JSC DEVELOPMENT FINANCE INSTITUTION ALTUM

Annual Report
for the year ended 31 December 2023

(the 10th reporting period)

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Altum

MISSION We help Latvia grow!

VISION To be a partner and financial expert in economic development

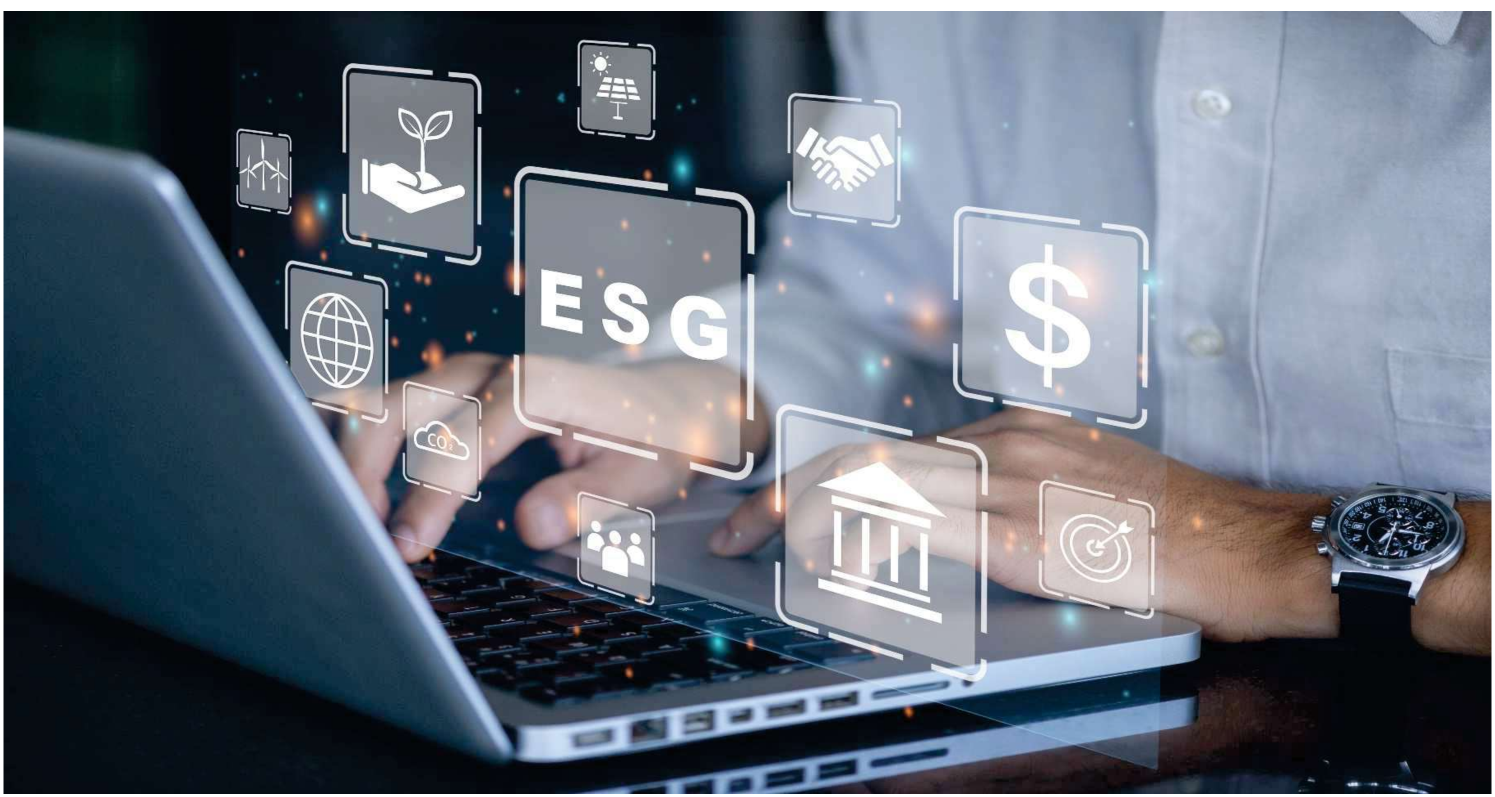
VALUES Excellence / Team / Responsibility

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 provides for execution of other government assignments stipulated and delegated by laws and regulations. Elimination of the market failures with the help of various support instruments that enhance the development of national economy is the fundamental purpose of Altum's activities.

Strategy 2022-2024

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

- The main financial objective in implementing the state support programmes is to ensure positive return on Altum's capital.
- The main non-financial objective is to support and facilitate availability of finances to businesses and to contribute to national economic development.
- Altum priority areas include issuing and servicing guarantees and loans, venture capital investments, solutions for climate change mitigation including implementation of energy efficiency programmes in both the residential building and corporate segment, initiation of new projects by expanding the range of the financial instruments offered, as well as developing the Latvian Land Fund.
- The main target activities embrace support for entrepreneurs, farmers and certain categories of persons; energy efficiency; the 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 2023, the Development Finance Institution Altum (hereinafter – the Company) has ensured stable financial results and earned a profit of EUR 17 million.

Key financial and performance indicators

Based on data from audited financial statements for the respective years

	2023	2022	2021
Key financial data			
Net interest income (EUR '000)	17 765	16 974	16 717
Operating profit (EUR '000)	17 810	11 484	13 829
Profit for the period (EUR '000)	17 810	11 484	13 829
Cost to income ratio (CIR)	26.34%	38.83%	39.46%
Employees	255	234	226
Total assets (EUR '000)	1 316 086	1 099 588	976 204
Financial debt (EUR '000)	599 305	458 382	360 909
Tangible common equity (TCE) / Total tangible managed assets (TMA) *	**23.4%**	**27.0%**	**33.8%**
Equity and reserves (EUR '000)	389 353	395 983	440 736
Total risk coverage: (EUR '000)	**370 211**	**297 218**	**285 954**
Risk coverage reserve	315 649	230 524	159 196
Risk coverage reserve used for provisions	(42 078)	(38 039)	(29 496)
Portfolio loss reserve (specific reserve capital)	96 587	109 979	159 700
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	53	(5 246)	(3 446)
Liquidity ratio for 180 days **	430%	366%	518%
Net Cash flows from operating activities (EUR '000)	35 724	89 535	49 555
Net Cash flows from financing activities (EUR '000)	9 009	3 525	43 768
Net Cash flow from investing activities (EUR '000)	(18 467)	(8 437)	4 553
Support instruments gross value (EUR '000), of which	**1 101 797**	**1 064 821**	**979 130**
Financial instruments gross value (EUR '000) ***			
Loans (excluding sales and leaseback transactions)	359 246	311 844	315 674
Guarantees	480 025	481 013	414 978
Venture capital funds	97 456	90 277	85 973
Land Fund, of which:	96 938	80 542	79 163
- sales and leaseback transactions	28 692	27 089	32 999
- investment properties	68 246	53 453	46 164
Total	**1 033 665**	**963 676**	**895 788**
Number of transactions	35 260	33 796	30 978
Volumes issued (EUR '000) (by financial instrument) ***			
Loans (excluding sales and leaseback transactions)	141 993	95 820	100 966
Guarantees	99 440	153 067	126 997
Venture capital funds	23 920	18 526	29 158
Land Fund, of which:	17 676	7 414	10 595
- sales and leaseback transactions	7 916	3 105	3 254
- investment properties	9 760	4 309	7 341
Total	**283 029**	**274 827**	**267 716**
Number of transactions	4 846	6 539	6 579
Total contribution to economy by volumes issued in the reporting period, including the participation of the final recipients (EUR '000)	946 008	765 577	791 646
Leverage for raised private funding	229%	123%	177%
Volume of support programmes funding per employee (EUR '000)	4 054	4 118	3 964
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1

* TMA includes the off-balance sheet item, namely, financial 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.

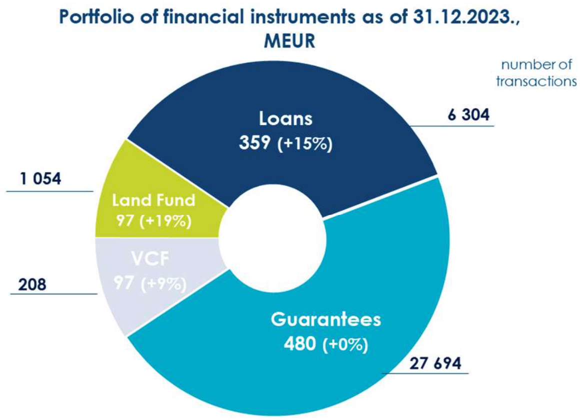
The figures are explained in the section "Key Financial and Performance Indicators" under Other Notes to the Annual Report.

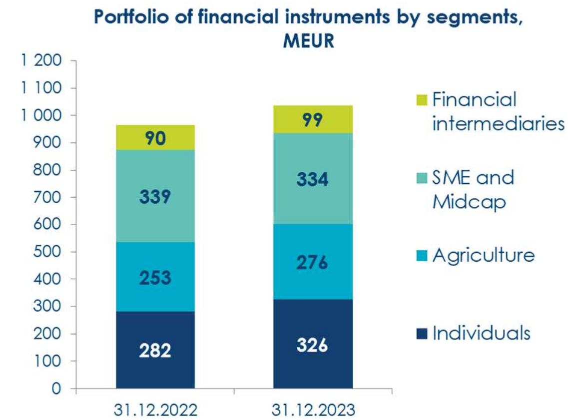
Management Report (cont'd)

Operational volumes

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

As of 31 December 2023, Altum's gross portfolio of support instruments amounted to EUR 1,102 million (31 December 2022: EUR 1,065 million), of which the gross portfolio of financial instruments totalled EUR 1,034 million and consisted of 35,260 projects (31 December 2022: EUR 964 million and 33,976 projects).





In 2023, Altum's gross portfolio of financial instrument increased by EUR 70 million (+7.3%) and by 1,335 projects (+3.9%). In 2023, the portfolio increased in all financial instruments, except for guarantees. The loan portfolio increased by EUR 47 million (+15%) in 2023 compared to 2022, when the loan portfolio decreased by EUR 3.8 million (-12.2%). On the other hand, the guarantees' portfolio decreased by EUR 1 million in 2023 (-0. 2%), which is opposite to the movement of portfolio in 2022, when the guarantees' portfolio increased by EUR 66 million (+13.7%). In 2023, the growth rate of the guarantees' portfolio decreased in all segments, the most significant impact on the portfolio's change was in the Individuals segment, where the increase in the portfolio was EUR 16.2 million in 2023 (EUR 58.4 million in 2022). The portfolio of the Land Fund increased by EUR 16 million in 2023 (+20.4%), which was, significantly higher than in 2022, when the portfolio of the Land Fund grew by only EUR 1.4 million (+1.7%). The increase in the portfolio of investments in venture capital funds (VCF) was EUR 7 million (+8%) and this growth was higher than in 2022, when the portfolio of investments in VCFs increased by EUR 4.3 million (+5.0%).

By segment, Altum's largest portfolio is formed in the SMEs and Midcaps' segment – 32.3% (31 December 2022: 35.1%), while the Individuals' segment accounts for – 31.5% (31 December 2022: 29.2%), the Agriculture – 26.7% (31 December 2022: 26.2%) and the Financial intermediaries – 9.5% (31 December 2022: 9.4%).

In 2023, the largest increase in the volume of the portfolio was in the Individuals' segment – EUR 44 million (+15.5%), which is EUR 27 million less than the growth in 2022, when the portfolio increased by EUR 71 million (+33.6%). Considering that the portfolio of the Individuals' segment consists of loan and guarantees programmes for multi-apartment buildings as well as housing guarantees that are characterized by long repayment terms (over 10 years), the slower amortization of the portfolio of this segment and lower new volumes ensured a constant growth of the portfolio despite rising construction costs and high interest rates.

Management Report (cont'd)

Operational volumes (cont'd)

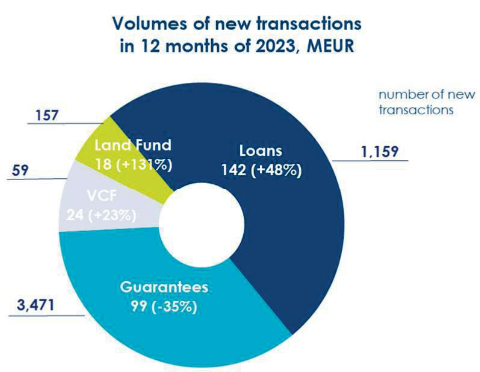
The portfolio of the Agriculture segment grew by EUR 24 million (+9.4%), which is EUR 3.3 million less than the growth in 2022, when the portfolio of this segment grew by EUR 26.9 million (+11.9%). The largest increase in the portfolio of the Agriculture segment in 2023 was provided by working capital loans, especially in the 4th quarter of 2023, and transactions of the Land Fund. On the other hand, the volume of loans for the purchase of agricultural land remained unchanged in 2023, which can be partly explained by the fact that new transactions were on average half of those in 2022.

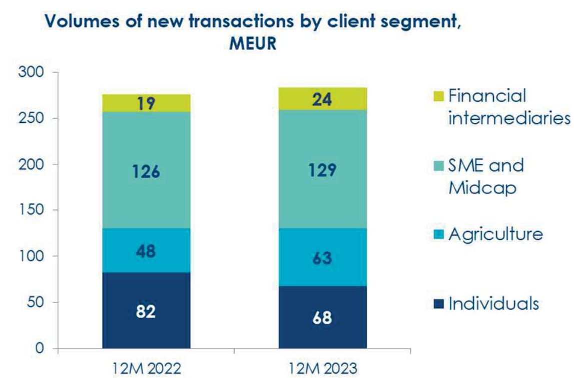
The rapid decline of the portfolio of the SME and Midcaps' segment, which was observed in 2022, has slowed down – in 2023, the portfolio of this segment decreased by EUR 5 million (-1.4%), which is several times less than the decline in 2022, when the portfolio of this segment decreased by EUR 34 million (-9.2%). The reduction of the portfolio of the SME and Midcaps' segment continued to be affected by the rapid amortization of the existing portfolio of Covid-19 support instruments, though the volumes of new transactions, were slightly larger in 2023 compared to 2022.

Volume of new transactions

The volume of new transactions in 2023 was 16% (+EUR 11.8 million) higher than in 2022. In 2023, the funding provided for the implementation of support programmes was EUR 283 million, of which 50.2% (EUR 142 million) was issued in loan programmes, 35.1% (EUR 99.4 million) in guarantees' programmes, 8.5% (EUR 23.9 million) in the VCFs programmes and 6.2% (EUR 17.7 million) – for the implementation of the Land Fund transactions. A total of 4,846 projects were supported (-25.9% compared to 2022).

Considering the specifics of the business, when issuing guarantees for investment or working capital loans, as well as guarantees for bank issued guarantees, 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 70.6 million of guarantees extended in 2023 (in 2022: EUR 69.3 million).





In 2023, the largest volume of the new transactions was in the SMEs and Midcaps' segment, accounting for 45.6% of all new transactions, in the Individuals' segment – 23.9%, in the Agriculture segment – 22.1% and in the Financial Intermediaries' segment – 8.5%. The increase in the volume of new transactions was observed in the segments of Agriculture, SMEs and Midcaps and Financial intermediaries.

Management Report (cont'd)

Volume of new transactions (cont'd)

In the Individuals' segment, the volume of new transactions in 2023 decreased by 14.5% compared to 2022, which was affected by the volumes of new transactions in housing guarantee programmes and multi-apartment buildings programmes. In the housing guarantee programmes – for young families, young specialists, and members of the National Armed Forces – the volume of new transactions in 2023 was EUR 28.2 million which was 76% of the volume of new transactions in 2022, and was impacted by high interest rates, a slowdown in bank lending and an increase in construction costs. A total of 24,950 guarantees of EUR 200 million have been issued up until 31 December 2023 within the framework of the Programme for Housing Guarantees for Families with Children. In the multi-apartment buildings insulation programmes, the volume of new transactions in 2023 was EUR 24.6 million (all loans), compared to 2022 – EUR 35.4 million, including EUR 31 million in guarantees and EUR 4.4 million in loans. Volumes of new transactions in the multi-apartment buildings insulation programme were affected by its implementation cycle within the EU funds planning period, when the programme of the previous planning period ends and a funding of the new support programme for the multi-apartment buildings financed under the Resilience and Recovery Fund (RRF) has not yet been disbursed – the allocation of grants' funding available under the existing programme for the multi-apartment buildings' energy efficiency projects ended on December 31, 2022. Therefore, Altum's guarantees for banks that were financing multi-apartment buildings' energy efficiency projects still available in this programme were issued in 2022, while the volumes of new transactions under the multi-apartment buildings' energy efficiency loan programme continued in 2023 and ended on December 31, 2023, when the previous EU funds planning period 2014-2020 ended. In the Individuals segment, the multi-apartment buildings' renovation programme should be highlighted, which was launched in 2022 and shows a stable and growing amount - EUR 4.8 million in 2023 compared to EUR 1.1 million in 2022, and the offer of which is being expanded, allowing to predict further increase in demand.

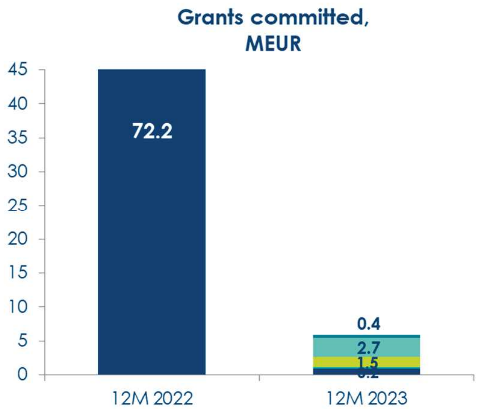
In the Agriculture segment, the volume of new transactions in 2023 was EUR 63 million, which was EUR 14.3 million higher than in 2022. The increase in the volume of new transactions in 2023, especially in the second half of the year, can be explained by the increase in farmers' demand for additional financing, due to the unfavourable season in agriculture - both the impact of the weather and the decrease in the market prices of products. This, in turn, affected the demand for specific support instruments – the volume of new transactions in the agricultural land purchase loan programme decreased by 44% compared to 2022, while the volume of new transactions in the working capital loan programme increased by 21%, but transactions of the Land Fund increased by 130%.

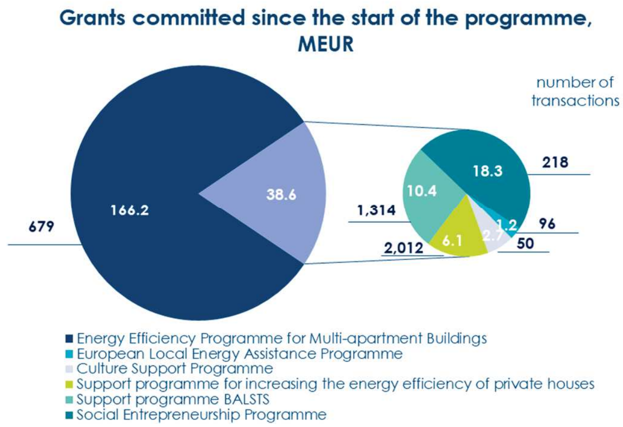
In the SMEs and Midcaps' segment, the volume of new transactions in 2023 was slightly higher (+2%) compared to 2022. The largest increase in the volume of new transactions – more than 3 times (+EUR 17.2 million) – was in loan programmes for increasing the energy efficiency and sustainability of companies. The volume of new transactions has also increased in several new support programmes – loans for mitigating the consequences of the Russian Federation invasion of Ukraine (+EUR 9.8 million), investment loans for the Midcaps with a capital rebate (+EUR 6.9 million) and support programmes under the RRF (+EUR 7.1 million). In the new support programmes – investment loans for the Midcaps with a capital rebate and support programmes under the RRF – an increase in the volume of new transactions is expected in 2024 as well, considering the projects already approved by the end of the reporting period, in amount of EUR 55.7 million and EUR 12.1 million respectively.

Management Report (cont'd)

Non-financial instrument portfolio

In order to make accessing to the support instruments more convenient for its clients, apart from the financial instruments, Altum services the grant programmes as well, namely, the grants issued under the energy efficiency programme for multi-apartment buildings, social entrepreneurship programme, the support programme BALSTS for the purchase or construction of housing for families with three or more children as well as grants under the support programme for increasing the energy efficiency of private houses.





In 2023, a total of 841 grants for the total amount of EUR 5.8 million were committed in all grant programs (in 2022: 1,505 grants for the total amount of EUR 83.1 million). Since the end of 2022, new grants are no longer committed in the energy efficiency programme for multi-apartment buildings, the approved projects are currently being implemented.

