	(301)	(301)
Decrease of Specific Reserves to General reserve capital at allocation of the profit for year 2020	(6 429)	-	6 429	-	-
Distribution of 2020 year profit of the Company	-	-	5 539	-	5 539
Increase of reserve capital	26 730	-	-	-	26 730
<b>Reserves as of 30 June 2021 (unaudited)</b>	<b>181 434</b>	<b>(15 580)</b>	<b>36 736</b>	<b>912</b>	<b>203 502</b>
Increase of reserve capital	18 759	-	-	(214)	18 545
<b>Reserves as of 31 December 2021 (audited)</b>	<b>200 193</b>	<b>(15 580)</b>	<b>36 736</b>	<b>698</b>	<b>222 047</b>

## 22 Reserves (cont'd)

Breakdown of the Company's "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 capital fund"	Total specific reserves for support programmes
	Housing Guarantee Programme	Study and student portfolio guarantees	Guarantees for agriculture, fisheries and rural development	Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	Loans to MidCaps	Guarantees to MidCaps *	Working capital loans	Loan holiday guarantees		
<b>Specific reserves as of 1 January 2021 (audited)</b>	<b>15 507</b>	<b>626</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20 000</b>	<b>50 000</b>	<b>50 000</b>	<b>25 000</b>	<b>161 133</b>
of which:										
Portfolio Loss Reserve (Specific Reserves)	15 507	626	-	-	-	20 000	29 000	30 000	7 131	102 264
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2020 annual report	-	(392)	-	-	-	-	(2 668)	(3 184)	(185)	(6 429)
Portfolio Loss Reserve (Specific Reserves) used to cover credit loss upon approval of the 2020 annual report	-	(392)	-	-	-	-	(2 668)	(3 184)	(185)	(6 429)
Increase of specific reserves	2 179	1 986	-	-	22 565	-	-	-	-	26 730
<b>Specific reserves as of 30 June 2021 (unaudited)</b>	<b>17 686</b>	<b>2 220</b>	<b>-</b>	<b>-</b>	<b>22 565</b>	<b>20 000</b>	<b>47 332</b>	<b>46 816</b>	<b>24 815</b>	<b>181 434</b>
of which:										
Portfolio Loss Reserve (Specific Reserves)	17 686	2 220	-	-	13 800	20 000	26 332	46 816	8 850	135 704
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2021 annual report	-	(72)	-	-	-	-	(414)	(342)	(91)	(919)
Reallocation of reserve capital	-	-	-	2 500	-	-	-	(2 500)	-	-
Increase of specific reserves	-	155	5 788	2 000	-	-	10 816	-	-	18 759

## 22 Reserves (cont'd)

Breakdown of the Company's "Specific reserves for support programmes" (cont'd):

	Reserve capital for non-Covid-19 guarantees programmes				Reserve capital for mitigating of impact of Covid-19				Reserve capital for AIF "Altum capital fund"	Total specific reserves for support programmes
	Housing Guarantee Programme	Study and student portfolio guarantees	Guarantees for agriculture, fisheries and rural development	Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	Loans to MidCaps	Guarantees to MidCaps *	Working capital loans	Loan holiday guarantees		
<b>Specific reserves as of 31 December 2021 (audited)</b>	<b>17 686</b>	<b>2 375</b>	<b>5 788</b>	<b>4 500</b>	<b>22 565</b>	<b>20 000</b>	<b>58 148</b>	<b>44 316</b>	<b>24 815</b>	<b>200 193</b>
of which:										
Portfolio Loss Reserve (Specific Reserves)	17 686	2 375	5 788	4 500	13 800	20 000	42 385	44 316	8 850	159 700
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2021 annual report	-	(1 140)	-	-	-	-	(1 683)	(186)	(437)	(3 446)
Portfolio Loss Reserve (Specific Reserves) used to cover credit loss upon approval of the 2021 annual report	-	(1 140)	-	-	-	-	(1 683)	(186)	(437)	(3 446)
Increase of reserve capital	1 452	2 073	-	-	-	-	-	-	-	3 525
Decrease of reserve capital, directing funds to risk coverage of program Loans with capital discount	-	-	-	-	(22 565)	(20 000)	-	(16 000)	-	(58 565)
<b>Specific reserves as of 30 June 2022 (unaudited)</b>	<b>19 138</b>	<b>3 308</b>	<b>5 788</b>	<b>4 500</b>	<b>-</b>	<b>-</b>	<b>56 465</b>	<b>28 130</b>	<b>24 378</b>	<b>141 707</b>
of which:										
Portfolio Loss Reserve (Specific Reserves)	19 138	3 308	5 788	4 500	-	-	40 702	28 130	8 413	109 979
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2022 annual report	-	(757)	-	-	-	-	(897)	968	(573)	(1 259)

\* As at 31 December 2020 Specific Reserves for mitigating of impact of Covid-19 for Guarantees to MidCaps was represented within Specific Reserves for mitigating of impact of Covid-19 for Loan holiday guarantees.