As at 31 December 2023, the total portfolio of grants serviced by the Altum was EUR 68.1 million (31 December 2022: EUR 101.1 million), of which EUR 65.1 million (31 December 2022: EUR 97 million) consists of the grant portfolio of the energy efficiency programme for multi-apartment buildings.

Management Report (cont'd)

Impact of the Russian military invasion of Ukraine

The ongoing war in Ukraine and related sanctions against the Russian Federation as well as Belarus continue to affect Altum's portfolio and may result in adjustments to the carrying value of assets and liabilities.

Altum 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 Altum, are concluded with financial institutions established in Latvia. In the guarantees' portfolio, the direct impact is from Altum's export credit guarantees issued to offset political and buyer risk losses in trade transactions where Altum's clients' counterparties are residents of Ukraine. Altum has suspended the issuance of new export credit guarantees to the Russian Federation and Belarus since February 25, 2022. As of 31 December 2023, Altum has high-risk exposure in the amount of EUR 153 thousand where clients' counterparties are in Ukraine.

To assess the indirect impact of the Russian Federation's invasion of Ukraine, Altum analyses quarterly and in case of significant changes, reviews the forward-looking forecasts of macroeconomic indicators used for the calculation of expected credit losses (ECLs), which are based on the base, negative and optimistic scenarios. The moderate improvement of the forecasts of macroeconomic scenarios compared to December 2022 has resulted in a reduction of impairment allowances for loans and obligations for granting loans by EUR 1,210 thousand and for guarantees by EUR 23 thousand.

To determine how the portfolio of loans and guarantees has been directly and indirectly affected or could be affected by the increase in energy prices and the imposed sanctions against the Russian Federation and Belarus, Altum has assessed this impact. According to the assessment, on December 31, 2023, the impairment overlay for loans is set at EUR 1,955 thousand (as of December 31, 2022: EUR 1,902 thousand), while for guarantees, the impact has been assessed as insignificant and impairment overlay is not required (as of December 31, 2022: EUR 856 thousand).

Altum has made investments in AIF "Altum Capital Fund", its investment portfolio in the context of the Russian Federation's war in Ukraine is diversified by sectors and regions in which the fund's portfolio companies generate revenue, and this can be evaluated as a loss-mitigating factor. Thus, the impact of the war of the Russian Federation in Ukraine on each of the portfolio companies is different, however, like the previous periods, the most significant impact directly and indirectly resulting from the war and related sanctions was with two portfolio companies. The cumulative direct impact of the war of the Russian Federation in Ukraine as of 31 December 2023 was EUR 107.2 thousand (Altum's share).

The VCFs co-financed by Altum operate in accordance with the current sanctions regulation and actively monitor changes in the binding regulatory acts. Every quarter, Altum carries out an assessment of the VCFs' investments, carrying out an individual assessment of all VCFs' investments and considering the specific situation of each investment. When evaluating investments, Altum considers future perspectives, and the fair value of portfolio companies is adjusted in a timely manner. During the 4th quarter discussions with the VCFs' managers, no new portfolio companies exposed to the effects of the war were identified, and it was also clarified that the previously affected portfolio companies have mostly successfully adapted to the changes and continue their economic activities in other markets.

The cumulative effect of the Russian Federation's war in Ukraine as of 31 December 2023 was EUR 6.5 million (31 December 2022: EUR 7.2 million), of which the direct impact is EUR 1.7 million (31 December 2022: EUR 2.5 million) and the indirect effect – EUR 4.8 million (31 December 2022: EUR 4.7 million).

For more detailed information see Note 3 (8) to the Financial Statements.

Management Report (cont'd)

New products and increasing operational efficiency

Altum continues to strengthen its role as the main government partner for the implementation of financial instrument programmes co-financed by 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 2023, **Altum completed the implementation of all RRF programmes**, the last of which - the loan programme for the digitization of companies was launched in February 2023 and in which support is provided to companies for the purchase of both automated equipment and software. Until December 31, 2023, the transactions approved, contracts concluded, and capital rebate paid were in the following amounts under the RRF programmes:

- in the **enterprise energy efficiency programme**, there have been 94 transactions approved in amount of EUR 13.6 million (attributable amount of capital rebate EUR 10.8 million), of which 81 contracts have already been concluded in amount of EUR 8.8 million (attributable amount of capital rebate EUR 7.2 million), and the first capital rebates of EUR 1.3 million have been paid out,
- in the **digitization programme for companies**, there have been 28 transactions approved in amount of EUR 14.7 million approved (attributable amount of capital rebate EUR 11.8 million), of which 19 contracts have already been concluded in amount of EUR 10.3 million (attributable amount of capital rebate EUR 8.1 million),
- in the **energy efficiency programme for multi-apartment buildings**, there has been 1 transaction approved and contract concluded in amount of EUR 0.1 million (attributable amount of capital rebate EUR 0.05 million),
- in the **low-rent housing construction programme**, there has been 2 transactions approved in amount of EUR 11.9 million (attributable amount of capital rebate EUR 3.6 million).

By **implementing the EU cohesion policy within the 2021-2027 planning period**, EUR 506.4 million will be available for business support in the following years in the form of financial instruments in at least 12 support programmes. On November 27, 2023, Altum signed an agreement with the Central Finance and Contracting Agency for the financing of six support programmes in amount of EUR 230.8 million - guarantees, including portfolio guarantees, full-cycle business and guarantees for digitization and automation, productivity loans, including with a capital rebate and loans for increasing productivity, micro and growth loans, as well as venture capital investments. On August 15, 2023, the Cabinet of Ministers approved the creation of the 5th generation VCFs, for which the intended financing is EUR 93 million, which is planned to be invested in 3 start-up VCFs, 1 early stage and 1 growth stage VCF.

The review of project applications received under **the Large Investment Loan Programme offering a capital rebate for medium-sized and large enterprises** continued in 2023, including the third round of project selection started in December 2023. Until December 31, 2023, Altum approved 13 applications for granting support to projects for a total amount of more than EUR 279 million (the amount of the attributable capital EUR 75 million), of which contracts have already been concluded for 10 (attributable amount of capital discount EUR 62.5 million), while 4 applications (attributable amount of capital discount EUR 28 million) are still being evaluated by Altum. On October 31, 2023, the Cabinet of Ministers approved amendments to this programme, providing that companies will be able to receive additional loans from Altum for the implementation of their investment projects.

Management Report (cont'd)

New products and increasing operational efficiency (cont'd)

On June 13, 2023, the Cabinet of Ministers approved the creation of the Baltic Small and Medium Enterprises Initial Public Offering Fund (SME IPO Fund), which will be created together with the Lithuanian development financial institution INVEGA. The aim of the SME IPO fund is to support and diversify Baltic SMEs, as well as small mid-caps and innovative mid-caps access to financing and to develop the Baltic capital market in accordance with the EU capital market goals. The total funding of the SME IPO fund is EUR 50 million, of which the Company will invest EUR 20 million. It is planned to select the SME IPO fund's manager by the end of the first half of 2024.

The **support programme for companies whose operations have been affected because of Russia's aggression against Ukraine** was available to entrepreneurs in the form of loans and guarantees until the end of 2023. This support programme was launched in the 4th quarter of 2022, and as part of it, financing was provided to entrepreneurs for a total amount of EUR 14.4 million.

In 2023, Altum introduced several reliefs in support programmes, responding to the slowdown in lending caused by the rapid increase in interest rates and promoting the continuation of the plans of companies and households even in conditions of high credit rates:

- to promote lending, there have been introduced 2 types of relief for guarantees' instruments for banks - 0% guarantee premium for new sustainable projects and a 50% reduction in the guarantee's premium for all commercial guarantees,
- for new loans to companies in the SME segment, the total loan rate has been reduced by approximately half in a 12-month period, with an additional interest rate discount of 50 percentage points for new, sustainable projects,
- reduced loan rate to 3.5% for farmer's working capital loans starting from November 2023. In addition, the working capital loan can also be used to cover unpaid debts to suppliers in 2023. By the end of 2023, 222 applications for the total amount of EUR 30.4 million have been submitted,
- for housing guarantees for young professionals, the guarantee's premium was reduced from 4.8% to 2.4%,
- the grant programme BALSTS for the purchase of housing became available also to families with a child with a disability or an adult under the age of 24 with a group I or II disability, regardless of the number of children in the family.

Continuing the implementation of increasing Altum's operational efficiency and with the centralised reviewing of the applications for small loans (in the amount of up to 25 thousand euros) as part of the automation process, in July 2023 Altum increased the loan application limit from EUR 25 thousand to EUR 50 thousand. By increasing the application limit, Altum simultaneously switched from the segmentation of the transaction amount limit to the segmentation of the total exposure of the client group, which will simplify the procedure for reviewing loan applications, reduce application review deadlines and free up the capacity of additional regional employees to service more complex support programmes. In 2023, 25% (in 2022: 24%) of the total number of the granted loans were reviewed remotely without involving the regional employees in the application reviewing process. The average loan amount reviewed remotely on a centralised basis increased from EUR 16.4 thousand in 2022 to EUR 18.6 thousand in 2023, while the average loan amount in the regions increased from EUR 88.9 thousand in 2022 to EUR 98.1 thousand in 2023. Considering the current quality of the credit portfolio for transactions accepted in the centralized remote evaluation, in January 2024, Altum increased the loan amount limit reviewed remotely on a centralized basis from EUR 50 thousand to EUR 100 thousand, while also introducing a scoring system in the small loan segment with the aim of achieving a significant reduction in application review time compared to the average indicators in previous years.

Management Report (cont'd)

Rating

On 2 February 2024, Moody's Investors Service (Moody's) affirmed Altum's Baa1 long-term issuer rating, with outlook stable, following update of rating methodology. The rating is the same as affirmed on 16 December 2022, along with updated credit opinion published on 4 September 2023. Short-term issuer rating is also affirmed at the same P-2.

At the same time, Moody's has removed the designation of Altum as a government-related issuer and has withdrawn its Baseline Credit Assessment (BCA) of Baa3, following the publication of Moody's updated Government-Related Issuers methodology on 25 January 2024. Henceforth, Altum is rated by Moody's Finance Companies Methodology only. As of 2 February 2024 the Altum's standalone assessment set at current Baa3 replaces the withdrawn Baseline Credit Assessment.

A long-term credit rating Baa1 assigned to Altum 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 in regulated capital markets.

Risk Management

To have a strong risk management process, Altum has developed the Risk Management System that provides both preventive risk management and timely implementation of risk mitigation or prevention measures. While assuming risks, Altum retains the long-term capability of implementing the established operational targets and assignments.

To manage risks, Altum 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 Altum's operations.

In view of Altum's activities in high-risk areas when implementing the state aid programmes, as of 31 December 2023 Altum has the risk coverage of EUR 370 million (31 December 2022: EUR 297 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 Risk Coverage consists of the sum 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, starting from February 2022, Altum has limited all types of cooperation with citizens of the Russian Federation and the Republic of Belarus and their related companies.

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 and in order to reduce the risk of sanctions, Altum imposed additional control measures both during the issuance of financial instruments and the monitoring of business relationships, in addition, changes have been made to Altum's policy of legalization of proceeds of crime and the prevention of terrorist financing and proliferation and compliance with sanctions by determining that Altum refrains from cooperation with companies, where the owners, beneficial owners or officers are citizens of the Russian Federation or Belarus.

Altum continuously monitors changes in sanctions and keeps a close eye on developments in Ukraine. Altum 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 Russian Federation and the Republic of Belarus, including, but not limited to, additional monitoring of transactions with clients whose core business could be affected by both by the events in Ukraine and the sanctions introduced against the Russian Federation and the Republic of Belarus.

In addition to the above, Altum has taken the necessary measures to identify potential clients in difficulties and to assess whether an increase in the energy prices and imposed sanctions against the Russian Federation and the Republic of Belarus, has directly or indirectly affected or may significantly affect the solvency of clients, as well as to ensure the quantification of direct and indirect impacts and the establishment of appropriate impairment allowances.

Management Report (cont'd)

Contribution to Sustainability

The financial sector has a crucial role to play in achieving the European Green Deal objectives, including the transition to a climate-neutral, climate-resilient, resource-efficient, and fair economy. Sustainability is a key part of Altum's business and strategy and has become an important strategic driver for the banking sector as well as for development finance institutions in Europe. Altum takes responsibility for the long-term impact of its day-to-day activities and continuously works to ensure that the investment decisions it makes in building its portfolio contribute to sustainable development, do not adversely impact sustainability factors, and facilitates its clients' transition towards a sustainable economy and encourages responsible business practices.

Guided by the detailed ESG road map 2022, covering the integration of ESG aspects into credit risk management for Altum's loan and guarantee portfolios in the SME, Midcaps and Agriculture segments, in the 2nd quarter of 2023, a methodology for analysing the materiality of ESG risks was developed and an assessment of the sensitivity of loan, collateral and guarantee portfolios of the SME, Midcaps and Agriculture segments to transition risks and various physical climate risks was made. It is the starting point for managing both transition risks and physical climate risks so that decisions can be data-driven. In addition, it promotes the development of new sustainable financing product offerings to facilitate companies' successful transition to a climate-neutral economy, as well as the ability to successfully operate in supply chains, considering the significant changes in the sustainability requirement of companies' value chains. In the second half of 2023, work on the development of the ESG risk assessment matrix, ESG scoring model and development of a customized customer questionnaire to obtain information for the assessment of ESG risks and regarding the planned/actual customer sustainability KPI's data was completed.

Altum's existing sustainable financing segments, defined by Green Bonds Framework 2021 - energy efficiency, renewable energy resources, passive housing, and sustainable transportation – are supplemented with a new segment - "facilitating the transition of companies towards climate-neutral economy". This segment comprises sustainable financing that facilitates the companies' resilience towards transition risks, strengthen competition and doesn't allow shrinking of market share and revenue challenged by value chains' sustainability requirements. "Sensitive" industries - industries with high consumption of fossil resources and/or highly exposed towards transition risks are of most focus. Sustainable financing solutions covers both the decarbonization of companies' supply chains and investments in the decarbonization of the company's product life cycle, as well as technologies ensuring lower CO_2 emissions for industrial operations requiring dedicated fossil-fired energy supply to achieve high temperatures, as well as investments to mitigate the effects of climate physical risks.

In the second half of 2023, the work on tagging current green/sustainable projects in the SME and Agriculture segments and the assessment of the CO_2 footprint of the loan portfolio of these segments continued.

Taking into consideration the outcome of materiality analyses of ESG risks carried out earlier in the 2023, the Sustainability strategy is under development and is planned to be approved in spring 2024. Among other things, the existing client portfolio will be reviewed, stimulating clients to move towards sustainable development as well as phasing out the financing of projects that do not meet Altum's ESG considerations in credit risk management.

The AIF "Altum Capital Fund" investments have been made, paying due attention to the ESG performance of the target company and the expected impact of related economic changes on the company's supply and value chains. In compliance with the requirements of The Sustainable Finance Disclosure Regulation, the Fund's policy was published at the end of 2022, which reflects how the Company assesses the principal adverse effects of the Company's investment decisions on sustainability factors (Principal Adverse Impact report), in accordance with the requirements of Article 4 of SFDR. At the beginning of 2024 principal adverse impact indicators of the Fund portfolio companies were summarised for the year 2023. For note of record the principal adverse impact indicators of the Fund portfolio companies for the year 2023 do not have principal adverse impact, caused by an investment decisions, on sustainability factors.

Management Report (cont'd)

Future Outlook

In 2023, Altum, in cooperation with the Ministry of Economy, has started to develop the programmes to start the implementation of financial instrument support programmes under the new EU Cohesion Policy programming period 2021-2027, in which the available funding totals EUR 506.4 million, will be directed to business support, energy efficiency and climate neutrality. The funding available within the planning period of the new EU Cohesion Policy 2021-2027 will not only complement the currently available RRF funding in areas such as increasing energy efficiency (buildings, energy-efficient equipment, electric cars) and the use of renewable energy technologies (solar panels, etc.) for companies and increasing energy efficiency of apartment buildings at home, but the new funding will also be available for new directions such as technology transfer and prototyping, innovation and digitization.

To prepare for the implementation of the new InvestEU program of the European Union, in the 1st half of 2023, in cooperation with the selected independent auditor, Altum has accomplished the compliance assessment (Pillar Assessment). Pillar assessment is a prerequisite for Altum to be able to apply for the InvestEU implementing partner role and, in the future, also for the role of cooperation partner in the implementation of EU funds under direct management in the future thus increasing the scope of new specialized and customized financial instruments to the companies in Latvia. The first stage of the assessment was completed in November 2023, when a draft report was submitted to the European Commission. After coordinating the draft report with the European Commission, the essential recommendations that Altum will have to implement will be identified. The Pillar assessment is planned to be completed in 2024, expect by Q3 2024, after the European Commission, based on the information provided by Altum and the auditors' opinion, has obtained sufficient confidence in the implementation of the recommendations. The decision on submitting the application for the InvestEU implementing partner role has not yet been made.

Reinis Bērziņš
Chairman of the Management Board

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Supervisory Council and Management Board

Supervisory Council

Name, Surname	Position	Appointment Date	Date of expiry of the term of the mandate
Līga Kļaviņa	Chairperson of the Council	27.12.2022.	26.12.2025.
Jānis Šnore	Member of the Council	27.12.2022.	temporarily *
Ilze Baltābola	Member of the Council	22.03.2022.	temporarily *

* For the time 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 2023.

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.
Ieva Jansone-Buka	Member of the Board	18.03.2024.	17.03.2027.*
Juris Jansons	Member of the Board	09.01.2023	08.01.2026

There were changes in the Management Board of the Company during the reporting period. The Council approved Juris Jansons as a member of the Board on 9 January 2023.

* On 25 January 2024, the Supervisory Board re-appointed Ieva Jansone-Buka as a member of the Management Board for a new term from 18 March 2024 to 17 March 2027.

Statement of Management's responsibility

The Supervisory Board and the Management Board (hereinafter – Management) of the joint stock company Development Finance Institution Altum (hereinafter - Company) are responsible for preparation of the financial statements of the Company as well as for information disclosed in the Other notes to Annual Report.

The financial statements and notes thereto set out on pages 16 to 112 are prepared in accordance with the source documents and give a true and fair view of the financial position of the Company as at 31 December 2023 and 31 December 2022, and the results of its operations, changes in the shareholders' equity and cash flows for the years then ended.

The aforementioned financial statements are prepared on a going concern basis in conformity with IFRS Accounting Standards as adopted by the European Union. Prudent and reasonable judgements and estimates have been made by the Management in the preparation of the financial statements.

The Management are responsible for maintenance of proper accounting records, safeguarding of the Company's assets, and prevention and detection of fraud and other irregularities in the Company. The Management are also responsible for operating the Company in compliance with the Law of the Republic of Latvia on Development Finance Institution and other laws of the Republic of Latvia as well as European Union Regulations applicable to the Company.

Reinis Bērziņš
Chairman of the Management Board

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Statement of Comprehensive Income

All amounts in thousands of euro

	Notes	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Interest income at effective interest rate	4 (1)	18 675	14 944
Other interest and similar income	4 (2)	6 996	4 990
Interest expense	5	(7 906)	(2 960)
Net interest income		17 765	16 974
Income from implementation of state aid programmes	6	9 824	6 093
Expenses to be compensated for implementation of state aid programmes	7	(7 141)	(5 091)
Net income for implementation of state aid programmes		2 683	1 002
Gains / (losses) from trading securities and foreign exchange translation	8	(3)	97
Share of gain / (losses) of investment in associate and other investments	16 (3)	3 064	(1 732)
Gains less losses from liabilities at fair value through profit or loss	28 (3)	(882)	3 075
Other income	9	8 997	6 208
Other expense	10	(1 016)	(1 570)
Operating income before operating expenses		30 608	24 054
Staff costs	11	(5 765)	(6 511)
Administrative expenses	12	(1 478)	(1 829)
Amortisation of intangible assets and depreciation of property, plant and equipment	21, 22	(818)	(863)
Allowances for expected credit losses	13	(4 737)	(3 367)
Profit before corporate income tax		17 810	11 484
Profit for the period		**17 810**	**11 484**
Other comprehensive income:		221	(1 197)
Items to be reclassified to profit or loss in subsequent periods Gain/(loss) from financial assets measured at fair value through other comprehensive income	37	221	(1 197)
Total comprehensive income for the period		**18 031**	**10 287**

The accompanying notes on pages 20 through 112 form an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Management Board

Olga Alksne
Chief Accountant

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Statement of Financial Position

All amounts in thousands of euro

	Notes	31.12.2023.	31.12.2022.
Assets			
Due from credit institutions and the State Treasury	14	702 788	571 667
including cash and cash equivalents		*565 896*	*539 630*
Financial assets at fair value through other comprehensive income - investment securities	15	9 743	9 515
Financial assets at amortised cost:			
Investment securities	15	38	39
Loans and receivables	18 (1)	349 360	317 859
Financial assets at fair value through profit or loss - loans with capital rebate	18 (6)	13 088	-
Grants	19	67 196	58 280
Deferred expense	24	459	344
Accrued income	25	3 862	927
Other investments	17	25 398	15 741
Investments in associates	16 (1)	66 592	64 645
Investment property	20	68 246	53 453
Property, plant and equipment	22	4 377	4 448
Intangible assets	21	1 017	1 140
Other assets	23	3 922	1 530
Total assets		**1 316 086**	**1 099 588**
Liabilities			
Due to credit institutions	26	32 038	36 290
Due to general government entities	27	174 656	153 784
Financial liabilities at amortised cost - Issued debt securities	33	85 533	85 513
Deferred income		972	1 017
Accrued expense	32	856	661
Liabilities from financial guarantees	30	47 319	45 852
Provisions for contingent liabilities	29	344	1 453
Support programme funding	28 (1)	580 649	375 280
Other liabilities	31	4 366	3 755
Total liabilities		926 733	703 605
Equity			
Share capital	34	204 862	204 862
Reserves	35 (1)	166 959	180 136
Revaluation reserve of financial assets measured at fair value through other comprehensive income	37	(278)	(499)
Retained earnings		17 810	11 484
Total equity		389 353	395 983
Total equity and liabilities		**1 316 086**	**1 099 588**

The accompanying notes on pages 20 through 112 form an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Management Board

Olga Alksne
Chief Accountant

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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
		Specific reserves for support programmes	General reserve capital	Other specific reserves- difference recognised in reorganisation reserve			
As at 1 January 2022	**204 862**	**200 193**	**37 089**	**(15 935)**	**698**	**13 829**	**440 736**
Profit for the period	-	-	-	-	-	11 484	11 484
Other comprehensive income	-	-	-	-	(1 197)	-	(1 197)
Total comprehensive income	-	-	-	-	(1 197)	11 484	10 287
Increase of reserve capital (Note 35)	-	3 525	-	-	-	-	3 525
Decrease of reserve capital by increasing financing of support programs (Note 35)	-	(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 2021 profit	-	-	13 829	-	-	(13 829)	-
As at 1 January 2023	**204 862**	**141 707**	**54 364**	**(15 935)**	**(499)**	**11 484**	**395 983**
Profit for the period	-	-	-	-	-	17 810	17 810
Other comprehensive income	-	-	-	-	221	-	221
Total comprehensive income	-	-	-	-	221	17 810	18 031
Increase of reserve capital (Note 35)	-	2 839	-	-	-	-	2 839
Decrease of reserve capital by increasing financing of support programs (Note 35)	-	(27 500)	-	-	-	-	(27 500)
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2022	-	(5 246)	5 246	-	-	-	-
Reallocation of general reserves to specific reserves attributable to support programmes	-	13 829	(13 829)	-	-	-	-
Distribution of 2022 profit	-	-	11 484	-	-	(11 484)	-
As at 31 December 2023	**204 862**	**125 629**	**57 265**	**(15 935)**	**(278)**	**17 810**	**389 353**

According to the resolution of the Extraordinary Shareholders' Meeting of 30 October 2023, the share capital is to be increased by EUR 6.17 million, providing additional funding for the implementation of existing and new support programmes. In accordance with the Law on Development Financial Institutions, the Statute of ALTUM was approved by the Cabinet of Ministers on 12 December 2023 by Cabinet Order No 871 and the increased share capital was paid on 29 December 2023. On 3 January 2024, the increase of Altum's share capital was registered in the Register of Enterprises of the Republic of Latvia.

The accompanying notes on pages 20 through 112 form an integral part of these financial statements.

Statement of Cash Flows

All amounts in thousands of euro

	Notes	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Cash and cash equivalents at the beginning of the period		539 630	455 007
Cash flows from operating activities			
Profit before taxes		17 810	11 484
Amortisation of intangible assets and depreciation of property, plant and equipment	21.22	818	863
Increase in allowances for expected credit losses	13	4 737	3 367
Revaluation of investment properties	20	(6 116)	2 321
Revaluation of support programmes	10	(8)	(142)
Revaluation of Investments in associates	16 (2)	(870)	805
Revaluation of other investment funds	17	(1 310)	(152)
Interest income at effective interest rate	4 (1)	(18 675)	(14 944)
Interest and similar income	4 (2)	(6 996)	(4 990)
Interest expense	5	7 906	2 960
(Gain) / loss from exchange differences	8	3	(97)
Increase of cash and cash equivalents from operating activities before changes in operating assets and liabilities		**(2 685)**	**1 759**
(Increase) / Decrease of loans		(53 892)	9 986
(Increase) of grants	19	(9 416)	(12 985)
Increase of due from credit institutions and general government entities	26,27	16 803	15 257
Term deposits (Increase)	14	(103 000)	(32 000)
Increase / (Decrease) in deferred income and accrued expense		150	(1 107)
(Increase) / Decrease in deferred expense and accrued income	24, 25	(3 050)	795
Decrease of other assets		(2 951)	1 903
Increase in other liabilities		178 156	89 772
Increase/(decrease of cash and cash equivalents from operating activities after changes in operating assets and liabilities		**20 115**	**73 380**
Interest received		23 679	19 872
Interest paid		(8 070)	(2 951)
Net cash flows from operating activities		**35 724**	**90 301**
Cash flows from investment activities			
Sale of investment securities		137	3 603
Acquisition of property, plant and equipment and intangible assets	21,22	(529)	(650)
Purchase of investment properties	20	(8 879)	(5 758)
Sale of investment properties	20	202	954
Sale of other assets	23	28	-
Investments in other investment funds	17	(8 347)	(6 851)
Investments in associates	16 (2)	(1 079)	(501)
Net cash flows from investing activities		**(18 467)**	**(9 203)**
Cash flows from financing activities			
Increase of reserve capital	35	2 839	3 525
Paid, but not registered share capital increase		6 170	-
Net cash flows from financing activities		**9 009**	**3 525**
Increase in cash and cash equivalents		26 266	84 623
Cash and cash equivalents at the end of the period	14	**565 896**	**539 630**

The accompanying notes on pages 20 through 112 form an integral part of these financial statements.

Approval of the Financial Statements

The management of the Company has approved these financial statements on 28 March 2024. The Commercial Law of the Republic of Latvia as well as Development Finance Institution Law stipulates that the shareholders' meeting is entitled to pass a decision on approval of the financial statements.

1 General Information

(1) Corporate Information

These financial statements contain the financial information about joint-stock company Development Finance Institution Altum (Company).

Comparatives on the Company's financial performance for the 12 months of 2023 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 2 February 2024, the international credit rating agency Moody's Investors Service affirmed the Company's Baa1 long-term credit rating, with outlook stable, following update of rating methodology. The rating is the same as affirmed on 16 December 2022, along with updated credit opinion published on 4 September 2023. Short-term issuer rating is also affirmed at the same P-2. At the same time, Moody's has removed the designation of Altum as a government-related issuer and has withdrawn its Baseline Credit Assessment (BCA) of Baa3, following the publication of Moody's updated Government-Related Issuers methodology on 25 January 2024. Henceforth, Altum is rated by Moody's Finance Companies Methodology only. As of 2 February 2024, the Altum's standalone assessment set at current Baa3 replaces the withdrawn Baseline Credit Assessment. The rating assigned to the Company by Moody's is one of the highest credit ratings assigned to Latvian capital companies.

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 16 September 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. The investment period agreed with the EC ended on 30 June 2022, after its end, new investments were no longer approved, but investments in the portfolio's companies approved until 30 June 2022 continued. The capital investment paid into the Fund as at 31 December 2023 amounted to EUR 37.5 million (the Company's share EUR 18.3 million).

1 General Information (cont'd)

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

Legal Tittle	Legal Address	Generation	Investment % in share capital
KS Overkill Ventures Fund I	Dzirnavu iela 105, Rīga, Latvija, LV-1011	4	100
KS Buildit Latvia Pre-Seed Fund	Elizabetes iela 20, Rīga, Latvija, LV-1050	4	100
KS Commercialization Reactor Pre-seed Fund	Brīvības gatve 300 -9, Rīga, Latvija, LV-1006	4	100
KS INEC 1	Vīlandes iela 3 - 7, Rīga, Latvija, LV-1010	4	75
KS INEC 2	Vīlandes iela 3 - 7, Rīga, Latvija, LV-1010	4	90
KS Overkill Ventures Fund II	Dzirnavu iela 105, Rīga, Latvija, LV-1011	4	80
KS Buildit Latvia Seed Fund	Elizabetes iela 20, Rīga, Latvija, LV-1050	4	80
KS Commercialization Reactor Seed Fund	Brīvības gatve 300 -9, Rīga, Latvija, LV-1006	4	80
KS ZGI-4	Roberta Hirša iela 1, Rīga, Latvija, LV-1045	4	60
FlyCap Mezzanine Fund II	Matrožu iela 15A, Rīga, Latvija, LV-1048	4	60
KS Baltcap Latvia Venture Capital Fund (fund is in the process of liquidation)	Jaunmoku iela 34, Rīga, Latvija, LV-1046	2	67
KS Imprimatur Capital Technology Venture Fund **	Ščecinas iela 4, Rīga, Latvija, LV-1014	2	67
KS Imprimatur Capital Seed Fund (fund is in the process of liquidation)	Ščecinas iela 4, Rīga, Latvija, LV-1014	2	100
KS ZGI-3 *	Roberta Hirša iela 1, Rīga, Latvija, LV-1045	3	95
KS FlyCap investment Fund *	Matrožu iela 15A, Rīga, Latvija, LV-1048	3	95
KS Expansion Capital fund *	Vīlandes iela 3 - 7, Rīga, Latvija, LV-1010	3	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, LV-1050		48.9

* The term of venture capital funds' operations is 31 December 2024.

** The term of venture capital fund's operations is 10 June 2024.

2 Accounting Policies

(1) Basis of presentation

The Company's financial statements are prepared in accordance with IFRS Accounting Standards as adopted in the European Union (IFRS), on a going concern basis. In preparation of these financial statements on a going concern basis the management considered the Company's financial position, access to financial resources and analysed the impact of the external factors on future operations of the Company. For detailed disclosure on the impact of the Russian Federation military invasion in Ukraine on the Company see Note 3 (8). The Company's financial statements are prepared under the historical cost convention as modified by the fair valuation of investment securities measured at fair value through other comprehensive income, investments in associates measured at fair value through profit or loss, investment properties measured at fair value and support programme financing measured at fair value.

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates (Note 2 (15)).

In the financial statements the amounts are presented in thousands of euros, unless specified otherwise. The functional an presentation currency of the Company is euro.

(2) Foreign currency translation

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

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

31.12.2023	31.12.2022
1 USD = EUR 1.10500	1 USD = EUR 1.06660
1 GBP = EUR 0.86906	1 GBP = EUR 0.88693

2 Accounting Policies (cont'd)

(3) Income and expense recognition

Income and expenses accounting of the Company is based on accrual basis, i.e., income and expenses, pertaining to the reporting period, are included in the statement of comprehensive income regardless of the day of their receipt or origination.

(i) Foreign income and expenses

Foreign income and expenses are calculated and presented in euro based on the foreign exchange rate of the European Central Bank on the respective day.

Foreign exchange gains and losses are recognised in the profit or loss of the reporting period.

(ii) Interest income and expenses

Interest income and expenses are recognised in profit or loss for all interest bearing instruments on an accrual basis using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When estimating future cash flows, the Company considers all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest accrued on loans is included in profit or loss and interest accrual calculation uses either "30/360" or "actual days/360" accounting method as specified in agreements with customers.

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

- contractual penalties are calculated for each day and are recorded in the off-balance sheet (recognized at a point in time),
- included in the profit or loss only when being paid by the customer (recognized at a point in time),
- subject to grace days, i.e., if customer pays the entire amount in full within 3 days after the scheduled payment date, contractual penalties are not calculated.

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

- loan processing and disbursement commissions, including loan application fee, together with related direct costs – using effective interest rate method,
- other commissions (loan account management, amendment of the terms, commitment fee etc.) are recognised on the day of their receipt (recognized at a point in time).

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

- commissions from granted financial guarantees – according to principles described in Note 2 (4) item (xvii) (recognised over the time),
- other commissions are recognised on the day of their receipt (recognized at a point in time).

If pricing for credit risk is covered by the Risk Coverage Reserve or Portfolio Loss Reserve, such cost component for credit risk coverage in pricing is excluded from interest income on loans and commissions from financial guarantees charged for customers. See also Note 2 (15) item (i) and Note 28.

Other commission income and expense, which are not related to financial guarantees, are recognized as they occur.

2 Accounting Policies (cont'd)

(4) Financial assets and liabilities - initial recognition and subsequent measurement

(i) Initial recognition

Financial instruments at fair value through profit or loss (FVTPL) are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. In cases transaction price is lower than the fair value of guarantee provided due to the fact that the price difference is covered by public funding for expected credit loss classified within Risk Coverage Reserve, the Day 1 loss is directly allocated to Risk Coverage Reserve. See also Note 2 (15) (i). In cases transaction price is lower than the fair value of guarantee provided due to the fact that the price difference is covered by public funding for expected credit loss classified within Portfolio Loss Reserve (special reserve capital in equity), the Day 1 loss is charged to profit or loss and will be covered from Portfolio Loss Reserve by transfer to Retained earnings or General reserve capital upon approval of respective year annual accounts according to respective shareholder decision. See also Note 2 (15) item (i).

After the initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost (AC) and investments in debt instruments measured at fair value through other comprehensive income (FVOCI), resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the Company becomes a party to the contractual provisions of the instrument.

(ii) Financial assets – classification and subsequent measurement – measurement categories

The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on the Company's business model for managing the related assets portfolio and the cash flow characteristics of an asset.

(iii) Financial assets – classification and subsequent measurement – business model

The business model reflects how the Company manages assets in order to generate cash flows – whether the Company's objective is:

a) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or

b) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or,

c) if neither of (a) and (b) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Company in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets' performance is assessed. Refer to Note 2 (15) for critical judgements applied by the Company in determining the business models for its financial assets.

2 Accounting Policies (cont'd)

(4) Financial assets and liabilities - initial recognition and subsequent measurement (cont'd)

(iv) Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 2 (15) for critical judgements applied by the Company in performing the SPPI test for its financial assets.

(v) Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

(vi) Financial assets – allowances for expected credit losses

Allowances for expected credit losses are recognised for financial assets classified as AC and FVOCI. Allowances for expected credit losses from credit commitments and contingent liabilities arising from financial guarantee contracts are recognised as allowances or liabilities for financial guarantee contracts. The principles for recognition of expected credit losses arising from off-balance sheet financial commitments and contingent liabilities are consistent with the principles and methods applied for on-balance sheet exposures.

Allowances for expected credit losses are measured based on expected credit loss model. Expected credit losses ("ECL") reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and considering all reasonable and supportable information, including past events, current conditions and reasonable and supportable forecasts of future economic conditions that could affect the expected collectability of the future cash flows available without undue cost or effort at the reporting date. Such allowance is measured according to whether there has been a significant increase in credit risk since initial recognition of an instrument.

2 Accounting Policies (cont'd)

(4) Financial assets and liabilities - initial recognition and subsequent measurement (cont'd)

(vi) Financial assets – allowances for expected credit losses (cont'd)

Stage 1 includes financial instruments that have not experienced a significant increase in credit risk since initial recognition and those within the Company's policy to assess for low credit risk at the reporting date.

Stage 2 includes financial instruments that have deteriorated significantly in credit quality since the initial recognition but for which there is no objective evidence of credit impairment.

Stage 3 includes financial instruments which are credit-impaired.

The 12-month ECL are recognized on instruments in Stage 1 and the lifetime ECL are recognized on instruments in Stage 2 and Stage 3. The lifetime ECL represent losses from all possible default events over the remaining life of the financial instrument. The 12-month ECL are the portion of the lifetime ECL resulting from the default events that are possible within 12 months after the reporting date. Consequently, the 12-month ECL are not the expected cash shortfalls over the next 12 months or the credit losses on financial assets that are forecast to default in the next 12 months.

POCI (Purchased or originated credit-impaired financial assets) includes financial assets that were originally purchased or originated with indicators of impairment. Such assets are never classified in stages and credit losses are always estimated over the expected life of the contract.

(vii) Measurement of expected credit losses

The Company measures the ECL for financial assets that are individually significant and collectively for financial assets that are not individually significant and share similar credit risk characteristics.

The ECL for financial assets that are assessed collectively are measured as the discounted product of a probability of default ("PD"), an exposure at default ("EAD"), and a loss given default ("LGD"). The PD represents the likelihood that a borrower will default on its obligation, during the next 12 months or during the remaining lifetime of the obligation. The EAD is an expected exposure at the time of default, taking into account scheduled repayments of principal and interest, and expected further drawdowns from loan commitments. The LGD represents the expected loss on a defaulted exposure, taking into account such factors as counterparty characteristics, collateral and product type.

The ECL are determined by projecting the PD, LGD and EAD for each future month over the expected lifetime of an exposure. The three parameters are multiplied together and adjusted for future information. This effectively calculates monthly ECL, which are discounted back to the reporting date using the original effective interest rate and summed. The sum of all months over the remaining expected lifetime results in the lifetime ECL and the sum of the next 12 months results in the 12-month ECL. The Company uses single scenario expected cash flow method with overlays for alternative scenarios for macroeconomic factors such as year-on-year change in gross domestic product and real estate prices. PDs and LGDs are derived from historic performance of financial assets. 'Point in time' probabilities (PDs in the current economic conditions, as opposed to economic cycle-neutral 'through the cycle' PDs) are used for PDs.

The Company assesses credit-impaired exposures individually without the use of modelled inputs. The credit loss allowance for these exposures are established using the discounted expected cash flows.

(viii) Definition of default and credit-impaired financial assets

Default is an input to the PD and LGD, which affects the measurement of the ECL. Financial assets which are credit-impaired are included in Stage 3 or POCI if indicators of impairment are identified at the time of recognition of the financial instrument. A financial instrument is in default and indicators of credit impairment if principal or interest payments on the transaction are more than 90 days past due, rating downgrades indicate signs of default, an exposure is declared in bankruptcy or similar order, a non-performing forbearance measure is applied towards the borrower or there is an assessment that the borrower is unlikely to pay its obligations as agreed. When assessing whether a borrower is unlikely to pay its obligations, the Company takes into account both qualitative and quantitative factors including, but not limited to the overdue status or non-payment on other obligations of the same borrower, expected bankruptcy and breaches of financial covenants. An instrument is no longer considered to be in default or credit-impaired when all overdue amounts are repaid, there is sufficient evidence to demonstrate that there is a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of credit-impairment.

2 Accounting Policies (cont'd)

(4) Financial assets and liabilities - initial recognition and subsequent measurement (cont'd)

(ix) Determining a significant increase in credit risk since initial recognition

The Company assesses changes in credit risk at the individual financial instrument level. A financial instrument is no longer considered to have experienced a significant increase in credit risk when none of the indicators of SICR are present anymore.

Stage 2 includes financial instruments that have deteriorated significantly in credit quality since the initial recognition but for which there is no objective evidence of credit impairment. The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure due to "days past due" status or significant decrease in internal rating status. Investments in securities and due from other credit institutions are included in Stage 1 if external rating is A3/A- or higher, while lowering of the external rating by at least two notches (Baa1/BBB+ or lower) results in transfer of exposure from Stage 1 to Stage 2. The Company also identifies whether a significant increase in credit risk has occurred for an exposure due to changes in qualitative credit risk indicators such as financial performance of the borrower, breaches of covenants, industry specific information, etc.

(x) Expected lifetime

The lifetime of a financial instrument is relevant for both the assessment of significant increase in credit risk, which considers changes in the probability of default over the expected lifetime, and the measurement of the lifetime ECL. The expected lifetime is limited to contractual period specified in respective agreement. All contractual terms are considered when determining the expected lifetime, including prepayment options and extension and rollover options that are binding to the Company.

(xi) Modifications

Where a loan is modified but is not derecognised, significant increases in credit risk continue to be assessed for impairment purposes as compared to the initial recognition credit risk. Modifications do not automatically lead to a decrease in credit risk and all quantitative and qualitative indicators will continue to be assessed.