## 22 Reserves (cont'd)

Breakdown of the Group's "Specific reserves for support programmes" on 31 December 2021:

	Reserve capital for non-Covid-19 guarantees programmes				Reserve capital for mitigating of impact of Covid-19				Reserve capital for AIF "Altum capital fund"	Total specific reserves for support programmes
	Housing Guarantee Programme	Study and student portfolio guarantees	Guarantees for agriculture, fisheries and rural development	Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	Loans to MidCaps	Guarantees to MidCaps *	Working capital loans	Loan holiday guarantees		
<b>Specific reserves as of 1 January 2021 (audited)</b>	<b>15 507</b>	<b>626</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20 000</b>	<b>50 000</b>	<b>50 000</b>	<b>25 000</b>	<b>161 133</b>
of which:										
Portfolio Loss Reserve (Specific Reserves)	15 507	626	-	-	-	20 000	29 000	30 000	7 131	102 264
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2020 annual report	-	(392)	-	-	-	-	(2 668)	(3 184)	(185)	(6 429)
Portfolio Loss Reserve (Specific Reserves) used to cover credit loss upon approval of the 2020 annual report	-	(392)	-	-	-	-	(2 668)	(3 184)	(185)	(6 429)
Increase of specific reserves	2 179	1 986	-	-	22 565	-	-	-	-	26 730
<b>Specific reserves as of 30 June 2021 (unaudited)</b>	<b>17 686</b>	<b>2 220</b>	<b>-</b>	<b>-</b>	<b>22 565</b>	<b>20 000</b>	<b>47 332</b>	<b>46 816</b>	<b>24 815</b>	<b>181 434</b>
of which:										
Portfolio Loss Reserve (Specific Reserves)	17 686	2 220	-	-	13 800	20 000	26 332	46 816	8 850	135 704
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2021 annual report	-	(72)	-	-	-	-	(414)	(342)	(91)	(919)
Reallocation of reserve capital	-	-	-	2 500	-	-	-	(2 500)	-	-
Increase of specific reserves	-	155	5 788	2 000	-	-	10 816	-	-	18 759
<b>Specific reserves as of 31 December 2021 (audited)</b>	<b>17 686</b>	<b>2 375</b>	<b>5 788</b>	<b>4 500</b>	<b>22 565</b>	<b>20 000</b>	<b>58 148</b>	<b>44 316</b>	<b>24 815</b>	<b>200 193</b>
of which:										
Portfolio Loss Reserve (Specific Reserves)	17 686	2 375	5 788	4 500	13 800	20 000	42 385	44 316	8 850	159 700
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2021 annual report	-	(1 140)	-	-	-	-	(1 683)	(186)	(437)	(3 446)

\* As at 31 December 2020 Specific Reserves for mitigating of impact of Covid-19 for Guarantees to MidCaps was represented within Specific Reserves for mitigating of impact of Covid-19 for Loan holiday guarantees.



## 22 Reserves (cont'd)

Analysis of the Company's portfolio loss reserve movements, in thousands of euro:

	Portfolio loss reserve for non-Covid-19 guarantees programmes				Portfolio loss reserve for mitigating of impact of Covid-19				Reserve capital for AIF "Altum capital fund"	Total portfolio loss reserve
	Housing Guarantee Programme	Study and student portfolio guarantees	Guarantees for agriculture, fisheries and rural development	Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	Loans to MidCaps	Guarantees to MidCaps	Working capital loans	Loan holiday guarantees		
<b>Portfolio Loss Reserve as of 1 January 2021 (audited)</b>	<b>15 507</b>	<b>626</b>		<b>-</b>	<b>-</b>	<b>20 000</b>	<b>29 000</b>	<b>30 000</b>	<b>7 131</b>	<b>102 264</b>
of which:										
<i>Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2020 annual report</i>	-	(392)	-	-	-	-	(2 668)	(3 184)	(185)	(6 429)
Increase / reclassification of Portfolio Loss Reserve	2 179	1 986	-	-	13 800	-	-	20 000	-	37 965
Reallocation of funding within Portfolio Loss Reserve – funding for management fee	-	(392)	-	-	-	-	(2 668)	(3 184)	(185)	(6 429)
Reallocation of funding within portfolio loss reserve – funding for management fee	-	-	-	-	-	-	-	-	2 060	2 060
Decrease of Portfolio Loss Reserve according to the List of the Partners and their Commitments	-	-	-	-	-	-	-	-	(156)	(156)
<b>Portfolio Loss Reserve as of 30 June 2021 (unaudited)</b>	<b>17 686</b>	<b>2 220</b>	<b>-</b>	<b>-</b>	<b>13 800</b>	<b>20 000</b>	<b>26 332</b>	<b>46 816</b>	<b>8 850</b>	<b>135 704</b>
of which:										
<i>Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2020 annual report</i>	-	(392)	-	-	-	-	(2 668)	(3 184)	(185)	(6 429)
<i>Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2021 annual report</i>	-	(72)	-	-	-	-	(414)	(342)	(91)	(919)
Increase / reclassification of Portfolio Loss Reserve	-	155	5 788	4 500	-	-	16 053	(2 500)	-	23 996
Portfolio Loss Reserve used to cover credit loss upon approval of the 2021 annual report	-	(392)	-	-	-	-	(2 668)	(3 184)	(185)	(6 429)
<b>Portfolio Loss Reserve as of 31 December 2021 (audited)</b>	<b>17 686</b>	<b>2 375</b>	<b>5 788</b>	<b>4 500</b>	<b>13 800</b>	<b>20 000</b>	<b>42 385</b>	<b>44 316</b>	<b>8 850</b>	<b>159 700</b>
of which:										
<i>Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2021 annual report</i>	-	(1 140)	-	-	-	-	(1 683)	(186)	(437)	(3 446)