(xii) Estimates

The Company use both models and expert credit judgement (ECJ) in order to determine ECLs. The degree of judgement that is required to estimate ECL depends on the model outcome, materiality and the availability of detailed information. The model provides guidance and transparency as to how economic events could affect the impairment of financial assets. Expert judgements may be applied to the modelled outcome to incorporate an estimated impact of factors not captured by the model. Such judgemental adjustment to the model-generated ECLs may be applied to significant exposures at a counterparty level. The adjustments are decided by the relevant committee using the model ECLs as guidance.

(xiii) Presentation of credit loss allowance

For financial assets measured at AC, credit loss allowance is presented in the Company's statement of financial position as a reduction of the gross carrying amount of the assets.

For loan commitments, grant commitments and financial guarantee contracts, such allowance is presented as a liability (provisions) in the Company's statement of financial position.

For debt instruments measured at FVOCI (investment securities), allowances for ECL are recognised in profit or loss and other changes in gross carrying value are recognised in the OCI as gains less losses on debt instruments measured at FVOCI.

A write-off reduces the gross carrying amount of a financial asset. Write-offs are recognised when the amount of loss is ultimately determined and represent the amount before the utilisation of any previous impairment allowances. Any subsequent recoveries of write-offs or credit loss allowances are recognised in profit or loss.

2 Accounting Policies (cont'd)

(4) Financial assets and liabilities - initial recognition and subsequent measurement (cont'd)

(xiv) Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

(xv) Financial assets – derecognition

The Company derecognises financial assets when:

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

(xvi) Financial assets – modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new asset meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the difference in present value of the expected cashflows is not significant, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit impaired (POCI) financial assets), and recognises a modification gain or loss in profit or loss.

(xvii) Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for financial liabilities at FVTPL – this classification is applied to support programme funding.

2 Accounting Policies (cont'd)

(4) Financial assets and liabilities - initial recognition and subsequent measurement (cont'd)

(xviii) Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires) or significantly modified.

(xix) Due from credit institutions and the State Treasury

Amounts due from credit institutions and the State Treasury are recorded when the Company advances money to a credit institution or the Treasury of the Republic of Latvia with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from credit instructions and the Treasury are carried at amortised cost. Amounts due from credit institutions and the Treasury comprises cash and demand deposits with original maturity of 3 months or less (See Note 14) and demand deposits with original maturity of more than 3 months.

(xx) Investment securities

Based on the business model and the cash flow characteristics, the Company classifies investments in securities as carried at AC or FVOCI.

Investment securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch. Part of fixed income securities held by the Company are included into this category.

Investment securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. Allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss. Treasury bills, fixed income securities are included into this financial assets' measurement category.

(xxi) Loans

For purposes of this section, loans are:

- direct lending products, i.e., the Company grants a loan to a borrower, who is the end beneficiary of the funds issued. Direct lending products include reverse rent transactions,
- indirect lending products, i.e., the Company issues a loan to a borrower, who is an intermediary. The intermediary then grants the received loan further to borrowers, who are the end beneficiaries of the funds. The Company recognizes expected credit loss either (i) resulting from solvency problems of the borrower / end beneficiary solely or (ii) resulting from both solvency problems of the intermediary and solvency problems of the borrower / end beneficiary, proportionate to the share of risk,

The loans are recognised in the financial statements of the Company when cash is advanced to borrowers. Granted, but not yet disbursed loans are recognised as loan commitments in off-balance sheet.

Based on the business model and the cash flow characteristics, the Company classifies loans measured at AC. It means, that loans are held for collection of contractual cash flows.

2 Accounting Policies (cont'd)

(4) Financial assets and liabilities - initial recognition and subsequent measurement (cont'd)

(xxi) Loans (cont'd)

a. Loan commitments

The Company issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Fees received for loan commitments are amortised on a straight-line basis over the life of the commitment. Further on such loan commitment, fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the remaining unamortised balance (on off-balance sheet) of the amount at initial recognition plus the amount of the loss allowance (on-balance sheet) determined based on the ECL model, unless the commitment is to provide a loan at an interest rate below the market rate, in which case the measurement is at the higher of these two amounts.

The carrying amount of the loan commitments is presented as a liability within off-balance sheet.

For contracts that include both a loan and an undrawn commitment and where the Company cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

b. Reverse rent of agricultural land with right of repurchase

Reverse rent is agricultural land purchase transaction with rent and repurchase rights for the seller of the property established by agreement. It was concluded that the reverse rent transactions embraced the repurchase option for the lessee that could be exercised nearly always. From IFRS point of view it means that such a rent falls outside the definition of rent as, in essence, the usage rights of the asset are not transferred and remain with the lessee. The nature of reverse rent transaction corresponds to the definition of financial asset where the purchase price is a long-term loan issued to the lessee (right to get the money in the future), whereas land functions as a collateral. Following the same practice applied to the other loans the management assesses impairment at each reporting date. A part of the impairment assessment and calculation is linked to evaluation of the collateral.

c. Repossessed collateral

Repossessed collateral represents movable assets, land and buildings that have been acquired in the debt collection process for the purpose to hold them and sell in an ordinary course of business. See Note 2 (8) item (v) details.

(xxii) Grants

The Company acts as an agent when servicing grants. The Company advances grants in instalments to the customers. The grant agreements between the Company and funding providers (grantors) stipulates that the Company will provide grants to the customers in advance, and will submit quarterly reports to grantors on disbursed grants.

Grants that are advanced to the customers are recognized as non-financial assets at amortized cost. Upon approval by the grantor for the eligibility of the disbursed grants, the advanced grants are derecognized as non-financial assets and the related support programme funding balances are reduced by the approved amount. Grants committed to the customers, but not yet disbursed are accounted for on the Company's off-balance sheet.

Impairment allowances are made for expected credit losses for both advanced grants recognized as non-financial assets and grant commitments.

(xxiii) Financial guarantees

Financial guarantees require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial outstanding recognition. In addition, an ECL allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

2 Accounting Policies (cont'd)

(4) Financial assets and liabilities - initial recognition and subsequent measurement (cont'd)

(xxiii) Financial guarantees (cont'd)

The outstanding amount of the financial guarantees contracts is presented as a liability within off-balance sheet (Note 36).

Payments, which are made by the Company, to reimburse the holder of the guarantee for a loss are included in Other assets (Note 23).

(xxiv) Financial liabilities carried at amortised cost

Financial liabilities carried at amortised cost are mainly amounts due to the Treasury of the Republic of Latvia and credit institutions. These are initially recognised at fair value net of transaction costs incurred. Financial liabilities are subsequently measured at AC and any difference between net proceeds and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method. In cases of early repayment, any difference between the repaid and carrying amounts is immediately included in the profit or loss.

(xxv) Issued debt securities

The Company recognises issued debt securities at the date when the respective funds are received. After initial recognition when these financial liabilities are initially recognised at fair value including direct transaction costs, those are subsequently carried at amortised cost using the effective interest method. When issued debt securities are sold at a discount or premium, the difference is amortised applying the effective interest method until the debt matures and charged to the statement of comprehensive income as interest expense.

(xxvi) Financial liabilities designated at FVTPL

The Company designates liabilities, for example, support programme funding at FVTPL at initial recognition. Gains and losses on such liabilities are presented in profit or loss. See Note 2 (14) for details.

(5) Investments in venture capital funds

The Company's investments in venture capital funds (VCF) are classified as Investments in associates and Other Investments. The Company is applying IFRS 9 in recognition and measurement of investments in venture capital funds. These investments are financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Company. Investments in equity securities are measured at FVTPL, except where the Company elects at initial recognition to irrevocably designate an equity investments at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. When the FVOCI election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value.

(i) Investments in associates

The Company's investments in associates that include investments in venture capital funds and AIF "Altum capital fund" are stated at fair value through profit or loss

Investments in associates initially are recognised at cost and subsequently measured at fair value through profit or loss.

2 Accounting Policies (cont'd)

(5) Investments in venture capital funds (cont'd)

(i) Investments in associates (cont'd)

The Company uses the Risk Coverage Reserve (see Note 2 (15) item (i)) which is part of the support programme funding to compensate the change in the values of venture capital funds. The risk coverage mechanism is attributable to the 2nd and 3rd generation venture capital funds, such as BaltCap Latvia Venture Capital Fund, Imprimatur Capital Technology Venture Fund, Imprimatur Capital Seed Fund, ZGI-3 fund, FlyCap Investment Fund I un Expansion Capital Fund, as well as to the part of the 4th generation venture capital funds such as Overkill Ventures Fund II, Buildit Latvia Seed Fund, Commercialization Reactor Seed Fund, ZGI-4 fund and FlyCap Mezzanine Fund II.

The Company use the Portfolio Loss Reserve (see Note 2 (15) item (i)) to compensate the change in the values of AIF "Altum capital fund".

(ii) Investments in the Baltic Innovation Fund

Investments in the Baltic Innovation Fund are valued at fair value through profit or loss The management has made following assessment in order to support such valuation:

- within the meaning of IAS 28, the Baltic Innovation Fund correspond to the definition of a venture capital organisation or comparable to it entities;
- within the meaning of IAS 28, the Baltic Innovation Fund's investments should be classified as associates;
- the Baltic Innovation Fund measures its investments at fair value through profit or loss according to IFRS 9.

The above conclusions enabled the Company to the exception in relation to the Baltic Innovation Fund measurement provided in IAS 28 and in its financial statements to measure the Baltic Innovation Fund and its investments applying IFRS 9 and deciding to state the investment in the Baltic Innovation Fund at fair value through profit or loss.

The Company use part of the support programme funding, i.e., the Risk Coverage Reserve (see Note 2 (15) item (i)) to compensate the change in the values of venture capital funds. Since December 2017 the said risk coverage mechanism is attributable also to the Baltic Innovation Fund capped for amount of EUR 2 million.

(iii) Other Investments

Other investments include investments in the Baltic Innovation Fund II and investments in the Three Seas Initiative Investment Fund.

Other investments initially are recognised at acquisition cost. Other investments are subsequently measured at FVTPL.

2 Accounting Policies (cont'd)

(5) Investments in venture capital funds (cont'd)

(iv) Other accounting matters

The management fees of the VCFs referable to the reporting period (previous periods) are treated as fees for services received and are included in profit or loss.

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

- management fees to the 2nd, 3rd and 4th generation VCFs' managers for implementation of the financial engineering instruments (see Notes 6, 7 and 28). This coverage mechanism is valid for the all generation VCFs (see Note 16) as well as for Baltic Innovation Fund from December 2017 (see Note 16) and Baltic Innovation Fund II from June 2019.
- all costs including management fee incurred by the Company as investor in AIF "Altum capital fund" are covered by the Portfolio Loss Reserve from September 2020 (see Note 16).
- value impairment of the investments of the financial engineering instruments due to valuation or revaluation (see Note 16). This coverage mechanism is valid for the 2nd, 3rd and 4th generation VCFs as well as for AIF "Altum capital fund" (see Note 16).

(6) Fair values of assets and liabilities

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Fair values of financial assets and liabilities are based on market prices quoted in active markets. If the market for a financial asset or liability (and for unlisted securities) is not active, the Company establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis, option pricing models and recent comparative transactions as appropriate. Where, in the opinion of the Management of the Company, the fair values of financial assets and liabilities differ materially from their book values, such fair values are separately disclosed in the notes to the accounts.

The information about financial and non-financial assets and liabilities, which are measured at fair value or which fair values are disclosed, are summarised in the following notes:

Disclosures for valuation methods, significant estimates and assumptions	Note 2 (4), 2 (5), 2 (7), 2 (8), 2 (14), 2 (15)
Quantitative disclosures of fair value measurement hierarchy	Note 39
Investment property	Note 2 (8) item (iv)
Financial instruments including those carried at amortised cost	Note 2 (4)

(7) Off-setting financial instruments

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

(8) Non–financial assets – initial recognition and subsequent measurement

(i) Intangible assets

Acquired computer software and licences are recognised as intangible assets on the basis of the costs incurred to acquire and bring to use the software. Intangible assets are amortised on the basis of their expected useful live (5 years) and less impairment, if there is an indication that intangible asset may be impaired. The costs associated with developing or maintaining computer software programs are recognised as an expense when incurred.

2 Accounting Policies (cont'd)

(8) Non–financial assets – initial recognition and subsequent measurement (cont'd)

(ii) Property, plant and equipment and depreciation

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment, if any.

Depreciation is provided using the straight-line method to write off the cost of each asset to its residual value over the estimated useful life of the asset. The assets' residual values and useful live are reviewed, and adjusted if appropriate, at each balance sheet date.

The annual depreciation rates applied are as follows:

Category	Depreciation rate
Land and buildings	2 - 10% p.a.
Furniture and fittings	10 - 25% p.a.
Computers and equipment	16.67 – 50% p.a.
Vehicles	20% p.a.
Leasehold improvements	over the term of the lease agreements

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Property, plant and equipment are periodically reviewed for impairment.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably.

Gains and losses on disposals of property and equipment are recognised in the profit or loss in the period of disposal. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

(iii) Impairment of non-financial assets

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

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

(iv) Investment property

Investment property comprises land or buildings, which are held in order to earn rentals or for capital appreciation or both, and which are not occupied by the Company or otherwise held for sale.

2 Accounting Policies (cont'd)

(8) Non–financial assets – initial recognition and subsequent measurement (cont'd)

(iv) Investment property (cont'd)

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

Gains and losses on sale of investment properties is recognised at sale as the difference between the proceeds from the sale and the carrying amount (fair value) of investment properties.

(v) Repossessed collateral (included in Other assets)

Repossessed collateral includes movable assets, land and buildings that have been acquired in the debt collection process for the purpose to hold them and sell in an ordinary course of business. Inventory is reported at the lower of cost or net realizable value. Net realizable value is a selling price during an ordinary course of business of the Company less selling expenses.

Depreciation of repossessed collateral is not calculated. Changes in value of repossessed collateral are recognised in of profit or loss. The value of repossessed collateral is reassessed at each reporting date to ensure it is stated at the lower of cost or net realizable value. The repossessed collateral consists of properties taken over with an aim to sell them in the near future.

Realised gains and losses on sale of repossessed collateral are recognised at sale as the difference between sale price of repossessed collateral and carrying amount as at the moment of sale.

2 Accounting Policies (cont'd)

(9) Leases

The Company recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company applies optional exemptions for short-term leases and leases of low-value items.

The Company applied simplified approach and did not restate comparative information. Right–of–use assets were measured equal to the lease liabilities at the date of initial application. Cumulative effect of initial application was immaterial therefore it was not recognised as an adjustment to the opening balance of retained earnings.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether the contract is a lease or contains a lease, the Company assesses whether:

- the contract provides for the use of an identified asset: the asset may be designated, directly or indirectly, and must be physically separable or represent practically full capacity of the asset from the physically separable asset. If the supplier has a significant right to replace the asset, the asset is not identifiable;
- the Company has the right to obtain all economic benefits from the use of the identifiable asset over its useful life;
- the Company has the right to determine the use of the identifiable asset. The Company has the right to determine the manner in which the asset will be used, when it can decide how and for what purpose the asset will be used. Where the relevant decisions about how and for what purpose an asset is used are predetermined, the Company should assess whether it uses the asset, or the Company has developed an asset in a manner that predetermines how and for what purpose the asset will be used.

Upon adopting IFRS 16, the Company used a single recognition and measurement approach for all leases with similar characteristics (with certain exemptions) and made an assessment on the identified right–of–use assets non–cancellable lease terms (including the extension and termination options) and lease payments (including fixed and variable payments etc.).

Leases are recognised as right–of–use assets and the corresponding lease liabilities at the date when leased assets are available for use of the Company. The cost of the right–of–use an asset consists of:

- the amount of the initial measurement of the lease liability;
- any lease payments made before the commencement date less any lease incentives received;
- any initial direct costs.

The right–of–use assets are classified and recognised according to groups of property, plant and equipment. The Company accounts right–of–use assets of land, buildings and vehicles.

The right–of–use asset is amortised on a straight–line basis from the commencement date to the end of the useful life of the underlying asset or from the commencement date of the lease to the end of the lease term, unless an asset is scheduled to be redeemed. The right–of–use asset is periodically reduced for impairment losses, if any, and adjusted for any revaluation of the lease liabilities.

Assets and liabilities arising from leases at commencement date are measured at the amount equal to the present value of the remaining lease payments, discounted by the Company's incremental interest rate. Lease liabilities include the present value of the following lease payments:

- fixed lease payments (including in–substance fixed lease payments), less any lease incentives receivable;
- variable leases payments that are based on an index or a rate;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

2 Accounting Policies (cont'd)

(9) Leases (cont'd)

Lease liabilities are subsequently measured when there is a change in future lease payments due to changes of an index or a rate, when the Company's estimate of expected payments changes, or when the Company changes its estimate of the purchase option, lease term modification due to extension or termination. When a lease liability is subsequently measured, the corresponding adjustment is made to the carrying amount of the right–of–use asset or recognised in the statement of comprehensive income if the carrying amount of the right–of–use asset decreases to zero.

Each lease payment is divided between the lease liability and the interest expense on the lease. Interest expense on lease is recognised in the statement of comprehensive income over the lease term to form a constant periodic interest rate for the remaining lease liability for each period.

Lease payments related to short–term leases are recognised as an expense in the statement of comprehensive income on a straight–line basis. Short–term leases are leases with a lease term of 12 months or less at the commencement date.

(10) Corporate income tax

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

Corporate income tax is calculated on the basis of distributed profit which is subject to the tax rate of 20% of their gross amount, or 20/80 of net expense. Corporate tax on distributed profit will be recognized when the shareholders of the Company make a decision about profit distribution.

Corporate income tax for the distributed profit is included in the profit and loss statement line item "Corporate income tax" and disclosed by the components in the notes to the financial statements.

In accordance with Paragraph 2 of Article 15 of the Development Finance Institution Law, the Company's profit for the period is transferred to reserves in order to ensure financial stability and sustainable operation of the Company as well as to mitigate the risks of approved support programmes.

(11) Provisions

The Company's contingent liabilities and off-balance sheet items consist of financial guarantees, loan commitments, grant commitments as well as commitment to associates and other investments (see Note 29). Provisions include allowances for expected credit losses for loan commitments, grant commitments and financial guarantees are presented in Note 2 (4) item (vi).

(12) Vacation reserve

Accruals for employee leaves are recognised on an accrual basis. The volume of accrued liabilities for leaves is calculated, based on the number of leave days earned, but unused by the staff members of the Company, and following the principles listed below:

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

(13) Employee benefits

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

2 Accounting Policies (cont'd)

(14) Support programme funding

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

The fair value of the liability established in this manner as of 1 January 2018 consists of the already carried Support programme funding coupled with the state aid portion adjusted for the part of the future cash flow pertaining of additional payments / to reduction of additional payments due to value appreciation or impairment of the associated assets, i.e. the liability is recognised to the extent that corresponds to the liability's repayment amount established for the Company. In determining the fair value of support programmes funding, the Company applied a discount rate of 4.65% (in 2022: 3.70%)

Support programme funding includes the Risk Coverage Reserve that can be used for covering the Company's credit risk losses. For accounting of Risk Coverage Reserve see Note 2 (15) item (i). See detailed information on Risk Coverage Reserve also in Note 2 (3) item (ii), Note 2 (4) item (i), Note 2 (5) items (i) and (ii) and Note 28.

(15) Critical accounting estimates and judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company bases its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. The estimates and assumptions are evaluated regularly and are based on the historic experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Such estimates and judgements are disclosed below.

(i) Expected credit losses

State support programmes implemented by the Company are designed according to the market gap to ensure access of enterprises and residentials to finance resources in areas that the government has defined as important and to be supported, fielding national policy in to the national economy or that access is not sufficient with available financial instruments in the market. Expected loss along with programme's impact, risk assessment, financial feasibility and implementation expenses are estimated prior to approval of respective programme at the Cabinet of Ministers as stipulated by Development Finance Institution Law.

In assessment of expected loss for the programme the Company evaluates incorporated credit risk considering the Company's activities in high-risk areas operational risk and other risks like market risks. Since the Company's client in majority of support programmes is not entitled to cover the full charge of expected credit risk in, then for coverage of the programme's expected loss on credit risk respective portion of public funding available for that programme is allocated at full or partial extent of total expected credit loss depending on the agreed programme's structure and as such is earmarked for the credit risk loss coverage. before implementation of that programme. That public funding part allocated for the coverage of programme's expected loss on credit risk is transferred to particular support programme reserve capital within the Company's Specific reserves for support programmes and classified as Portfolio Loss Reserve (see Note 35), or accounted separately as provisions for risk coverage (Risk Coverage Reserve) classified within the liabilities (see Note 28).