## 22 Reserves (cont'd)

Analysis of the Company's portfolio loss reserve movements, in thousands of euro (cont'd):

	Portfolio loss reserve for non-Covid-19 guarantees programmes				Portfolio loss reserve for mitigating of impact of Covid-19				Reserve capital for AIF "Altum capital fund"	Total portfolio loss reserve
	Housing Guarantee Programme	Study and student portfolio guarantees	Guarantees for agriculture, fisheries and rural development	Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	Loans to MidCaps	Guarantees to MidCaps	Working capital loans	Loan holiday guarantees		
Reallocation of funding within Portfolio Loss Reserve – funding for management fee	-	(1 140)	-	-	-	-	(1 683)	(186)	(437)	(3 446)
Increase of reserve capital	1 452	2 073	-	-	-	-	-	-	-	3 525
Decrease of reserve capital, directing funds to capital discount of program Loans with capital discount	-	-	-	-	(13 800)	(20 000)	-	(16 000)	-	(49 800)
<b>Portfolio Loss Reserve as of 30 June 2022 (unaudited)</b>	<b>19 138</b>	<b>3 308</b>	<b>5 788</b>	<b>4 500</b>	<b>-</b>	<b>-</b>	<b>40 702</b>	<b>28 130</b>	<b>8 413</b>	<b>109 979</b>
of which:										
Portfolio Loss Reserve (Specific Reserves) to be used for reversal of net impairment allowance upon approval of the 2022 annual report	-	(757)	-	-	-	-	(897)	968	(573)	(1 259)

Subitem Reserve capital for non-Covid-19 programmes includes the following increases in the Specific Reserve capital for non-Covid-19 programmes in 2022 6 months:

- An increase of EUR 1,452 thousand for housing guarantees in accordance with the decision of the Extraordinary General Shareholders' Meeting of 27 June 2022, adopted on the basis of the Cabinet of Ministers Regulations No.95 of 20 February 2018" Regulations on state aid for the purchase or construction of a dwelling" and concluded on 22 December 2021 Agreement on dwelling guarantee support program funding No.2/2021 with the Ministry of Economics
- An increase for study and student portfolio guarantees for the total amount of EUR 2,073 thousand in accordance with the decision of the Extraordinary General Shareholders' Meeting of 27 June 2022, adopted on the basis of the Cabinet of Ministers Regulations No.231 of 21 April 2020 "Regulations on study and student lending for studies in Latvia from the resources of credit institutions, which are guaranteed by the state budget" and the agreement concluded on 10 August 2020 (with the amendments of 27 December 2021) on the financing, implementation, cooperation, supervision and mutual exchange of information of the study and student loan guarantee program with the Ministry of Education and Science.

Item Reserve capital for mitigation of impact of Covid-19 includes a decrease in the Special Reserve capital of EUR 58,565 thousand in accordance with the decision of the Extraordinary General Meeting of Shareholders of the Company of 1 April 2022, adopted on the basis of the clauses 2 and 3 of the Cabinet of Ministers Order as of 6 July 2021 (Meeting Minutes No. 51). A decrease in the reserve capital consists of:

- Decrease of Special Reserve Capital by EUR 22,565 thousand for loans to large companies (MidCap Loans)
- Decrease of Special Reserve Capital by EUR 16,000 thousand for portfolio guarantees to mitigate impact of the Covid-19 crisis (were included in Credit Holiday Guarantees)
- Decrease of Special Reserve Capital by EUR 20,000 thousand for guarantees to large companies (MidCap Guarantees) whose activities have been affected by the spread of Covid-19

## 22 Reserves (cont'd)

As result of reduction of the Special Reserve Capital, redistributed funding will be diverted to finance the new Investment Loan with a capital rebate programme. Thus, the expected reduction of the Special Reserve Capital by reducing the funding for certain support programs and the transfer of the respective funding in the amount of EUR 58,565 thousand to finance a new support programme is maintained, maintaining the same funding - financing for a new support programme and expected losses. By transferring financing from the Special Reserve Capital, the Portfolio Loss Reserve will decrease by EUR 49,800 thousand.

The funding included in the Specific Reserves will be used to cover the expected credit losses of the programmes at full extent as well as management fees for AIF Altum Capital Fund and as such are disclosed separately as Portfolio Loss Reserve within respective reserve capital.

## 23 Off-balance sheet items and contingent liabilities

All amounts in thousands of euro

	Company 30.06.2022. (unaudited)	Group / Company 31.12.2021 (audited)
Contingent liabilities:		
Outstanding guarantees	443 277	414 978
Financial commitments:		
Loan commitments	29 073	25 572
Grant commitments	24 662	11 089
Commitments to AIF "Altum capital fund"	32 085	33 450
Commitments to investments in associates	47 262	54 426
Commitments to other investments	34 790	36 739
<b>Total contingent liabilities and financial commitments</b>	<b>611 149</b>	<b>576 254</b>

Company's impairment allowances for loan commitments, in thousands of euro:

	Company 30.06.2022. (unaudited)	Group / Company 31.12.2021 (audited)
Unutilised loan facilities	29 073	25 572
Impairment allowances	(780)	(790)
<b>Total unutilized loan facilities, net</b>	<b>28 293</b>	<b>24 782</b>