If public funding classified within Risk coverage reserve for coverage of particular programme's expected loss on credit risk exceeds actual credit loss incurred during the implementation of the programme, then respective excess portion of that public funding is repayable according to the terms of programme funding agreement.

2 Accounting Policies (cont'd)

(15) Critical accounting estimates and judgements (cont'd)

(ii) Impairment losses of loans

In order to assess impairment allowance, the management needs to make assumptions regarding the estimated cash flows and their timing related to loans. Significant estimates need to be made in relation to value of the collateral of the loans and advances. The assessment of the collateral includes the amounts of such impairment losses covered by Support programme funding provided by state, see Note 28. Further details disclosed in Note 2 (4) item (vi).

(iii) Fair value of investments in the VCF

The Company's management checks regularly that the value of the underlying investments of the VCFs is properly reflected. If the information about investments' evaluation is not sufficient or does not confirm the value, the management needs to make assumptions about the fair value of the VCFs.

Detailed assumptions and sensitivities

Valuation of Altum's private equity and venture capital fund portfolio companies is carried out in accordance with Altum's internal valuation principles, which are based on International Private Equity and Venture Capital Valuation Guidelines (IPEV).

Key valuation principles:

- All new investments (i.e., within 1 year from the date of investment) are recognized at acquisition value.
- Pre-seed and seed stage investments, considering the specifics of start-up stage companies, are evaluated based on the fulfillment of their non-financial goals (milestones), and therefore the evaluation of these investments is carried out according to a simplified principle: the application of a discount. A discount is applied based on the professional judgement of the valuer, considering the magnitude of changes.
- Investments of private equity funds, whose initial investment value does not exceed EUR 500,000.00, are valuated according to the professional judgment of valuer based on valuation models prepared by fund managers.
- Investments of private equity funds, whose initial investment values exceed EUR 500,000.00, are valuated in-depth and a valuation model is created for each of these investments based on the valuation model prepared by the fund manager. The most common valuation methods are:
    - Comparable Company Analysis: based on the purchase/sale transactions of companies similar to the company (both from the point of view of the product and the stage of development) in the world (price of recent investment), data from stock exchanges and international databases, where the method can only be used if the company is at least in the early stages of commercializing the product. Industry-appropriate return coefficients (multiples) are used for growth-stage target companies. The most commonly used multiples are turnover, EBITDA or net profit multiples.
    - Discounted Cash Flow Method: determination of NPV of future cash flow can be used at the moment when all prerequisites for predicting future cash flow acceptable and understandable to the investor have been met.
- Investments, except for pre-seed and seed investments of the Acceleration Program, where several funds have invested in one company, are valuated separately with the aim of harmonizing the methodologies of different fund valuation models to reflect a common value in Altum's financial reports.

The risk of price fluctuations directly affects the value of Altum's VCF portfolio. By making investments in 17 funds and 2 fund of funds Altum has provided sufficient investment diversification covering 30 funds with various strategies and geographies.

	31.12.2023.	31.12.2022.
Carrying value of VCF	91 990	80 386
Impact on NAV +10%	9 199	8 039
Impact on NAV -10%	(9 199)	(8 039)
Percentage impact on NAV (+/-)	10.0%	10.0%
Cumulative risk (%)	**10.0%**	**10.0%**

2 Accounting Policies (cont'd)

(15) Critical accounting estimates and judgements (cont'd)

(iv) Revaluation of investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Company engaged an independent valuation specialist to assess fair value as at 31 December 2023 and 31 December 2022 for investment properties. Investment property consists of agricultural land. Comparable transaction method is applied mostly for investment property. More information is provided in Note 2 (8) item (iv) and Note 20.

(v) Classification of the 1st, 2nd and 3rd generation VCFs

The Company considers that it does not control the VCFs even though it owns more than 50% in majority of the VCF. Instead, it has been concluded that the Company has significant influence over the VCFs and therefore investments in VCFs are classified as Associates and are measured at fair value through profit or loss.

The Company has invested in several VCFs having ownerships of 20% and 33% in two of the VCFs and 64% - 100% in rest of them (for more details, please see Note 16). The main reason for the Company to invest in these VCFs is to implement a public funding function imposed by the government. Despite the high direct investments and ownership above 50% in the most of the VCFs, the Company's ability to exercise its power over the VCFs is limited by the terms of the agreements signed between the Company and the VCFs managers. The Company has assessed that it doesn't control the VCFs, but can exercise significant influence over them. The Company is forbidden to take part in the management of the VCFs' businesses. However, the Company's representatives are present in different bodies of the VCFs (e.g. Advisory Board, Investment Committee, etc.).

The Fund Manager, in accordance with the Limited Partnership Agreement, in compliance with national and EU regulations, ensures the independent and professional investment, management and realisation of the Fund's investments and has acted as an honest and diligent manager to the highest industry standards.

Altum, as a special limited partner, has no right to participate in or in any way influence the operational work of the fund manager, to carry out investment evaluation, to take investment decisions, to participate in the investment realisation process, which is fully the responsibility of the fund manager in accordance with the concluded agreement.

Altum, as a special limited partner, has a role on the Advisory Boards of the funds, which are held at least once a year to discuss the fund's performance, but the Advisory Board members do not take decisions on the fund's performance and, if they do, they are of a recommendatory nature.

However, in the event of extraordinary occurrences which may seriously threaten the operation of the Fund, the Members may, by a majority of at least 75% of the subscribed capital, decide to exclude the General partner for any of the following justifiable reasons (the General partner has in fact committed a material breach of the terms of the Agreement or acted in a mismanaged manner). Similarly, decisions relating to the extension, termination, reduction of management fees, changes in key personnel and other matters of a significant nature may be taken by a 75% majority of the Members, however, please note that these are not related to day-to-day investment management and decision-making, but relate to general operating principles.

KS "Otrais Eko fonds", which was a 1st generation VCF, was sold, followed by its liquidation in November 2020.

The Company has to monitor the implementation of financing instruments, select financial intermediaries according to legal acts and aim to increase the value of Investment Fund. The Company could stop the cooperation with the VCFs managers only in cases when the VCFs managers cease their operations or illegal actions would be discovered. Under these circumstances, the VCFs in question would either be closed – the liquidation process would be initiated, no new investments would be made or a search for a new fund manager would be initiated through public tender. The selection of a fund manager for implementation of the state aid programmes requires following the legislation on public tenders, as would the change of fund managers. According to the law, the replacement of the fund manager can occur only as a result of reorganization and selection procedure is costly and time-consuming. The disruption of the cooperation with the fund manager would put under threat the implementation of State and EU support programs which is the main goal of the Company given it is a finance development institution. The Company's management considers that the monetary amounts required to change the fund manager are material and substantial and along with the abovementioned circumstances constitute an obstacle to exercising its power over the VCFs.

2 Accounting Policies (cont'd)

(15) Critical accounting estimates and judgements (cont'd)

(vi) Classification of the 4th generation VCFs

In year 2018 active co-operation with the 4th generation VCFs was started. In order to evaluate existence of control or significant influence, the Company assessed thoroughly the concluded co-operation agreements applying IFRS 10 control criteria and IAS 28 significant influence criteria.

The Company has to monitor the implementation of financing instruments, select financial intermediaries according to legal acts and aim to increase the value of Fund of Funds. The Company could stop the cooperation with the VCFs managers only in cases when the VCFs managers cease their operations or illegal actions would be discovered. Under these circumstances, the VCFs in question would either be closed – the liquidation process would be initiated, no new investments would be made or a search for a new fund manager would be initiated through public tender. The selection of a fund manager for implementation of the state aid programmes requires following the legislation on public tenders, as would the change of fund managers. According to the law, the replacement of the fund manager can occur only as a result of reorganization and selection procedure is costly and time-consuming. The disruption of the cooperation with the fund manager would put under threat the implementation of State and EU support programs which is the main goal of the Company given it is a finance development institution.

(vii) Investments in AIF "Altum Capital Fund"

According to the accounting policy of AIF "Altum Capital Fund", it operates as an investment entity because the following criteria set out in IFRS 10 "Consolidated Financial Statements" are met – (i) AIF "Altum Capital Fund" obtains funds for investments from several investors for the purpose of providing those investors with investment management services, (ii) AIF "Altum Capital Fund" commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both and (iii) AIF "Altum Capital Fund" measures and evaluates investments at fair value. Therefore, AIF "Altum Capital Fund" does not consolidate its investments in equity instruments.

In accordance with the Limited Partnership Agreement, the General Partner is the Company and as the Fund manager is fully responsible for all aspects of the Fund's operation, including the revaluation of the investments. The fair value of the investments is recognized and reflected in the audited annual report.

The Company's investment in the Fund constitutes 48.91% of the Fund's capital, is classified as an Associate and is measured at fair value through profit or loss.

2 Accounting Policies (cont'd)

(15) Critical accounting estimates and judgements (cont'd)

(viii) Monitoring value of investments in VCFs

2nd, 3rd and 4th generation VCFs

In accordance with the Limited Partnership Agreement, the General Partner who is the manager of the VCF and comes from the venture capital industry, is fully responsible for all aspects of VCF`s operation, including investment assessment, revaluation and determination of impairment if carrying value of investment exceeds recoverable amount. Carrying value and impairment is recorded and reported on the fund`s financial statement (audited on an annual basis).

Carrying value of investments made by the VCFs on the funds` financial statement are recorded at fair value complying with the Company's accounting policy. However, other aspect is determination of fair value used by funds management for making different management decisions, including decisions regarding exit strategy, timing etc. Fair value is reported on Funds` Quarterly Investment Reports. The value of the investment is established based on the most appropriate technique from the International Private Equity and Venture Capital Valuation Guidelines. The employed methods include Third party assessments, Industry Valuation Benchmarks, Discounted cash-flow method and other.

In accordance with the Company's principles, the Company considers valuations presented by the fund management as a reliable source as only professionals with respective experience and proven track record are selected as fund managers. However, in order to ensure a sound and transparent finance management, the Company conducts a regular monitoring procedure (typically on a quarterly basis) for revaluation of portfolio value of the investments funds. The assessment is carried out based on the information presented by funds management. The process is divided into several stages:

- Financial Intermediary unit, business owner of venture capital segment, is responsible for initial analysis of Fund`s recorded and recognised investment value based on supporting information prepared and sent by fund management. The following information is presented by the investment funds for every investment exposure: the current development and dynamic of investment, the current financial performance and financial forecasts. It should be noted that the funds specialised in early-stage investments (mostly, pre-revenue projects) are not able to provide information about financial performance of projects. In this case investment scoring approach is used as a base.
- Financial Intermediary unit conducts Q&A sessions with venture capital fund management during which the fund management reports about every investment of the portfolio. If supporting information indicates about potential flaws in calculations of fair values, adjustment is made.
- Adjusted (if any) information is provided to the Risk Management Department for revision of carrying value, then presented on Risk and Asset-Liability Management Committee for final approving before recognized in the Company's accounting system.

If there is evidence of value decrease, the Company calculates decrease of the VCFs' NAV and recognises the loss in the profit or loss.

AIF "Altum Capital Fund"

In accordance with the Limited Partnership Agreement, the General Partner is the Company and as the manager of the Fund is fully responsible for all aspects of the Fund's operation, including investment assessment, revaluation and determination of impairment if carrying value of investment exceeds recoverable amount. Carrying value and impairment is recorded and reported on the Fund`s financial statement (audited on an annual basis).

2 Accounting Policies (cont'd)

(15) Critical accounting estimates and judgements (cont'd)

(ix) Monitoring value of investments in VCFs (cont'd)

AIF "Altum Capital Fund" (cont'd)

Carrying value of investments made by the Fund is recorded in the Fund's financial statements at fair value in accordance with the Fund's accounting policy. Fair value of investments is reported in the Fund's Quarterly Investment Reports to Partners. The fair value of financial instruments is determined by applying various valuation techniques, or a combination thereof depending on the specific nature of the investment and the information available to support the underlying assumptions. The choice of methods is prioritized as follows – (i) the fair value of financial instruments publicly quoted on regulated market is always determined by reference to their market bid price at the reporting date, (ii) third party quoted market prices in active markets, (iii) transactions in comparable financial instruments of comparable entities on or outside regulated markets and (iv) discounted cash flow. The valuation process and the necessary data gathering and their analysis are carried out by the Investment Director who is responsible for managing the specific investment. In addition, each assessment is evaluated and approved by another Investment Director. The results of the analysis are presented in an Investment Valuation Report and submitted quarterly to the VCF's Investment Committee for review. Unless the Investment Committee of AIF "Altum Capital Fund" requires changes or additions to a valuation report, it is submitted to the Accounting Department to record the changes in the investment value.

(ix) Reverse rent of agricultural land with right of repurchase

Exploring the options for recording of reverse rent transactions and IFRS compliance, the management based its opinion on the subject matter of the transaction and its economic justification rather than the legal form. As part of assessment of these transactions, the management paid much attention to exercising of the reverse repurchase right of the lessee.

(x) Agent vs Principal

In some state aid programs, the Company considers that it acts as a Principal. The management of the Company believes that the Company is a Principal since the loan agreements concluded with the clients entail contractual rights to loan repayments from the borrowers or other beneficiaries of the investments. Moreover, the loan agreements are concluded for full amount of the loan and granted loans are carried as assets in the Company's statement of financial position. The investments made comply with the definition of an asset. The Company is responsible for providing of the service and can affect the interest rate. However, some programmes have been imposed with a limit on the interest rates that cannot be exceeded. The Company believes that the Company is a Principal also for state aid programs, which are based on guarantee products, since the Company is exposed to the risk of such guarantee agreements concluded with the clients.

The Company recognises its expenses due to impairment of the loans, guarantees or changes of value of venture capital funds in profit or loss for the portion of impairment that refers to the Company (ranging from 20% to 100%). The portion of losses that the government reimburses by decreasing the amount of the loan repayable to the government, does not affect the Company's profit or loss as the loan received from the government is debited. Assets and liabilities are presented in gross values.

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

(xi) Loans below market rate

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

2 Accounting Policies (cont'd)

(15) Critical accounting estimates and judgements (cont'd)

(xi) Loans below market rate (cont'd)

Although a fraction of the public funding of some of the state aid programmes implemented by the Company may include the funds from the Company's shareholders and state budget funds, this type of funding is not treated as a shareholder's equity contribution since the amount of the public funding earmarked for implementation of the specific state aid programme is received in the capacity of the implementing body of the specific state aid programme chosen as a result of public selection and not in the capacity of entity implementing the assignment or instructions of its shareholder.

Further details on guarantees are disclosed in Notes 13 and 36.

The funding received from the state can be classified into three categories – equity financing (about guarantees see Note 2 (4) item (xviii), Notes 13 and 36), loans received from the State Treasury (see Notes 18 and 27) and support programmes funding (see Note 28).

(xii) Loan interest rate reduction

Taking into account the increase in the EURIBOR rate and the cost of raising funds and the corresponding interest payments made by borrowers, the Company will apply a reduction in loan interest rates to loans for which a loan agreement has been signed until 31 December 2023. As a result, part of the present value of the future cash flow will no longer be legally enforceable, therefore, in accordance with the requirements of paragraph B5.4.6 of IFRS 9, the Company has revised the carrying value of the financial instrument as the estimated present value of the future cash flow provided for in the contract and recognized the estimated losses in profit or loss in 2023 as the reduction of interest rate was announced and approved by the Council in December 2023 as part of 2024 budget approval and the Company had commitment to execute on the reduction in interest rate enacted before the year end. The Company will apply the reduction in loan interest rates to loan interest payments made by the borrower from 1 January, 2024 to 31 December 2024. The loan interest rate reduction will be applied to loan exposures that have been assigned credit quality category stage 1 on 31 December 2023 and that qualify for de minimis state aid requirements.

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

(i) Standards or interpretations effective for the first time for the annual periods beginning 1 January 2023

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IFRS 17 and an amendment to IFRS 4** (effective for annual periods beginning on or after 1 January 2023).
- **Transition option to insurers applying IFRS 17 – Amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies** (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 8: Definition of Accounting Estimates** (effective for annual periods beginning on or after 1 January 2023).
- **Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12** (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules** (effective for annual periods beginning on or after 1 January 2023).

The adoption of new standards and amendments to existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the reporting period. Their adoption did not have any material impact on the disclosures or amounts presented in these financial statements.

2 Accounting Policies (cont'd)

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

(ii) Standards or interpretations effective for the first time for the annual periods beginning after 1 January 2024 or not yet endorsed by the EU

- **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback** (effective for annual periods beginning on or after 1 January 2024).
- **Classification of liabilities as current or non-current – Amendments to IAS 1** (effective for annual periods beginning on or after 1 January 2024).
- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements** (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU).
- **Amendments to IAS 21 Lack of Exchangeability** (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU).

The Company is assessing the impact of these amendments, but the Company does not expect that the adoption of these amendments to existing standards will have any material impact on the Company's financial statements in the period of their initial application.

3 Risk Management

For risk management, the Company has developed a risk management system that takes into account its size, structure and operational characteristics as well as restricted options for management of certain risks. The Company manages the risks affecting its operations in compliance with the risk management internal regulatory documents approved by the Company that detail and establish the aggregate of measures used in management of the risks inherent to its operations.

The following major risk management principles are followed:

- risk management is a component of every-day functions;
- the Company identifies and assesses the probable risks before launching of new products or services;
- while assuming the risks the companies forming the Company are capable of long-term pursuit of the delegated aims and assignments;
- the Company does not enter into transactions, operations, etc. entailing risks that endanger its operational stability or may result in substantial damage to its reputation.

In its risk management the Company makes use of various risk analysis methods and instruments as well as establishes risk limits and restrictions.

The major risks that the Company is exposed to are credit risk, operational and compliance risks. Considering the geopolitical events of 2022, anti-money laundering and terrorism and proliferation financing risks (hereinafter - AML) and sanctions, as well as interest rate risk, have also increased.

(1) Credit Risk

The credit risk is a risk that a customer or cooperation partner of the Company is unable or unwilling to meet its liabilities towards the Company in full and within the established term The Company is mainly exposed to credit risk within the framework of its lending activities, issuing guarantees to third parties, investing in venture capital funds, as well as implementing other financial instruments within the framework of the state support and development program. The Company is also subject to the credit risk due to its investment activities. Credit risk also includes concentration risk, which means large individual exposures as well as significant exposures to groups of customers or cooperation partners whose probability of default is driven by common underlying factors, such as sector, economy or type of instrument.

(i) Credit Risk Governance

Credit risk governance is set in the Company’s Risk Management Policy and Credit Policy:

- The Council determines the total amount of risk that the Company wishes to undertake and in order to ensure the execution of the Council, risk limits and/or goals are set in the Company in terms of geographical regions, countries, sectors of the economy, transaction portfolios exposed to credit risk, as well as limits are set for risk transactions with one clients/cooperation partners or groups related to them, etc. risk limits or targets.
- The Risk Management Department is responsible for the independent supervision and control of credit risk management. The task of the Risk Management Department is to develop and maintain a credit risk management framework appropriate to the specifics of the Company's operations, as well as to monitor and ensure that the level of credit risk assumed does not exceed the Council's.
- The units that ensure cooperation with the client on a daily basis (hereinafter - the business unit) are responsible for credit risk assessment and monitoring before starting a risk transaction with the client, as well as during the transaction relationship, observing the risk limits and goals set by the Company, and in compliance with the Company's internal procedures and the order specified in the regulations.
- The Internal Audit performs independent periodic reviews of the credit risk management system.

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

(ii) Credit Risk Assessment, Reduction and Monitoring

The key principle of credit risk management in the Company is the ability of the customers and cooperation partners to meet their liabilities towards the Company, which is achieved by assessment of the customer and co-operation partner prior to transaction, as well as further continuous monitoring and evaluation.

Before starting risk transactions, the Company carefully analyses and evaluates the customer's or cooperation partner's ability and willingness to cover the assumed obligations to the Company. When the Company decides on undertaking a risk transaction with a customer or cooperation partner, the main criterion is the solvency of the customer or cooperation partner.

The Company reduces its exposure to credit risk by requesting collateral or other collateral that meets the terms of the exposure and program. The term "collateral" includes pledges and guarantees. A pledge or other security is not required if the program rules allow it. The collateral assessment is based on a thorough examination and analysis of the pledged assets and is an integral part of the customer's credit risk assessment. The value of the collateral is updated periodically, including when reviewing the terms of the risk transaction issued to the customer or cooperation partner, as well as in situations when the Company has reason to believe that the value has changed or when the risk transaction has become a problematic loan.

The risk profile of portfolios exposed to credit risk is continuously analysed. Monitoring of portfolios and individual customers or cooperation partners with a higher risk of default is performed more regularly. Business units are responsible for the continuous monitoring of criteria and conditions that indicate an increase in the credit risk of individual risk transactions. If the risk profile of a customer or business partner has deteriorated, corrective measures are considered and implemented. In such situations, a series of actions adapted to the situation are immediately implemented to reduce the Company's risk or losses, including involving a specially created restructuring and collection unit, which concentrates relevant competences in insolvency management and restructuring.

Breakdown of loans by internal rating categories, in thousands of euro:

Internal rating categories	A	B	C	D	E	F	G	H	Without rating	Overlays	Total
Total gross loans:	4 903	37 293	57 109	92 975	59 492	31 483	17 908	4 918	32 852	-	338 933
Stage 1	*4 842*	*35 911*	*52 173*	*81 728*	*40 255*	*5 017*	*1 227*	*266*	*29 156*	-	*250 575*
Stage 2	*61*	*915*	*3 948*	*7 747*	*10 383*	*20 686*	*11 684*	*84*	*1 388*	-	*56 896*
Stage 3/ POCI	-	*467*	*988*	*3 500*	*8 854*	*5 780*	*4 997*	*4 568*	*2 308*	-	*31 462*
Allowances for expected credit losses	(35)	(343)	(1 232)	(2 004)	(3 829)	(4 124)	(4 136)	(2 338)	(863)	(2 170)	(21 074)
Total net loans as at 31 December 2022	**9 771**	**74 243**	**112 986**	**183 946**	**115 155**	**58 842**	**31 680**	**7 498**	**64 841**	**(2 170)**	**317 859**
Total gross loans:	4 899	46 853	66 005	103 433	53 459	24 762	14 135	3 347	57 957	-	374 850
Stage 1	*4 831*	*45 235*	*60 518*	*90 842*	*35 860*	*7 678*	*774*	*710*	*53 586*	-	*300 034*
Stage 2	*68*	*1 457*	*3 875*	*5 460*	*10 939*	*11 237*	*8 049*	*24*	*2 856*	-	*43 965*
Stage 3/ POCI	-	*161*	*1 612*	*7 131*	*6 660*	*5 847*	*5 312*	*2 613*	*1 515*	-	*30 851*
Allowances for expected credit losses	(24)	(550)	(1 686)	(3 179)	(3 406)	(4 279)	(2 227)	(1 429)	(815)	(7 895)	(25 490)
Total net loans as at 31 December 2023	**4 875**	**46 303**	**64 319**	**100 254**	**50 053**	**20 483**	**11 908**	**1 918**	**57 142**	**(7 895)**	**349 360**

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

(ii) Credit Risk Assessment, Reduction and Monitoring (cont'd)

Breakdown of issued guarantees by internal rating categories, in thousands of euro:

Internal rating categories	A	B	C	D	E	F	G	H	Without rating	Overlays	Total
Total gross outstanding guarantees:	53	43 543	45 143	47 700	34 090	15 724	14 728	856	279 176	-	481 013
Stage 1	*53*	*43 474*	*43 699*	*41 526*	*31 619*	*4 170*	*725*	*250*	*277 761*	-	*443 277*
Stage 2	-	*43*	*1 395*	*2 327*	*1 886*	*9 179*	*13 940*	*60*	*981*	-	*29 811*
Stage 3	-	*26*	*49*	*3 847*	*585*	*2 375*	*63*	*546*	*434*	-	*7 925*
Allowances for expected credit losses *	(2)	(1 457)	(2 528)	(5 457)	(2 791)	(3 227)	(1 676)	(324)	(23 500)	(856)	(41 818)
Total net outstanding guarantees as at 31 December 2022	**51**	**42 086**	**42 615**	**42 243**	**31 299**	**12 497**	**13 052**	**532**	**255 676**	**(856)**	**439 195**
Total gross outstanding guarantees:	30	23 420	62 669	44 598	26 285	20 377	6 014	1 035	295 597	-	480 025
Stage 1	*30*	*23 420*	*62 314*	*41 471*	*22 557*	*8 866*	*3 268*	*240*	*293 463*	-	*455 629*
Stage 2	-	-	*280*	*1 414*	*2 915*	*11 307*	*1 803*	*28*	*1 268*	-	*19 015*
Stage 3	-	-	*75*	*1 713*	*813*	*204*	*943*	*767*	*866*	-	*5 381*
Allowances for expected credit losses *	(7)	(700)	(2 830)	(3 979)	(2 716)	(3 472)	(1 291)	(432)	(27 453)	(680)	(43 560)
Total net outstanding guarantees as at 31 December 2023	**23**	**22 720**	**59 839**	**40 619**	**23 569**	**16 905**	**4 723**	**603**	**268 144**	**(680)**	**436 465**

* The Company uses internal rating for assessment of credit risk to decide on issuing of financial guarantee and for further monitoring of credit risk. Internal rating assigned to a guarantee is one of several factors that has been considered when the ECL is measured. Financial guarantees are measured at the higher of the loss allowance determined as expected credit loss, and the amount initially recognized (fair value) less any cumulative amount of amortization.

Internal rating scale and characteristics:

Internal rating class	Description	Internal rating class	Description
A	customer with a very successful business performance	E	customer with a heightened sensitivity to possible changes
B	customer with a successful business performance	F	customer with unsuccessful performance
C	customer with certain performance advantages	G	customer with very unsuccessful performance
D	customer with medium operational risk	H	default or near-default

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

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

	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.
Financial assets at AC										
Due from credit institutions and the Treasury	702 885	571 682	-	-	-	-	-	-	702 885	571 682
Allowances for expected credit losses	(97)	(15)	-	-	-	-	-	-	(97)	(15)
Total net due from credit institutions and the Treasury	**702 788**	**571 667**	**-**	**-**	**-**	**-**	**-**	**-**	**702 788**	**571 667**
Investment securities	-	-	-	-	3 788	3 927	-	-	3 788	3 927
Allowances for expected credit losses	-	-	-	-	(3 750)	(3 888)	-	-	(3 750)	(3 888)
Total net investment securities	**-**	**-**	**-**	**-**	**38**	**39**	**-**	**-**	**38**	**39**
Loans and receivables	300 035	250 575	43 965	56 895	30 779	31 061	71	402	374 850	338 933
Allowances for expected credit losses*	(8 644)	(4 106)	(5 559)	(4 751)	(11 217)	(11 815)	(70)	(402)	(25 490)	(21 074)
Total net loans and receivables	**291 391**	**246 469**	**38 406**	**52 144**	**19 562**	**19 246**	**1**	**-**	**349 360**	**317 859**
Other financial assets	3 957	1 393	-	-	1 128	2 138	-	-	5 085	3 531
Allowances for expected credit losses	(22)	-	-	-	(1 141)	(2 029)	-	-	(1 163)	(2 029)
Total net other financial assets	**3 935**	**1 393**	**-**	**-**	**(13)**	**109**	**-**	**-**	**3 922**	**1 502**
Total financial assets at AC	**1 006 876**	**823 650**	**43 965**	**56 895**	**35 695**	**37 126**	**71**	**402**	**1 086 608**	**918 073**
Allowances for expected credit losses	(8 763)	(4 121)	(5 559)	(4 751)	(16 108)	(17 732)	(70)	(402)	(30 500)	(27 006)
Total net financial assets at AC	**998 113**	**819 529**	**38 406**	**52 144**	**19 587**	**19 394**	**1**	**-**	**1 056 108**	**891 067**

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

Breakdown of financial assets, off-balance sheet items and contingent liabilities by their qualitative assessment, in thousands of euro (cont'd):

	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.
Financial assets at FVOCI										
Investment securities	9 743	9 515	-	-	-	-	-	-	9 743	9 515
Allowances for expected credit losses	-	-	-	-	-	-	-	-	-	-
Total net investment securities	**9 743**	**9 515**	**-**	**-**	**-**	**-**	**-**	**-**	**9 743**	**9 515**
Total financial assets at FVOCI	**9 743**	**9 515**	**-**	**-**	**-**	**-**	**-**	**-**	**9 743**	**9 515**
Allowances for expected credit losses	-	-	-	-	-	-	-	-	-	-
Total net financial assets at FVOCI	**9 743**	**9 515**	**-**	**-**	**-**	**-**	**-**	**-**	**9 743**	**9 515**
Off-balance sheet items and contingent liabilities										
Outstanding guarantees	455 628	443 277	19 015	29 811	5 382	7 925	-	-	480 025	481 013
Allowances for expected credit losses *	(37 076)	(32 768)	(3 006)	(4 046)	(3 478)	(5 004)	-	-	(43 560)	(41 818)
Total net outstanding guarantees	**418 552**	**410 509**	**16 009**	**25 765**	**1 904**	**2 921**	**-**	**-**	**436 465**	**439 195**
Loan commitments	88 730	60 106	88	1 125	28	2	-	-	88 846	61 233
Allowances for expected credit losses *	(309)	(1 015)	(4)	(61)	(6)	(1)	-	-	(319)	(1 077)
Total net loan commitments	**88 421**	**59 091**	**84**	**1 064**	**22**	**1**	**-**	**-**	**88 527**	**60 156**
Total off-balance items and contingent liabilities	**544 358**	**503 383**	**19 103**	**30 936**	**5 410**	**7 927**	**-**	**-**	**568 871**	**542 246**
Allowances for expected credit losses	(37 385)	(33 783)	(3 010)	(4 107)	(3 484)	(5 005)	-	-	(43 879)	(42 895)
Total net off-balance items and contingent liabilities	**506 973**	**469 600**	**16 093**	**26 829**	**1 926**	**2 922**	**-**	**-**	**524 992**	**499 351**

* Includes a net impairment allowances of EUR 20 thousand covered by Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2023 annual report. Additional information available in Note 35.

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

Changes in 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	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
As at 31 December 2022	**4 106**	**4 751**	**11 815**	**402**	**21 074**	**250 575**	**56 895**	**31 061**	**402**	**338 933**
Transfers between stages:										
from Stage 1 to Stage 2	(350)	1 080	-	-	730	(15 857)	20 105	-	-	4 248
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(75)	(391)	3 972	-	3 506	(4 572)	(6 188)	10 112	-	(648)
from Stage 3 to Stage 2	-	11	(197)	-	(186)	-	421	(615)	-	(194)
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	135	(620)	-	-	(485)	8 150	(12 327)	-	-	(4 177)
New originated or purchased	1 949	-	-	23	1 972	70 501	-	-	24	70 525
Derecognised during the period	(436)	(447)	(968)	(70)	(1 921)	(30 245)	(8 884)	(2 850)	(70)	(42 049)
Changes to ECL measurement model assumptions (PD, LGD)	239	261	(497)	-	3	-	-	-	-	-
Changes to ECL measurement model assumptions (macroeconomic factors)	(734)	(315)	(73)	-	(1 122)	-	-	-	-	-
Changes in impairment overlay	42	1 795	10	-	1 847	-	-	-	-	-
ECL for interest rate discounts	3 877	-	-	-	3 877	-	-	-	-	-
Write-offs	-	-	(3 967)	(228)	(4 195)	-	-	(3 967)	(228)	(4 195)
Change of outstanding balance **	(109)	(566)	1 122	(57)	390	21 483	(6 057)	(2 962)	(57)	12 407
As at 31 December 2023	**8 644**	**5 559**	**11 217**	**70**	**25 490 ***	**300 035**	**43 965**	**30 779**	**71**	**374 850**

* Includes the ECL impairment provision of EUR 4,018 thousand for the Small, Medium and Medium-Sized Enterprises (SME and Large) portfolio to take into account the ongoing high uncertainty stemming from the consequences of the Russian invasion of Ukraine as well as the impact of rising interest rates on borrowers' credit risk and ECL of EUR 3,877 thousand from interest rate discounts.

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

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

Changes in credit loss allowance and gross carrying amount for outstanding guarantees, in thousands of euro:

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2022	**32 768**	**4 046**	**5 004**	**41 818**	**443 277**	**29 811**	**7 925**	**481 013**
Transfers between stages:								
from Stage 1 to Stage 2	(1 178)	2 458	-	1 280	(13 536)	13 456	-	(80)
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(154)	(209)	2 057	1 694	(1 707)	(1 802)	3 124	(385)
from Stage 3 to Stage 2	-	4	(36)	(32)	-	47	(48)	(1)
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1 064	(1 529)	-	(465)	11 640	(11 447)	-	193
New originated or purchased	9 654	3	-	9 657	79 184	153	-	79 337
Derecognised during the period	(2 772)	(595)	(3 031)	(6 398)	(52 263)	(9 428)	(4 870)	(66 561)
Changes to ECL measurement model assumptions (PD, LGD)	(151)	(19)	(29)	(199)	-	-	-	-
Changes to ECL measurement model assumptions (macroeconomic factors)	7	(3)	(27)	(23)	-	-	-	-
Changes in impairment overlay	-	(856)	-	(856)	-	-	-	-
ECL for interest rate discounts	681	-	-	681	-	-	-	-
Paid-out guarantees	(49)	(14)	(169)	(232)	(103)	(971)	(297)	(1 371)
Write-offs	-	-	-	-	-	-	-	-
Change of outstanding balance *	(2 794)	(280)	(291)	(3 365)	(10 864)	(804)	(452)	(12 120)
As at 31 December 2023	**37 076**	**3 006**	**3 478**	**43 560**	**455 628**	**19 015**	**5 382**	**480 025**

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

Breakdown of issued loans by overdue terms, including accrued interest on loans, in thousands of euro:

	31.12.2023.	31.12.2022.
Performing	339 826	314 185
Past due up to 30 days	20 618	11 577
Past due from 31 to 60 days	5 432	2 136
Past due from 61 to 90 days	421	503
Past due over 90 days	8 553	10 532
Total gross loans, with interest accrued on the loans	**374 850**	**338 933**
Impairment allowances	(25 490)	(21 074)
Total net loans	**349 360**	**317 859**

The Company has performed sensitivity analysis of the Company's credit loss allowance for loans and outstanding guarantees using two macro-economic factors in assessment of the ECL – change in real estate prices and change in GDP.

For the purpose of sensitivity analysis, the Company applied the following upward and downward scenarios:

- the 1st year projected real estate prices were adjusted by +/- 5% and this adjustment was applied to (a) the loss given default (LGD) used to calculate the LTV for loans and financial guarantees rated in homogeneous groups; (b) the collateral value used to calculate the LTV for individually rated loans and financial guarantees;
- the 1st year projected GDP were adjusted by +/- 1% and this adjustment was applied to the probability of default (PD) used to calculate the PD for homogeneous groups and for individually rated loans and financial guarantees.

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

Results of sensitivity analysis of credit loss allowance for loans as at 31 December 2023, thousands of euro:

		Change in GDP		Change in real estate prices	
	Gross carrying amount	+ 1%	- 1%	+ 5%	- 5%
Credit loss allowance for loans	25 490	(439)	449	(361)	327
Total credit loss allowance for loans	**25 490**	**(439)**	**449**	**(361)**	**327**

Results of sensitivity analysis of credit loss allowance for loans as at 31 December 2021, thousands of euro:

		Change in GDP		Change in real estate prices	
	Gross carrying amount	+ 1%	- 1%	+ 5%	- 5%
Credit loss allowance for loans	21 074	(318)	317	(532)	521
Total credit loss allowance for loans	**21 074**	**(318)**	**317**	**(532)**	**521**

Results of sensitivity analysis of credit loss allowance for outstanding guarantees as at 31 December 2023, thousands of euro:

		Change in GDP		Change in real estate prices	
	Gross carrying amount	+ 1%	- 1%	+ 5%	- 5%
Credit loss allowance for outstanding guarantees	43 560	(39)	53	(174)	177
Total credit loss allowance for loans	**43 560**	**(39)**	**53**	**(174)**	**177**

Results of sensitivity analysis of credit loss allowance for outstanding guarantees as at 31 December 2021, thousands of euro:

		Change in GDP		Change in real estate prices	
	Gross carrying amount	+ 1%	- 1%	+ 5%	- 5%
Credit loss allowance for outstanding guarantees	41 818	(74)	90	(300)	309
Total credit loss allowance for loans	**41 818**	**(74)**	**90**	**(300)**	**309**

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 :

	31.12.2023.	31.12.2022.
Real estate (loans)	198 677	196 417
Real estate (leaseback)	28 692	27 089
Movable property	61 868	47 171
Guarantees	2 632	3 534
Total collateral	**291 869**	**274 211**
Loan portfolio, gross	374 849	338 933
Impairment allowances	(25 490)	(21 074)
Loan portfolio, net *	349 360	317 859
Exposed	**16.46%**	**13.73%**

* The item *Loan portfolio, net* includes loans for which no pledge of immovable or movable property is required as collateral, but the credit risk is fully covered by the risk cover:

- Covid-19 impact mitigation of EUR 8,451 thousand at 31 December 2023 (31 December 2022: EUR 31,218 thousand),
- Energy Efficiency Loans for Multi-apartment Buildings loans amounting to EUR 26,851 thousand at 31 December 2023 (31 December 2022: EUR 12,211 thousand),
- Mezzanine and parallel loans amounting to EUR 11,093 thousand as at 31 December 2023 (31 December 2022: EUR 12,467 thousand).

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

Maximum credit risk exposures of the balance and off-balance sheet items (not including collateral held or other security), in thousands of euro:

	31.12.2023.	31.12.2022.
Assets exposed to credit risk		
Due from credit institutions and the Treasury	702 788	571 667
Financial assets at fair value through other comprehensive income - investment securities	9 743	9 515
Financial assets at amortised cost:		
Investment securities	38	39
Loans and receivables	349 360	317 859
Financial assets at fair value through profit or loss - Loans with capital rebate	13 088	-
Other investments	25 398	15 741
Investments in associates	66 592	64 645
Other assets	3 922	1 530
Total	**1 170 929**	**980 996**
Off-balance sheet items exposed to credit risk		
Contingent liabilities (Note 36)	480 025	481 013
Financial commitments (Note 36)	173 102	166 431
Total	**653 127**	**647 444**

Part of subitem "Loans and receivables" are loans to agriculture segment (see Note 18) that are secured by agricultural land with a cautious valuation. Loans to other segments are secured mostly by real estate, to a lesser extent – by other types of assets or commercial pledges. The expected cash flows from collateral are taken into account when estimating impairment allowances for expected credit losses. Risk Coverage Reserve and Specific Reserve Capital is available to the Company to cover expected credit losses arising from deterioration of quality of loan portfolio. For more detailed information on Risk Coverage Reserve and Specific Reserve Capital see Note 28 and Note 35.

As of 31 December 2023, part of the Company's assets in amount of EUR 209,544 thousand (31 December 2022: EUR 187,053 thousand) were pledged. Detailed information on the Company's outstanding loan agreement as of 31 December 2023 is provided in Note 26 and Note 27.

Article 49 of the Law on State Budget 2024 provides that guarantees issued by the Company in amount of EUR 260 000 thousand is backed by the state according to the Agriculture and Rural Development Law and the Development Finance Institution Law. Actual amount of guarantees issued under these conditions as at 31 December 2023 was EUR 226,839 thousand (31 December 2022: EUR 236,350 thousand).

(2) Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its contractual or contingent obligations, that it does not have the appropriate amount of funding and liquidity to support its assets or, in case of necessity, the resources might not be available to it on the market, and/or it might be unable to dispose of positions without considerable losses and in a short period of time to ensure the necessary liquidity.

The objective of liquidity risk management is to maintain liquid assets of sufficient size and quality, as well as to attract financing with appropriate maturity structure, which ensures timely fulfilment of liabilities as well as planned increase of assets.

The Company implements a prudent liquidity risk management policy. Consequently, the focus of liquidity management is on balancing of existing and planned portfolio under each support programmes and the amount and timing of funding available for their implementation.

Given that the repayment term for funding under the support programmes can be extended in accordance with the Cabinet of Ministers regulations, this means in practice that this funding remains on the Company's balance sheet and that funding is reallocated to new programmes.

The Risk and Asset-Liabilities Management Committee is responsible for the monitoring and management of liquidity risk in accordance with the Company's Resource Management Strategy and the Company's Risk Management Strategy.