Company's impairment allowances for grant commitments, in thousands of euro:

	Company 30.06.2022. (unaudited)	Group / Company 31.12.2021 (audited)
Grant commitments	24 662	11 089
Impairment allowances	(73)	(73)
<b>Total grant commitments, net</b>	<b>24 589</b>	<b>11 016</b>

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

Breakdown of the Company's off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 30 June 2022, 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
<b>Contingent liabilities</b>							
Outstanding guarantees	276 981 *	-	2	5	24 750	141 539	443 277
<b>Financial commitments</b>							
Loan commitments	29 073	-	-	-	-	-	29 073
Grant commitments	24 662	-	-	-	-	-	24 662
Commitments to AIF "Altum capital fund"	17	1 033	30 109	99	794	33	32 085
Commitments to investments in associates	2 252	6 698	8 872	11 913	15 659	1 868	47 262
Commitments to other investments	81	1 604	1 685	3 370	18 934	9 116	34 790
<b>Total financial commitments</b>	<b>56 085</b>	<b>9 335</b>	<b>40 666</b>	<b>15 382</b>	<b>35 387</b>	<b>11 017</b>	<b>167 872</b>
<b>Total contingent liabilities and financial commitments</b>	<b>333 066</b>	<b>9 335</b>	<b>40 668</b>	<b>15 387</b>	<b>60 137</b>	<b>152 556</b>	<b>611 149</b>

\* Outstanding financial guarantees are presented "Up to 1 month" as these guarantees can be claimed on demand and the Group / Company has to make a decision on payment of guarantee claim within one month.

Breakdown of the Company's off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 31 December 2021, 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
<b>Contingent liabilities</b>							
Outstanding guarantees	262 115 *	-	-	4	18 488	134 371	414 978
<b>Financial commitments</b>							
Loan commitments	25 572	-	-	-	-	-	25 572
Grant commitments	11 089	-	-	-	-	-	11 089
Commitments to AIF "Altum capital fund"	164	11 738	19 961	261	1 002	324	33 450
Commitments to investments in associates	415	1 787	2 796	8 979	35 006	5 443	54 426
Commitments to other investments	363	485	848	4 171	25 145	5 727	36 739
<b>Total financial commitments</b>	<b>37 603</b>	<b>14 010</b>	<b>23 605</b>	<b>13 411</b>	<b>61 153</b>	<b>11 494</b>	<b>161 276</b>
<b>Total contingent liabilities and financial commitments</b>	<b>299 718</b>	<b>14 010</b>	<b>23 605</b>	<b>13 415</b>	<b>79 641</b>	<b>145 865</b>	<b>576 254</b>

\* Outstanding financial guarantees are presented "Up to 1 month" as these guarantees can be claimed on demand and the Company has to make a decision on payment of guarantee claim within one month.

Subitem *Commitments to AIF "Altum capital fund"* 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 Company to allocate financial resources to the fund.

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

## 24 Related party transactions

Related parties include members of the Supervisory Council and the Management Board of the 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 Company's operations are treated as related parties to the Company. The powers granted to the heads of the structural units of the Company do not entitle them to manage the operations of the Company and decide on material transactions that could affect the Company's operations and/or result in legal consequences.

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.

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	
	Company	Group / Company	Company	Group / Company	Company	Group / Company
	30.06.2022. (unaudited)	31.12.2021 (audited)	30.06.2022. (unaudited)	31.12.2021 (audited)	30.06.2022. (unaudited)	31.12.2021 (audited)
Investments in venture capital funds	-	-	50 281	50 077	-	-
Investments in AIF "Altum capital fund"	-	-	16 825	14 871	-	-
Due to general governments	-	-	-	-	3 319	3 321
Support programme funding	338 347	222 774	-	-	14 500	51 559
Off-balance sheet financial liabilities for venture capital funds	-	-	(47 262)	54 426	-	-
Off-balance sheet financial liabilities for AIF "Altum capital fund"	-	-	32 085	33 450	-	-

Transactions with related parties, in thousands of euro:

	Received State aid funding		Issued State aid funding or funding paid back	
	Company	Group / Company	Company	Group / Company
	01.01.2022.- 30.06.2022. (unaudited)	01.01.2021.- 30.06.2021. (unaudited)	01.01.2022.- 30.06.2022. (unaudited)	01.01.2021.- 30.06.2021. (unaudited)
<b>Transactions with shareholders</b>				
Ministry of Finance of the Republic of Latvia	20 679	23 082	(6 851)	(16 220)
Ministry of Agriculture of the Republic of Latvia	-	-	-	-
Ministry of Economics of the Republic of Latvia	41 000	18 603	-	-
<b>Associates</b>				
Venture capital funds	6 861	7 628	(2 760)	(2 307)
<b>Other companies owned by the Group's shareholders</b>				
Rural Support Service	7 500	-	-	-
Central Finance and Contracting Agency of the Republic of Latvia	14 500	7 500	-	-
Ministry of Education and Science of the Republic of Latvia	2 194	1 463	-	-
Ministry of Culture of the Republic of Latvia	3 003	3 815	(3 003)	-
Ministry of Wealth Fair of the Republic of Latvia	1 023	1 176	-	-

The remuneration of the members of the Supervisory Council, Audit Committee and the Management Board of the Company in the 6 months of 2022 amounted to EUR 360 thousand (6 months of 2021: EUR 306 thousand), incl. social insurance contributions.