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Maturity profile of expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 31 December 2023, 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	17 157	15 919	-	-	-	33 076
Due to general governments	17 918	74 553	64 567	40 688	52 807	250 533
Issued debt securities	20 550	65 304	-	-	-	85 854
Support programme funding **	77 796	37 213	100 821	122 621	242 198	580 649
Other liabilities	3 645	721	-	-	-	4 366
Total financial liabilities	**137 066**	**193 710**	**165 388**	**163 309**	**295 005**	**954 478**
Off-balance sheet items and contingent liabilities	415 314	89 329	148 484	-	-	653 127
Total financial liabilities, off-balance items and contingent liabilities * **	**552 380**	**283 039**	**313 872**	**163 309**	**295 005**	**1 607 605**
Due from credit institutions and the Treasury	702 788	-	-	-	-	702 788
Investment securities	75	9 706	-	-	-	9 781
Liquid assets	**702 863**	**9 706**	**-**	**-**	**-**	**712 569**

* According to IFRS 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 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 165,804 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 31 December 2023, 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	1	3 045	5 627	8 484	17 157
Due to general governments	4 585	354	3 638	9 341	17 918
Issued debt securities	-	-	498	20 052	20 550
Support programme funding	1 074	8 976	-	67 746	77 796
Other liabilities	3 604	32	-	9	3 645
Total financial liabilities	**9 264**	**12 407**	**9 763**	**105 632**	**137 066**
Off-balance sheet items and contingent liabilities *	385 161	11 361	8 540	10 252	415 314
Total financial liabilities, off-balance items and contingent liabilities	**394 425**	**23 768**	**18 303**	**115 884**	**552 380**
Due from credit institutions and the Treasury	565 798	34 835	11 250	90 905	702 788
Investment securities	38	37	-	-	75
Liquid assets	**565 836**	**34 872**	**11 250**	**90 905**	**702 863**

* 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 36.

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

Outstanding financial guarantees in amount of EUR 293,471 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 28) and Specific reserve capital (see Note 35). 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 88,846 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 26 and 27) and respective loan support programme funding (see Note 28).

Grant commitments in amount of EUR 1,575 thousand (up to 1 year) – from respective grant support programme funding (see Note 28).

Commitments to investments in associates in amount of EUR 25,662 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 28).

Commitments to AIF "Altum capital fund" in amount of EUR 3,343 thousand (up to 1 year) – from specific reserve capital (see Note 35) and additional funding from shareholders expected in 2022.

Commitments to other investments in amount of EUR 3,992 thousand (up to 1 year) – for Baltic Innovation Fund 2 from support programme funding, repayments on different support programmes and the 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 Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 31 December 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	14 443	21 881	-	-	-	36 324
Due to general governments	11 649	38 052	52 920	31 376	48 718	182 715
Issued debt securities	1 605	86 226	-	-	-	87 831
Support programme funding **	68 076	29 088	211 914	46 571	19 631	375 280
Other liabilities	2 966	789	-	-	-	3 755
Total financial liabilities	**98 739**	**176 036**	**264 834**	**77 947**	**68 349**	**685 905**
Off-balance sheet items and contingent liabilities	453 774	87 645	153 849	-	-	695 268
Total financial liabilities, off-balance items and contingent liabilities ***	**552 513**	**263 681**	**418 683**	**77 947**	**68 349**	**1 381 173**
Due from credit institutions and the Treasury	571 667	-	-	-	-	571 667
Investment securities	76	9 478	-	-	-	9 554
Liquid assets	**571 743**	**9 478**	**-**	**-**	**-**	**581 221**

* According to IFRS 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 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 117,443 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 31 December 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	-	1 615	5 631	7 197	14 443
Due to general governments	2 055	366	2 821	6 407	11 649
Issued debt securities	721	161	241	482	1 605
Support programme funding	1 404	5 078	-	61 594	68 076
Other liabilities	2 946	11	-	9	2 966
Total financial liabilities	**7 126**	**7 231**	**8 693**	**75 689**	**98 739**
Off-balance sheet items and contingent liabilities *	417 734	6 970	10 015	19 055	453 774
Total financial liabilities, off-balance items and contingent liabilities	**424 860**	**14 201**	**18 708**	**94 744**	**552 513**
Due from credit institutions and the Treasury	539 667	-	-	32 000	571 667
Investment securities	39	-	-	37	76
Liquid assets	**539 706**	**-**	**-**	**32 037**	**571 743**

* 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 investments in associates and other investments, are presented in Note 36.

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

Outstanding financial guarantees in amount of EUR 305,468 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 28) and Specific reserve capital (see Note 35). 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 61,233 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 26 and 27) and respective loan support programme funding (see Note 28).

Grant commitments in amount of EUR 47,824 thousand (up to 1 year) – from respective grant support programme funding (see Note 28).

Commitments to investments in associates in amount of EUR 29,228 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 28).

Commitments to AIF "Altum capital fund" in amount of EUR 3,121 thousand (up to 1 year) – from specific reserve capital (see Note 35).

Commitments to other investments in amount of EUR 6,900 thousand (up to 1 year) – for Baltic Innovation Fund 2 from support programme funding, repayments on different support programmes.

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

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Breakdown of assets and liabilities by maturity profile as at 31 December 2023 based on the time remaining from the reporting date to their contractual maturity, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	**Total**
Assets							
Due from credit institutions and the Treasury	565 798	34 835	11 250	90 905	-	-	702 788
Investment securities *	38	37	-	-	9 706	-	9 781
Loans *	11 780	12 198	13 258	29 759	147 420	148 033	362 448
Grants	1 237	64 146	155	230	1 428	-	67 196
Deferred expense and accrued income	451	8	-	3 862	-	-	4 321
Other investments	-	-	-	-	-	25 398	25 398
Investments in associates	3 018	-	3 517	-	37 940	22 117	66 592
Investment property	-	-	-	-	-	68 246	68 246
Property, plant and equipment	-	-	-	-	-	4 377	4 377
Intangible assets	-	-	-	-	-	1 017	1 017
Other assets	1 219	79	111	17	2 481	15	3 922
Total assets	**583 541**	**111 303**	**28 291**	**124 773**	**198 975**	**269 203**	**1 316 086**
Liabilities							
Due to credit institutions	-	2 837	5 625	8 299	15 277	-	32 038
Due to general governments	2 730	354	1 773	5 625	49 552	114 622	174 656
Issued debt securities	-	-	498	20 052	64 983	-	85 533
Deferred income and accrued expense	63	951	126	688	-	-	1 828
Provisions	43 380	302	714	804	1 679	784	47 663
Support programme funding	1 074	8 976	-	67 746	37 213	465 640	580 649
Other liabilities	3 604	32	-	9	721	-	4 366
Total liabilities	**50 851**	**13 452**	**8 736**	**103 223**	**169 425**	**581 046**	**926 733**
Net liquidity	**532 689**	**97 851**	**19 555**	**21 550**	**29 550**	**(311 843)**	**389 353**

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

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Breakdown of the Company's assets and liabilities by maturity profile as at 31 December 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**
Assets							
Due from credit institutions and the Treasury	539 667	-	-	32 000	-	-	571 667
Investment securities *	39	-	-	37	9 478	-	9 554
Loans *	13 075	16 063	18 606	31 364	125 886	112 865	317 859
Grants	871	220	10 040	2 014	44 569	566	58 280
Deferred expense and accrued income	-	143	-	1 128	-	-	1 271
Other investments	-	-	-	-	-	15 741	15 741
Investments in associates	3 733	-	-	10 775	21 241	28 896	64 645
Investment property	-	-	-	-	-	53 453	53 453
Property, plant and equipment	-	-	-	-	-	4 448	4 448
Intangible assets	-	-	-	-	-	1 140	1 140
Other assets	981	99	21	45	384	-	1 530
Total assets	**558 366**	**16 525**	**28 667**	**77 363**	**201 558**	**217 109**	**1 099 588**
Liabilities							
Due to credit institutions	-	1 605	5 625	7 187	21 873	-	36 290
Due to general governments	1 428	366	1 773	4 300	42 019	103 898	153 784
Issued debt securities	(1)	505	2	38	84 969	-	85 513
Deferred income and accrued expense	67	298	362	-	951	-	1 678
Provisions	43 454	354	440	534	1 680	843	47 305
Support programme funding	1 404	5 078	-	61 594	29 088	278 116	375 280
Other liabilities	2 946	11	-	9	789	-	3 755
Total liabilities	**49 298**	**8 217**	**8 202**	**73 662**	**181 369**	**382 857**	**703 605**
Net liquidity	**509 068**	**8 308**	**20 465**	**3 701**	**20 189**	**(165 748)**	**395 983**

* With regard to loans and advances to customers, the Company 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) Interest Rate Risk

The interest rate risk is related to the possible influence of the fluctuations of the market rates onto the interest income and expenses of the Company.

Interest rate management principles are determined in the Risk Management Policy. Interest rate risk governance is performed by the Risk and Asset-Liability Management Committee, while daily interest rate analysis and management is performed by Planning and Financial Analysis Department.

The Company's interest rate sensitive assets (99.6%) and all interest rate sensitive liabilities are linked and priced at euro interest rate indices. To assess the interest rate risk the Company analyses the maturity structure of interest rate sensitive assets, liabilities and off-balance sheet items, net position of interest rate risk and its sensitivity to changes in interest rates. The sensitivity is measured calculating the impact of probable interest rate changes by 100 bps on the Company's interest income and expenses, assuming that all other variables held constant. Scenarios floor the lowest possible interest rate at zero if at the rate fixing date it is with negative value and if such a condition arises from the actual agreements.

3 Risk Management (cont'd)

(3) Interest Rate Risk (cont'd)

The following table represents the impact of change in interest rates by 100 bps on the Company's interest income and expenses over 12-month period, with all other variables held constant:

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Change in interest rates by +100 bps	(40)	1 123
Change in interest rates by -100 bps	(295)	(58)

Considering the rapid increase in interest rates in 2022, which continued in 2023 as well, the Company performed an additional interest rate sensitivity analysis regarding the impact of change in interest rates by 100 bps on the Company's interest income and expenses over 12-month period, with all other variables held constant, and the results of this sensitivity analysis are reflected in the table below:

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Change in interest rates by +200 bps	(80)	2 246
Change in interest rates by -200 bps	(590)	(116)
Change in interest rates by +300 bps	(120)	3 369
Change in interest rates by -300 bps	(884)	(174)

(4) Foreign Currency Risk

Foreign currency risk is the risk of potential losses arising from fluctuations in foreign exchange rates. The Company's exposure to foreign currency risk is insignificant as the transactions are denominated in Euro. The Company controls foreign currency risk by raising financing and issuing financial instruments in euro.

The Company's exposure to foreign currency risk, in thousands of euro:

	31.12.2023.	31.12.2022.
USD		
Financial assets	96	99
Financial liabilities	-	-
Net position	**96**	**99**

Based on the net current position of the Company as at 31.12.2023 and 31.12.2022, if the exchange rate for the US dollar changes according to the scenario presented, the possible changes in the Company's total capital (excluding tax effects) would be as follows:

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Change in USD/EUR exchange rates by +5%	(5)	(5)
Change in USD/EUR exchange rates by -5%	5	5

3 Risk Management (cont'd)

(5) Operational Risk

The operational risk results from intentional or unintentional deviations from the standards adopted in daily operation of the Company, for example human mistake, malfunction of information systems, insufficient control procedures or their ignorance altogether, etc.

The goal of the operational risk management is timely identification of the potential operational risks and implementation of countermeasures to minimize the effect of operational risk on the Company's financials as much as possible and maintain the Company's operational continuity. The Company achieves the established goal via identification of operational risk causes and taking preventive and corrective measures to eliminate them.

(6) AML / CTF / sanctions risk

The Company is subject to the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing (AML/CTF) and strictly complies with the international legal acts and legal acts of the Republic of Latvia which regulate prevention of legalization of proceeds derived from financing of terrorism and proliferation and ensures compliance with sanction lists. The internal control system of the Company is based on the "Know Your Customer (KYC)" principles. Policies and procedures in place for the AML/CTF/Sanctions as well as control measures are developed on the basis of the international legal acts and legal acts of the Republic of Latvia that regulate AML/CTF/Sanctions. The international standards and the best practice guidelines as well as Policy and Guidelines of the Finance Latvia Association in the area of the AML/CFT/Sanctions are followed as well.

The Company regularly reviews and updates its policies and procedures for the prevention of AML/CTF and compliance with Sanctions, taking into account changes in binding legislation. The Company observes zero tolerance for intentional violations of the law in the field of prevention of AML/CTF and compliance with national and international sanctions.

Considering the Russian Federation's invasion of Ukraine, starting from February 2022, the Company has limited all types of cooperation with citizens of the Russian Federation and the Republic of Belarus and their related companies.

As a result of the Russian Federation's invasion of Ukraine, the EU and the rest of the world imposed sanctions against the Russian Federation and the Republic of Belarus and their legal subjects. In order to reduce the risk of sanctions, the Company established additional control measures both during the allocation of financial instruments and the monitoring of business relationships, in addition, changes have been made to the Company's policy of legalization of proceeds of crime and the prevention of terrorist financing and proliferation and compliance with sanctions, stipulating that the Company refrains from cooperation with clients, where the owners, beneficial owners or business leaders are citizens of the Russian Federation or Belarus. The Company does not support transactions in which funds are intended to be used to purchase goods/services from persons registered in the Russian Federation or the Republic of Belarus.

The Company continuously monitors the changes in sanctions, as well as continuously and attentively follows the development of the situation in Ukraine. The Company takes monitoring measures to reduce as much as possible the possible direct or indirect impact on the Company's operations from events in Ukraine or because of sanctions against the Russian Federation and the Republic of Belarus, including but not limited to additionally monitoring transactions with clients whose core business could be affected by the events in Ukraine, and the sanctions introduced against the Russian Federation and the Republic of Belarus.

Following the invasion of Ukraine by the Russian Federation in February 2022, the Company has restricted all dealings with nationals of the Russian Federation and the Republic of Belarus and their related companies, including changes to the Company's anti-money laundering, anti-terrorist financing and anti-proliferation and sanctions compliance policy, which states that the Company will refrain from dealing with clients where the owners, beneficial owners or officers are nationals of the Russian Federation or the Republic of Belarus.

The invasion of Ukraine by the Russian Federation resulted in the imposition of extensive sanctions against the Russian Federation and the Republic of Belarus and their legal entities and, to mitigate the risk of sanctions, the Company imposed additional control measures during both the granting of financial instruments and the monitoring of business relationships, as well as significant additional focus on the "Know Your Customer" approach, including assessing the reputation, personal and business activities of the customer. The Companies do not finance transactions aimed at the purchase of goods/services from persons established in the Russian Federation or the Republic of Belarus.

Within the scope of sanctions risk management, the Company thoroughly analyses customers and their cooperation partners, where there is a connection with countries that have information that they are involved or could be involved in the circumvention of the established sanctions against the Russian Federation and the Republic of Belarus.

3 Risk Management (cont'd)

(7) Capital Management

Capital management is forward-looking and aligned with short-term and long-term business plans and the macroeconomic environment.

Capital management ensures that the Company use capital to implement the government-approved state aid programs. Capital planning involves assessing the impact of risks on capital by implementing all approved development programs at the full amount. In accordance with the Development Finance Institution Act, Company before the approval of each program by the Cabinet of Ministers evaluate the impact of the program, risks and expected losses, financial results and costs of program implementation.

In order to assess within the capital management that the amount of equity is in line with the risks arising from the scope of activity, the Company calculates the capital adequacy ratio, Tangible common equity (TCE) relative to the Tangible managed assets (TMA) disclosed within Key financial and performance indicators in the Management Report – 23.4% as at y/e 2023 (y/e 2022: 27.0%). Total managed assets including guarantees comprises EUR 1,668 million as at y/e 2023 (y/e 2022: EUR 1,468 million). An explanation of the indicator and the dynamics of changes over the periods is available in the section "Key Financial and Performance Indicators" under Other Notes to the Annual Report.

(8) The Russian military invasion of Ukraine and related sanctions' impact

The ongoing war in Ukraine and the related sanctions against the Russian Federation and Belarus continue to affect the Company, which may result in adjustments to the carrying amounts of assets and liabilities. We describe below how we have assessed the direct and indirect impact of these events.

The Company does not issue loans directly to companies in Ukraine, the Russian Federation and Belarus. Contracts with business partners for the execution of settlements with clients, as well as for concluding financial transactions to ensure the Company's liquidity and asset and liability management, are concluded only with financial institutions registered in the Republic of Latvia.

The Company may be directly affected by the military invasion of Ukraine only for export credit guarantees issued in the Guarantee Portfolio to cover political and buyer risk losses in trade transactions where the counterparties of the Company's customers are residents of Ukraine. As at 31 December 2023, the Company's exposure where the customers' counterparties are located in Ukraine amounted to EUR 153 thousand. The Company has already stopped issuing new export guarantees to the Russian Federation and Belarus since 25 February 2022.

The Company has invested EUR 18.3 million in AIF Altum Capital Fund. In the context of the Russian Federation war in Ukraine, the Altum Capital Fund's investment portfolio is diversified both by sectors and by the regions where the portfolio companies generate revenues, which is seen as a loss mitigating factor. The impact of the Russian Federation war in Ukraine on each of the five portfolio companies is therefore different.

As in previous periods, two portfolio companies had the most significant impact on the direct and indirect consequences of the war and related sanctions. For these companies, the countries involved in the war represented a significant part of the total sales market. Although the companies took timely steps to stop cooperation with the aggressor countries and the volume lost in Russia has now largely been replaced by new outlets, financial results have not fully returned to pre-war levels. Overall, the impact of the war on the value of the Fund's portfolio at the end of the year under review is considered to have been negligible. The cumulative direct impact of the war of the Russian Federation in Ukraine as at 31 December 2023 was EUR 107 thousand (Company's contribution).

3 Risk Management (cont'd)

(8) The Russian military invasion of Ukraine and related sanctions' impact (cont'd)

To assess the indirect impact of the invasion of Ukraine by the Russian Federation, the Company analyses and, in case of significant changes, revises the forward-looking macroeconomic forecasts used to calculate expected losses on a quarterly basis, setting out three economic scenarios, including a downside scenario and an upside scenario:

- baseline scenario, which forecasts the most likely future economic development, taking into account the impact of the Russian Federation invasion of Ukraine, high inflation, rising interest rates, as well as the impact on Latvia's economic growth rates of sanctions imposed against Russian Federation and Belarus;
- the downside scenario, which envisages a less likely but potentially negative change, reflecting a larger and more persistent impact of the geopolitical crisis and sanctions, a slower inflation retreat compared to the baseline scenario;
- the optimistic scenario, which foresees a less likely but possibly more favourable change compared to the baseline scenario.

In 2023, Latvia's economic growth rates are expected to remain flat, due to persistently high inflation, weak external demand and rising interest rates. A stronger recovery in growth rates, together with a moderation in price and interest rate inflation and EU fund inflows, is expected in the second half of 2024. However, it should be noted that with the ongoing hostilities in Ukraine, there is still a high degree of uncertainty regarding the further development and consequences of the geopolitical situation, fluctuations in energy prices and their limited availability.

The macroeconomic projections at 31 December 2023 are as follows:

	2023	2024	2025	2026
GDP annual growth rate, in %				
Base case scenario *	0.3	2.3	3.3	3.4
Adverse scenario	-0.4	0.3	1.8	2.9
Optimistic scenario	0.9	4.0	4.5	3.8
Weighted average **	**0.2**	**2.0**	**3.1**	**3.1**

* The baseline scenario combines two external scenarios:

(i) the macroeconomic development scenario of the Ministry of Finance (published on 10 August 2023 in the Ministry of Finance's information report "On forecasts of macroeconomic indicators, revenues and general government budget balance in 2024, 2025 and 2026"), which forecasts that Latvia's GDP will grow by 1% in 2023 and by 2.5% in 2024. Economic growth is forecast to accelerate to 2.9% from 2025 and to continue to do so in 2026 (the December 2022 forecast is for a 0.6% contraction in 2023 and 3.0% GDP growth in 2024 and 2025).

(ii) the Bank of Latvia's macroeconomic scenario (published on 15 December 2023), which forecasts a 0.4% GDP contraction in 2023 and weak growth of 2.0% in 2024, while maintaining growth at 3.6% in 2025. In 2026, growth of 3.8% is expected. (The December 2022 forecast is for a 0.4% contraction in 2023, with GDP growth of 4.4% and 3.5% for 2024 and 2025 respectively). For each of the external scenarios - Ministry of Finance and Bank of Latvia - a 50% probability of scenario occurrence was applied.

** A weight of 70% was applied to the baseline scenario, 20% to the adverse scenario and 10% to the optimistic scenario.

Macroeconomic predictions used as at 31 December 2022:

	2022	2023	2024	2025
GDP annual growth rate, in %				
Base case scenario	1.9	-0.5	3.7	3.3
Adverse scenario	1.9	-2.1	2.6	3.4
Optimistic scenario	1.9	1.0	4.7	3.4
Weighted average *	**1.9**	**-0.6**	**3.6**	**3.3**

* A weight of 70% was applied to the baseline scenario, 20% to the adverse scenario and 10% to the optimistic scenario.