## 25 Fair values of assets and liabilities

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	
	Company	Group / Company	Company	Group / Company
	30.06.2022. (unaudited)	31.12.2021 (audited)	30.06.2021. (unaudited)	31.12.2021 (audited)
<b>Assets</b>				
Due from credit institutions and the Treasury	511 668	455 006	511 668	455 006
Financial assets at fair value through other comprehensive income - investment securities	12 206	14 051	12 206	14 051
Financial assets at amortised cost:				
Investment securities	37	37	90	90
Individuals	334 747	330 530	326 208	321 991
Companies	26 775	25 475	26 197	24 897
Loans	307 972	305 055	300 011	297 094
Grants	49 625	45 397	49 625	45 397
Investments in associates (investments in Baltic Innovation Fund)	14 248	13 222	14 248	13 222
Investment properties	49 739	46 164	49 739	46 164
Financial assets	1 468	3 214	1 468	3 214
<b>Total assets</b>	<b>973 738</b>	<b>907 621</b>	<b>965 252</b>	<b>899 135</b>
<b>Liabilities</b>				
Due to credit institutions	43 450	53 416	43 450	53 416
Due to general governments	145 434	121 348	145 434	121 348
Financial liabilities at amortised cost - Issued debt securities	85 391	85 558	85 391	85 558
Support programme funding	334 481	230 287	334 481	230 287
<b>Total liabilities</b>	<b>608 756</b>	<b>490 609</b>	<b>608 756</b>	<b>490 609</b>

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

	Level 1		Level 2		Level 3		Total	
	Company	Group / Company	Company	Group / Company	Company	Group / Company	Company	Group / Company
	30.06.2022. (unaudited)	31.12.2021 (audited)	30.06.2022. (unaudited)	31.12.2021 (audited)	30.06.2022. (unaudited)	31.12.2021 (audited)	30.06.2022. (unaudited)	31.12.2021 (audited)
<b>Assets measured at fair value</b>								
Financial assets at fair value through other comprehensive income - investment securities	2 393	3 516	9 813	10 535	-	-	12 206	14 051
Investments in venture capital funds – associates (Investments in BIF)	-	-	-	-	14 248	13 222	14 248	13 222
Investment properties	-	-	-	-	49 739	46 164	49 739	46 164
<b>Assets with fair values disclosed</b>								
Due from credit institutions and the Treasury	-	-	511 668	455 006	-	-	511 668	455 006
Financial assets at amortised cost:								
Investment securities	-	-	90	91	-	-	90	91
Loans	-	-	-	-	326 208	321 991	326 208	321 991
Grants	-	-	-	-	49 625	45 397	49 625	45 397
Financial assets	-	-	-	-	1 468	3 214	1 468	3 214
<b>Total assets</b>	<b>2 393</b>	<b>3 516</b>	<b>521 571</b>	<b>465 632</b>	<b>441 288</b>	<b>429 988</b>	<b>965 252</b>	<b>899 136</b>
<b>Liabilities measured at fair value</b>								
Support programme funding	-	-	-	-	334 481	230 287	334 481	230 287
<b>Liabilities with fair value disclosed</b>								
Due to credit institutions	-	-	-	-	43 450	53 416	43 450	53 416
Due to general governments	-	-	-	-	145 434	121 348	145 434	121 348
Financial liabilities at amortised cost - Issued debt securities	-	-	-	-	85 391	85 558	85 391	85 558
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>608 756</b>	<b>490 609</b>	<b>608 756</b>	<b>490 609</b>

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

### 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 Company have assumed that the carrying amount of such loans corresponds to their fair value.

### Liabilities

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

### Fair value hierarchy of financial assets and liabilities

The 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 Company has 3 levels:

- Level 1 includes listed financial instruments for which an active market exists, if in determining their fair value the 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 Company that enable a credible measurement of the financial instrument's value.

### Debt securities

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

### Derivatives

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

### Investments in venture capital funds

The Company have a number of investments in venture capital funds. The Company's investments in venture capital funds are classified as Associates or Investments in subsidiaries depending on existence of significant influence or control.

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

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

### Investment properties

The fair value of the 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 thousand euro.

### 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.

## 26 Segment Information

The Company's management considers that the Company's operations are performed in 7 operational segments:

- Loan service
- Guarantee service,
- Venture capital fund service,
- Grant service,
- Land Fund service,
- Management of AIF "Altum capital fund"
- Other services.

Other services include transactions with repossessed collaterals taken over in the debt collection process and development of new support programmes as well as transactions, which cannot be attributed to support 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 Company doesn't provide detailed information on the type of transaction since all the transactions are external.



## 26 Segment Information (cont'd)

Analysis of the operating segments of the Company for the period from 1 January 2022 till 30 June 2022, in thousands of euro:

	Loan service	Guarantee service	Venture capital fund service	Grant service	Land Fund service	Management of AIF "Altum capital fund"	Other services	Total
Interest income	6 699	1 606	6	1	1 268	-	3	9 583
of which, interest on loans and guarantees (Note 4)	6 645	1 542	-	-	1 268	-	-	9 455
Interest expense	(796)	(34)	(3)	-	(359)	-	-	(1 192)
Net interest income	5 903	1 572	3	1	909	-	3	8 391
Income for implementation of state aid programmes	462	678	1 868	494	-	-	56	3 558
Expenses to be compensated for implementation of state aid programmes	(379)	(308)	(1 623)	(494)	-	-	(56)	(2 860)
Net income for implementation of state aid programmes	83	370	245	-	-	-	-	698
Gains from debt securities and foreign exchange translation	26	31	3	-	-	-	-	60
Share of (losses) of investment in associates	-	-	(1 793)	-	-	-	-	(1 793)
Share of gain of investment in associates at fair value through profit or loss	-	-	48	-	-	-	-	48
Gains less losses from liabilities at fair value through profit or loss	-	-	1 951	-	-	-	-	1 951
Other income	-	-	-	3	998	322	1 008	2 331
Other expense	(138)	(41)	(5)	(18)	(275)	(322)	(6)	(805)
<b>Operating income / (loss) before operating expenses</b>	<b>5 874</b>	<b>1 932</b>	<b>452</b>	<b>(14)</b>	<b>1 632</b>	<b>-</b>	<b>1 005</b>	<b>10 881</b>
Staff costs	(1 726)	(413)	(27)	(586)	(130)	-	(180)	(3 062)
Administrative expense	(421)	(140)	12	(96)	(48)	-	(25)	(718)
Amortisation of intangible assets and depreciation of property, plant and equipment	(182)	(90)	(47)	(93)	(28)	-	(20)	(460)
(Impairment) gain, net	(1 071)	(716)	-	-	-	-	1 479	(308)
Profit or (loss) from assets held for sale revaluation	-	-	-	-	-	-	-	-
<b>Total segment profit/(loss)</b>	<b>2 474</b>	<b>573</b>	<b>390</b>	<b>(789)</b>	<b>1 426</b>	<b>-</b>	<b>2 259</b>	<b>6 333</b>
Financial assets at fair value through profit or loss	-	-	52 858	-	-	-	-	-
Other investments	-	-	14 248	-	-	-	-	-
Investments in associates	-	-	10 389	-	-	-	-	-
Additions of property and equipment, intangible assets and investment property	135	71	14	67	3 732	-	19	4 038
<b>Total segment assets</b>	<b>563 850</b>	<b>135 399</b>	<b>141 014</b>	<b>71 352</b>	<b>88 259</b>	<b>-</b>	<b>45 056</b>	<b>1 044 930</b>
<b>Total segment liabilities</b>	<b>379 514</b>	<b>96 003</b>	<b>34 580</b>	<b>68 077</b>	<b>74 741</b>	<b>-</b>	<b>956</b>	<b>653 871</b>

## 26 Segment Information (cont'd)

Analysis of the operating segments of the Group for the period from 1 January 2021 till 30 June 2021, in thousands of euro:

	Loan service	Guarantee service	Venture capital fund service	Grant service	Land Fund service	Management of AIF "Altum capital fund"	Other services	Total
Interest income	6 645	1 550	13	-	1 108	-	2	9 318
of which, interest on loans and guarantees (Note 4)	6 537	1 423	-	-	1 108	-	-	9 068
Interest expense	(694)	(12)	-	-	(314)	-	-	(1 020)
Net interest income	5 951	1 538	13	-	794	-	2	8 298
Income for implementation of state aid programmes	88	322	2 070	553	-	-	43	3 076
Expenses to be compensated for implementation of state aid programmes	(60)	(102)	(1 866)	(553)	-	-	(18)	(2 599)
Net income for implementation of state aid programmes	30	220	204	-	-	-	23	477
Gains from debt securities and foreign exchange translation	9	10	1	-	-	-	-	20
Share of (losses) of investment in associates	-	-	146	-	-	-	-	146
Share of gain of investment in associates at fair value through profit or loss	-	-	-	-	-	-	-	-
Gains less losses from liabilities at fair value through profit or loss	-	-	(153)	-	-	-	-	(153)
Other income	-	-	224	13	710	279	20	1 246
Other expense	(110)	(29)	(5)	(16)	(183)	(279)	(5)	(627)
<b>Operating income / (loss) before operating expenses</b>	<b>5 880</b>	<b>1 739</b>	<b>430</b>	<b>(3)</b>	<b>1 321</b>	<b>-</b>	<b>40</b>	<b>9 407</b>
Staff costs	(1 742)	(599)	(85)	(398)	(125)	-	(57)	(3 006)
Administrative expense	(423)	(187)	(67)	(117)	(37)	-	(29)	(860)
Amortisation of intangible assets and depreciation of property, plant and equipment	(229)	(103)	(23)	(92)	(19)	-	(18)	(484)
(Impairment) gain, net	(547)	1 466	-	(19)	(6)	-	(4)	890
Profit or (loss) from assets held for sale revaluation	-	-	-	-	-	-	-	-
<b>Total segment profit/(loss)</b>	<b>2 939</b>	<b>2 316</b>	<b>255</b>	<b>(629)</b>	<b>1 134</b>	<b>-</b>	<b>(68)</b>	<b>5 947</b>
Financial assets at fair value through profit or loss	-	-	35 602	-	-	-	-	35 602
Other investments	-	-	15 858	-	-	-	-	15 858
Investments in associates	-	-	8 318	-	-	-	-	8 318
Additions of property and equipment, intangible assets and investment property	43	17	5	21	1 545	-	3	1 634
<b>Total segment assets</b>	<b>465 078</b>	<b>155 683</b>	<b>123 418</b>	<b>54 580</b>	<b>73 400</b>	<b>359</b>	<b>23 968</b>	<b>896 486</b>
<b>Total segment liabilities</b>	<b>287 855</b>	<b>68 283</b>	<b>22 779</b>	<b>39 720</b>	<b>62 091</b>	<b>30</b>	<b>758</b>	<b>481 516</b>

## 27 Events after the reporting date

There are no other subsequent events since the last day of the reporting year, which would have a significant effect on the financial position of the Company.

## **OTHER NOTES TO UNAUDITED INTERIM CONDENSED REPORT**

Key financial and performance indicators

79 - 80

Definitions of indicators

81 - 82

## OTHER NOTES TO THE INTERIM CONDENSED REPORT

### KEY FINANCIAL AND PERFORMANCE INDICATORS

Based on data from financial statements for the respective reporting period

	2022 6M (unaudited)	2022 3M (unaudited)	2021 12M (audited)
<b>Key financial data</b>			
Net interest income (EUR '000)	8 391	4 243	16 717
Operating profit (EUR '000)	6 333	1 769	13 829
Profit for the period (EUR '000)	6 333	1 769	13 829
Cos to income ratio (CIR)	38.97%	43.10%	39.46%
Employees	230	231	226
Total assets (EUR '000)	1 044 930	1 032 989	976 204
Financial debt (EUR '000)	438 447	414 496	360 909
<b>Tangible common equity (TCE) / Total tangible managed assets (TMA) *</b>	<b>25.06%</b>	<b>28.90%</b>	<b>33.82%</b>
Equity and reserves (EUR '000)	391 059	442 050	440 736
<b>Total risk coverage: (EUR '000)</b>	<b>279 029</b>	<b>286 931</b>	<b>285 954</b>
Risk coverage reserve	202 272	161 011	159 196
Risk coverage reserve used for provisions	(31 963)	(30 480)	(29 496)
Portfolio loss reserve (specific reserve capital)	109 979	159 700	159 700
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	(1 259)	(3 300)	(3 446)
Liquidity ratio for 180 days **	402%	488%	518%
Net Cash flows from operating activities (EUR '000)	62 081	62 055	49 555
Net Cash flows from financing activities (EUR '000)	2 659	585	43 768
Net Cash flow from investing activities (EUR '000)	(8 078)	(4 881)	1 735
<b>Support instruments gross value (EUR '000), of which</b>	<b>1 021 659</b>	<b>997 052</b>	<b>978 242</b>
<b>Financial instruments gross value (EUR '000) ***</b>			
Loans (excluding sales and leaseback transactions)	319 742	313 889	315 674
Guarantees	443 277	422 992	414 978
Venture capital funds	86 316	90 395	85 973
Land Fund, of which:	84 216	84 815	79 163
- sales and leaseback transactions	34 477	35 219	32 999
- investment properties	49 739	49 596	46 164
<b>Total</b>	<b>933 551</b>	<b>912 091</b>	<b>895 788</b>
Number of transactions	32 813	31 933	30 978
<b>Volumes issued (EUR '000) (by financial instrument) ***</b>			
Loans (excluding sales and leaseback transactions)	48 126	23 467	100 966
Guarantees	70 401	30 853	126 997
Venture capital funds	8 400	5 205	29 158
Land Fund, of which:	6 108	5 751	10 595
- sales and leaseback transactions	2 353	2 339	3 254
- investment properties	3 755	3 412	7 341
<b>Total</b>	<b>133 035</b>	<b>65 276</b>	<b>267 716</b>
Number of transactions	3 198	1 506	6 579
Leverage for raised private funding	128%	129%	177%
Volume of support programmes funding per employee (EUR '000)	4 059	3 948	3 960
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1

\* TMA includes the off-balance sheet item, namely, guarantees at net carrying amount.

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

\*\*\* Taking into account the significance of the volume, the Land Fund portfolio, which consists of leaseback transactions and investment properties, is also presented in the operational volumes for the period. As in compliance with the accounting principles and IFRS the leaseback transactions are accounted for under the loans, the loan volume in this table has been reduced for the volume of the leaseback transactions as it is recorded under the Land Fund portfolio.

## OTHER NOTES TO THE INTERIM CONDENSED REPORT

(cont'd)

KEY FINANCIAL AND PERFORMANCE INDICATORS (cont'd)

Based on data from audited financial statements for the respective years

	2021	2020	2019	2018	2017 (corrected) *	2016 (corrected) *
<b>Key financial data</b>						
Net interest income (EUR '000)	16 717	14 572	11 569	11 302 **	11 602	11 024
Operating profit (EUR '000)	13 829	5 539	8 131	4 092	8 709	2 170
Profit for the period (EUR '000)	13 829	5 539	8 131	4 092	8 709 *	2 170
Cos to income ratio (CIR)	39.46%	47.51%	52.58%	74.84% ***	50.30% *	88.40%
Employees	226	211	203	222	230	242
Total assets (EUR '000)	976 204	850 704	560 061	495 939	453 668 *	443 400 *
Financial debt (EUR '000)	360 909	342 490	217 943	177 249	146 157	141 854
<b>Tangible common equity (TCE) / Total tangible managed assets (TMA) ****</b>	<b>33.82%</b>	<b>33.56%</b>	<b>29.40%</b>	<b>31.70%</b>	<b>35.10% *</b>	<b>36.50%</b>
Equity and reserves (EUR '000)	440 736	382 594	232 738	221 590	222 848 *	210 406 *
<b>Total risk coverage: (EUR '000)</b>	<b>285 954</b>	<b>180 205</b>	<b>87 456</b>	<b>77 815</b>	<b>67 593 *</b>	<b>66 508 *</b>
Risk coverage reserve	159 196	112 567	99 778	85 276	62 651	63 636 *
Risk coverage reserve used for provisions	(29 496)	(28 197)	(27 829)	(19 268)	(4 753)	(4 323)
Portfolio loss reserve (specific reserve capital)	159 700	102 264	15 507	11 807	9 695	7 195
Portfolio loss reserve used to compensate provisions upon approval of the annual report	(3 446)	(6 429)	-	-	-	-
Liquidity ratio for 180 days *****	518%	464%	582%	227%	482% *	449%
Net Cash flows from operating activities (EUR '000)	49 555	21 966	39 813	7 997	(10 146)	34 518
Net Cash flows from financing activities (EUR '000)	43 768	165 800	18 700	12 013	22 299	5 560
Net Cash flow from investing activities (EUR '000)	1 735	(4 016)	(11 230)	8 307	3 891	759
<b>Support instruments gross value (EUR '000), of which</b>	<b>979 130</b>	<b>872 302</b>	<b>667 649</b>	<b>553 628</b>	<b>465 724</b>	
<b>Financial instruments gross value (EUR '000) ***</b>						
Loans (excluding sales and leaseback transactions)	315 674	302 481	225 144	210 208	207 065	217 429
Guarantees	414 978	359 605	284 232	236 895	182 376	147 175
Venture capital funds	85 973	73 165	68 331	59 698	62 299	64 785
Land Fund, of which:	79 163	68 258	39 634	21 717	11 328	4 635
- sales and leaseback transactions	32 999	31 500	15 268	6 923	520	-
- investment properties	46 164	36 758	24 366	14 794	10 808	4 635
<b>Total</b>	<b>895 788</b>	<b>803 509</b>	<b>617 341</b>	<b>528 518</b>	<b>463 068</b>	<b>434 024</b>
Number of transactions	30 978	26 578	22 437	18 603	14 655	11 561
<b>Volumes issued (EUR '000) (by financial instrument) *****</b>						
Loans (excluding sales and leaseback transactions)	100 966	138 238	64 320	59 608	51 349	59 465
Guarantees	126 997	137 425	98 240	88 765	68 615	56 109
Venture capital funds	29 158	14 014	9 022	4 149	2 638	21 356
Land Fund, of which	10 595	28 191	16 384	10 823	6 359	3 704
- sales and leaseback transactions	3 254	16 796	7 239	6 835	520	-
- investment properties	7 341	11 395	9 145	3 988	5 839	3 704
<b>Total</b>	<b>267 716</b>	<b>317 868</b>	<b>187 966</b>	<b>163 345</b>	<b>128 961</b>	<b>140 634</b>
Number of transactions	6 579	6 147	5 559	5 590	4 839	4 537
Total contribution to the economy, including the contribution of the final recipients (EUR '000)	791 646	696 305	531 661	460 045	370 560	359 706
Leverage for raised private funding	177%	114%	142%	162%	185%	162%
Volume of support programmes funding per employee (EUR '000)	3 964	3 808	3 041	2 381	2 013	1 793
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	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.

## Definitions of ratios

<i>Net income from interest</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 anymore. 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>Operating profit</i>	<p>"Operating profit" is calculated by deducting "Operating expenses" from "Operating income before operating expenses" included in the Statement of Comprehensive Income. "Operating expenses" is calculated as the sum of "Staff costs", "Administrative expense", "Amortisation of intangible assets and depreciation of property, plant and equipment" and "Impairment gain / (loss), net" included in the Statement of Comprehensive Income.</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>Financial debt</i>	<p>"Financial debt" is calculated as the sum of "Due to credit institutions", "Due to general government entities", "Financial liabilities at amortised cost – issued debt securities" and "Support programme funding" included in the Statement of Financial Position less difference between "Risk Coverage Reserve" and "Risk Coverage Reserve Used for Provisions".</p> <p>"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 Support Programme Funding to the Financial statements of ALTUM Group.</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" and "Portfolio loss reserve used to compensate provisions upon approval of the annual report". 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 Support Programme Funding to the Financial statements of ALTUM Group. "Portfolio loss reserve used to compensate provisions upon approval of the annual report" is disclosed in the Note on Reserves to the Financial statements of the 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>

## Definition of ratios (cont'd)

180-day liquidity ratio	<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>
Support instruments gross value	<p>"Support instruments gross value" is calculated as the sum of the gross values of the portfolios of grants, loans, guarantees, venture capital funds and Land Fund</p>
Total contribution to the economy, including the participation of the final recipients, by volumes issued in the period	<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>
Leverage for raised private funding	<p>"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.</p>
Employees	<p>Average number of employees in the report period excluding members of the Council and the Audit Committee.</p>
Volume of support programmes funding per employee	<p>"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.</p>
Venture capital	<p>The Venture Capital Funds presented at their gross value.</p>