3 Risk Management (cont'd)

(8) The Russian military invasion of Ukraine and related sanctions' impact (cont'd)

The moderate improvement in the macroeconomic scenario forecasts compared to December 2022 has resulted in a decrease of EUR 1,210 thousand in provisions for loans and commitments to extend credit and of EUR 23 thousand for guarantees. For guarantees, the impact from changes in macroeconomic forecasts was small, given that for guarantees provisions are made at the higher end of the estimated expected credit losses and fair value. Changes in macroeconomic forecasts have a lesser impact on the fair value of guarantees.

In order to better assess the direct and indirect impact of the geopolitical situation as well as to identify potential distressed clients and provide a roadmap for further action and appropriate risk mitigation techniques, the Company closely monitors and analyses key loan and credit guarantee exposures on a quarterly basis. An assessment is made of whether the increase in energy prices and the sanctions imposed against the Russian Federation and Belarus have had, or are likely to have, a significant direct or indirect impact on client's ability to pay.

In addition to the above, the decision-making procedure and the internal information accounting system were improved during the 2022 to ensure the identification and assessment of these impacts on the loan portfolio at the transaction level.

The Company has carried out an assessment to determine how the loan and guarantee portfolio has been or could be affected directly and indirectly by the increase in energy prices and the sanctions imposed against the Russian Federation and Belarus. For the loan portfolio, the assessment was carried out on a sectoral basis, based on individual customer assessment data. For the assessment of the increase in energy prices, the sectors were divided into 3 groups (severely affected sectors, moderately affected sectors and less affected sectors), while for the assessment of the sanctions against the Russian Federation and Belarus they were divided into 2 groups (affected, not affected). According to the assessment, as at 31 December 2023, the general provision for loans is set at EUR 1,955 thousand (31 December 2022: EUR 1,902 thousand), while for guarantees the impact is assessed as not significant and no provision is needed (31 December 2022: EUR 856 thousand). For the guarantees portfolio, the potential impact was assessed based on the Company's expert assessment of energy-intensive sectors and sectors most affected by cost increases, as well as an assessment of the financial data of the largest customers in the portfolio of sectors. The potential impact of the sanctions imposed against the Russian Federation and the Republic of Belarus was assessed by taking into account the business specificities of the clients in the sector portfolio (including but not limited to analysis of raw material and product markets, supply chains, opportunities for reorientation, etc.). For the assessment of the guarantee portfolio, all sectors were divided into 3 groups: severely affected sectors, moderately affected sectors and less affected sectors. No severely affected sectors were identified in the guarantee portfolio in 2023 compared to the 2022 assessment, resulting in a reduction of the general provisioning reserve for the guarantee portfolio as at 31 December 2022.

The potential impact on the loan portfolio of rising interest rates due to a sharp increase in euribor rates includes the impact of changes in macroeconomic indicators, and changes in the payment schedules of financial instruments as interest rates rise are taken into account in the estimation of expected losses. For more significant exposures to loans and guarantees, the Company analyses on a quarterly basis its ability to meet its commitments as interest rates rise, in particular assessing those exposures where there are concerns about the ability to meet the obligations when due and in full, given the performance of the customers, as the burden of the obligations increases. In 2023, in view of the sharp increase in interest rates, the Company made an additional assessment of the impact of interest rate increases on the ability of customers to service their debts as costs increase and established a general overlay of EUR 2,063 thousand. The overlay was established for individually significant positions with low servicing ratios as well as for floating rate loans by calculating the expected increase in credit losses when euribor rates increase.

3 Risk Management (cont'd)

(8) The Russian military invasion of Ukraine and related sanctions' impact (cont'd)

Given the high inflation observed in previous periods and the current high interest rates, household expenditure has increased, including housing-related expenditure, which remains high and households may face difficulties in covering their housing-related expenditure on time and in full. This situation is expected to potentially result in higher defaults in the housing guarantee portfolio as claims for guarantee indemnities increase in the coming years. An immediate increase in claims for guarantee indemnities is not expected, given the specific terms of these exposures, which require that guarantee indemnities are paid following the realisation of collateral over an extended period of time.

Altum co-financed venture capital funds operate in accordance with the current sanctions framework and actively monitor changes in the relevant legislation. On a quarterly basis, Altum organises quarterly discussions with fund managers and carries out an assessment of the investments of the venture capital funds, assessing all investments of the venture capital funds individually and taking into account the specific situation of each investment. Altum's assessment of the investments of the VCFs is based on Altum's conservative approach. Altum takes into account future prospects when valuing investments and the fair value of companies is adjusted in a timely manner. The fair value of the portfolio of venture capital funds decreased by EUR 150 thousand in the 4th quarter 2023.

The discussions with fund managers and the reassessment of the value of investments in Altum's portfolio companies in the final quarter of 2023 did not re-identify companies exposed to the impact of the war. Fund managers also explained that previously affected companies have largely adapted successfully to the changes and continue their business activities in other markets.

The cumulative impact of the war of the Russian Federation in Ukraine as at 31 December 2023 was EUR 6.5 million (31 December 2022: EUR 7.2 million), of which the direct impact was EUR 1.7 million (31 December 2022: EUR 2.5 million) and the indirect impact EUR 4.8 million (31 December 2022: EUR 4.7 million).

(9) ESG risk management

The term of environment, social and governance (ESG)comprises approach that drives adequate business pattern of the organisation. In recent years the importance of ESG has increased significantly since the policy makers, finance sector and the society draw more and more attention towards companies impact upon society and their contribution towards climate change mitigation. Upon realisation of any ESG risk, negative impact upon credit risk, assets, financial and profit indicators or reputation of Altum might incur.

Analyses of materiality of ESG risks upon Altum. In 2023 the methodology for analyses of materiality of ESG risks upon Altum was developed and the materiality assessment of ESG risks upon Altum was carried out. The materiality assessment of ESG risks primary represents the risks that might impact the Altum's credit exposure portfolio (loan portfolio, collateral portfolio and guarantee portfolio) triggered by its customers' business operations industry, financed project's industry and geographical location of the client or the financed project. Within materiality analyses of ESG risks Altum credit exposure portfolio per loan, collateral and guarantee portfolios of the SME / Midcaps and Agriculture segments towards climate risks - transition risks and various physical climate was assessed. In light of the amortisation structure of Altum loan portfolio the climate risks are assessed in the following time scale – (i) until the year 2025, (ii) 2026 – 2040, (iii) behind the year 2040.

The Transition risks substantially impact the economic activities of the companies with further direct effect upon Altum by the companies' debt service capacity or maintenance the market value of the collateral. Transition risks might be directly or indirectly invented by transition process of the customers towards low carbon emission and more sustainable economy. The transition risk might increase, for example, if it arises from new climate and environment regulatory requirements, such as a reduction in emissions of GHG or competitors' technology progress or change of behaviour of the market and customers and is significantly depending on the customer's capacity to bear the necessary investment costs of transition project and its timely realisation.

3 Risk Management (cont'd)

(9) ESG risk management (cont'd)

The methodology for analyses of ESG risks' materiality for assessment of Transition risks is based on ECB guidance, ECB climate risk stress test reports and UNEP FI methodology strongly rooted in the Recommendations of the Task force on Climate-related Financial Disclosures (TCFD). Following the said methodology the transition risk level of each project is assessed at segment/sector bases (NACE code, 4 digit) in scale of five risk levels Low – Very High.

Transition risk heatmap – high and very high Transition risk exposure in individual economic sectors as at period end:

	31.12.2023.		31.12.2022.	
	'000 EUR	% from Total credit exposure	'000 EUR	% from Total credit exposure
Agriculture	29 854	6%	30 731	8%
Wood and paper production	49 913	10%	27 664	7%
Food and beverage production	11 540	2%	11 434	3%
Metals and mining	5 031	1%	13 829	3%
Chemicals	12 249	3%	4 126	1%
Construction materials	6 425	1%	4 947	1%
Consumer goods	1 310	0.3%	1 115	0.3%
Logistics	940	0.2%	1 522	0.4%
Other	1 863	0.4%	3 901	1%
Transition risk @ High / Very high label CO2 intensive sectors:	119 125	25%	99 269	25%
Total credit exposure*:	**477 576**	**100%**	**400 166**	**100%**

* Total credit exposure: Gross loan portfolio and Loan commitments.

Following types of climate physical risks are distinguished - Heatwaves/ Droughts, Floods, Heavy Precipitation, Sea level rise and Snowfall changes. The methodology for assessment of climate physical risks is based on ECB guidance and Recommendations of TCFD.

In order to assess the risk level of climate Physical risk, each project is assessed in light of project industry as well as geographical location of the project. Within the analyses of ESG risks materiality there are defined industries labelled as High risk level for climate Physical risk. In assessment of climate Physical risks data on client's project address (geographical location) and project industry (NACE code) are used. The impact of climate Physical risks upon project industry is assessed taking into consideration the impact of each type of climate Physical risks upon particular industry and followed by SASB Climate Risk Technical Bulletin. The impact of climate Physical risks upon geographical location is assessed by applying the LVĢMC Climate Change Analyses Tool and the Flood maps (in GIS format) developed by LVĢMC based upon RCP 4.5 scenario described by IPCC (Intergovernmental Panel on Climate Change) as an interim scenario for expected temperature change between 2 – 3 degree Celsius by 2100. Following the said methodology the impact of each climate Physical risk type is assessed upon each and particular project based on its geographical location and project industry within scale of 3 risk levels Low – High.

For collateral the differentiated approach is applied for assessment of climate Physical risk type impact upon particular collateral type. Flood and sea level rise risks impact any type of collateral, however risks of Heatwaves / Droughts, Heavy Precipitation and Snowfall changes impact only those collateral types interrelated with particular affected industries.

ESG scoring model. Based on outcome of analyses of materiality of ESG risks upon Altum later in the year 2023 ESG scoring model is developed to be applied in loan origination process above particular materiality threshold, as well as in monitoring of existing portfolio and collateral valuation in SME/Midcap and Agriculture segments. ESG scoring model will enable to assess the level of Transition risk at individual deal level. The implementation of ESG scoring model will be step-by-step as of the year 2024 taking into consideration the customers' ability to fulfil the unified banking sector ESG questionnaire to obtain information for the assessment of ESG risks and regarding the planned/actual customer sustainability KPI's data.

Portfolio tagging methodology. Also the tagging methodology for SME / Midcap and Agriculture segments' loan portfolio was developed in 2023. That will assist to label the projects within the following categories - (i) Taxonomy aligned, (ii) sustainable projects, (iii) eligible with Green bond Framework 2021, (iv) brown and (v) other projects.

4 Interest income

(1) Interest income at effective interest rate, in thousands of euro

	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Interest income at effective interest rate *	18 675	14 944
Total interest income	**18 675**	**14 944**

* *Interest income at effective interest rate* does not include interest income from loans as well as commissions which, in accordance with the program agreements concluded with the Ministry of Economics, stipulate that the funding allocated by the Ministry of Economics (recognized in the balance sheet as 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 12 months of 2023 amounts to EUR 2,966 thousand (12 months of 2022: EUR 799 thousand).

Includes interest income on loans compensated by the Ministry of Agriculture, in accordance with Paragraph 22 of the Regulation of the Cabinet of Ministers of the Republic of Latvia No.381 of 29 May 2012 "Procedures for Granting State Aid for Purchase of Agricultural Land for Production of Agricultural Products", interest rate difference compensated by the Ministry of Agriculture in 12 months of 2023 amounted to EUR 170 thousand.

(2) Other interest and similar income, in thousands of euro

	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Income of loans *	1 505	1 619
Income of guarantees **	2 944	3 061
Interest on securities at fair value	145	258
Interest income from term deposits	2 402	52
Total interest income	**6 996**	**4 990**

* Sub-item Interest income on does not include income from loans which, in accordance with the program agreements concluded with the Ministry of Economics, stipulate that the funding allocated by the Ministry of Economics (recognized in the balance sheet as 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 12 months of 2023 amounts to EUR 423 thousand (12 months of 2022: EUR 177 thousand euro).

** Sub-item *Income of guarantees* does not include 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 the balance sheet as 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 12 months of 2023 amounts to EUR 1,157 thousand (12 months of 2022: EUR 1,139 thousand).

5 Interest expense

All amounts in thousands of euro

	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Interest expense on liabilities to General Governments	6 068	1 466
Interest on balances due to credit institutions	524	193
Interest on issued debt securities	903	896
Allocation of state support programmes' profit to support programme funding *	398	348
Other interest expense	13	57
Total interest expense	**7 906**	**2 960**

* 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 from implementation of state aid programmes

All amounts in thousands of euro

	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Compensation of expenses for management of state support programmes *	7 064	3 040
Compensation of venture capital fund management fees	2 019	2 629
Compensation of expenses of capital congestion	741	424
Total income from implementation of state support programmes	**9 824**	**6 093**

* Item *Compensation of expenses for management of state support programmes* includes revenues calculated on the volumes of support programmes (portfolio, new transactions, funding), applying the management fee rate in accordance with the relevant regulations of the Cabinet of Ministers and concluded agreements on support programmes with funding providers. Part of the revenues were generated in previous periods, but were not recognized as approval for them was received from the support programmes funding providers in the reporting period, therefore the revenues in amount of EUR 1,910 thousand were recognized in 2023.

7 Expenses to be compensated for implementation of state aid programmes

All amounts in thousands of euro

	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Compensated staff costs	3 937	1 814
Compensated administrative expense	1 107	644
Compensated fee for other agents	79	-
Compensated venture capital fund management fees	2 018	2 633
Total compensated expense for implementation of state support programmes	**7 141**	**5 091**

8 Gains / (losses) from trading securities and foreign exchange transactions

All amounts in thousands of euro

	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Gains / (losses) from debt securities revaluation	(1)	2
Gains / (losses) from revaluation of other financial instruments	(2)	95
Total gain / (losses) from debt securities and foreign exchange transactions	**(3)**	**95**

9 Other income

All amounts in thousands of euro

	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Income from land rent	2 195	1 853
Income from payments for financial leases	100	3
Unrealised gain from investment property revaluation	6 116	2 321
Profit from sale of investment property	190	474
Profit from sale of repossessed collateral	85	7
Other commission income	14	4
Income from management of the AIF "Altum capital fund"	206	485
Other operating income	91	1 061
Total other income	**8 997**	**6 208**

10 Other expense

All amounts in thousands of euro

	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Maintenance and service costs of Land Fund	389	477
Debt collection costs	144	212
Maintenance costs of repossessed collateral	1	1
Depreciation of right-of-use assets	170	157
Commission expense on investments in securities	93	93
AIF "Altum capital fund" management costs	206	485
Other commission expense	5	3
Revaluation in fair value of support programme funding	8	142
Total other expense	**1 016**	**1 570**

11 Staff Costs

All amounts in thousands of euro

	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Remuneration to the Supervisory Council and the Management Board	650	583
to the Supervisory Council	*92*	*92*
to the Management Board	*558*	*491*
Remuneration to staff	7 190	6 142
Social insurance tax	1 862	1 600
Total staff costs	**9 702**	**8 325**
Compensated staff costs (Note 7)	(3 937)	(1 814)
Net staff costs	**5 765**	**6 511**

In 2023, the Company employed 255 persons on average, including 5 members of the Supervisory Board and the Audit Committee (in 2022: 239). Number of employees engaged in implementation of support programmes as at 31 December 2023 was 243 (31 December 2022: 235).

12 Administrative expenses

All amounts in thousands of euro

	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Information system and communication expense	572	530
Premises and equipment maintenance expense	713	733
Advertising and public relations	233	246
Training and other staff expense	339	293
Professional services *	440	428
Real estate tax	70	70
Other expense	218	173
Total administrative expenses	**2 585**	**2 473**
Compensated administrative expense (Note 7)	(1 107)	(644)
Net administrative expenses	**1 478**	**1 829**

* The item *Professional services* includes audit services in respect of 2023 received from PricewaterhouseCoopers SIA amounting to EUR 126 thousand.

13 Allowances for expected credit losses

All amounts in thousands of euro

	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Impairment losses on:	17 409	17 540
Loans, net	11 814	8 775
impairment losses	*12 433*	*6 252*
impairment losses covered by Portfolio Loss Reserve	*2 922*	*3 947*
impairment losses covered by Risk Coverage Reserve	*(3 342)*	*(1 424)*
a reduction in the provision for revenue recognised over 90 days	*(199)*	*-*
Grants	717	258
impairment losses	*717*	*255*
impairment losses covered by Portfolio Loss Reserve	*-*	*3*
Other assets	11	-
impairment losses	*24*	*67*
impairment losses covered by Risk Coverage Reserve	*(13)*	*(67)*
Due from credit institutions and the Treasury	83	15
Financial assets related to loan agreements	84	69
Guarantees, net	4 477	7 376
impairment losses	*15 300*	*19 777*
impairment losses covered by Portfolio Loss Reserve	*3 230*	*4 287*
impairment losses covered by Risk Coverage Reserve	*(14 053)*	*(16 688)*
Loan commitments, net	199	672
impairment losses	*646*	*1 472*
impairment losses covered by Portfolio Loss Reserve	*108*	*87*
impairment losses covered by Risk Coverage Reserve	*(555)*	*(887)*
Grant commitments	24	375
Reversal of impairment on:	(12 115)	(13 172)
Loans, net	(5 793)	(5 117)
reversal of impairment	*(4 319)*	*(5 376)*
reversal of impairment covered by Portfolio Loss Reserve	*(3 403)*	*(1 971)*
reversal of impairment covered by Risk Coverage Reserve	*1 929*	*2 230*
Disbursed guarantee compensations	(37)	(2)
reversal of impairment	*(505)*	*(107)*
reversal of impairment covered by Portfolio Loss Reserve	*-*	*(2)*
reversal of impairment covered by Risk Coverage Reserve	*468*	*107*
Grants	(428)	(156)
reversal of impairment	*(425)*	*(156)*
reversal of impairment covered by Portfolio Loss Reserve	*(3)*	*-*
Other assets	(9)	(21)
impairment losses	*(9)*	*(88)*
impairment losses covered by Risk Coverage Reserve	*-*	*67*
Financial assets related to loan agreements	(66)	(238)
Debt securities	(3)	(8)
Guarantees, net	(5 419)	(7 324)
reversal of impairment	*(12 630)*	*(13 608)*
reversal of impairment covered by Portfolio Loss Reserve	*(3 140)*	*(1 706)*
reversal of impairment covered by Risk Coverage Reserve	*10 351*	*7 990*
Loan commitments, net	(224)	(236)
reversal of impairment	*(400)*	*(303)*
reversal of impairment covered by Portfolio Loss Reserve	*(172)*	*(143)*
reversal of impairment covered by Risk Coverage Reserve	*348*	*210*
Grant commitments	(136)	(70)
Total impairment losses / (reversal), net	5 294	4 368
Recovery of loans written off in previous periods	(557)	(1 001)
Total impairment losses and (income) from recovery of loans written-off	**4 737**	**3 367**

14 Due from credit institutions and the State Treasury

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Due from credit institutions and State Treasury	702 886	571 682
cash and cash equivalents	*565 896*	*539 630*
term deposits	*135 000*	*32 000*
Allowances for expected credit losses	(98)	(15)
Net due from credit institutions and State Treasury	**702 788**	**571 667**

The increase in the Company's *Due from credit institutions and the State 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 due from credit institutions and the State 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	-	-	559 156	12 511	-	-	-	-	571 667
Total gross as at 31 December 2022	**-**	**-**	**559 156**	**12 511**	**-**	**-**	**-**	**-**	**571 667**
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	33 706	654 307	14 775	-	-	-	-	702 788
Total gross as at 31 December 2023	**-**	**33 706**	**654 307**	**14 775**	**-**	**-**	**-**	**-**	**702 788**

As at 31 December 2023, the Company held accounts with 5 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 31 December 2023 was 3.83% (31 December 2022: 0.08%).

15 Investment Securities

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Investment securities valued at amortised cost		
OECD corporate bonds	3 788	3 927
Total investment securities valued at amortised cost	**3 788**	**3 927**
Impairment allowances	(3 750)	(3 888)
Net investment securities valued at amortised cost	**38**	**39**
Investment securities valued at fair value through other comprehensive income		
Latvian Treasury bills and government bonds	9 743	9 515
Total investment securities valued at fair value through other comprehensive income	**9 743**	**9 515**
Total gross investment securities	**13 531**	**13 442**
Total net investment securities	**9 781**	**9 554**

When making investments in securities, the Company analyses the external credit ratings assigned to these financial institutions and entities and their financial and operational standing. Once funds are placed, the Company monitors the monetary financial institutions and follows the compliance of the imposed limits to the credit risk rating. All Latvian Treasury bills and government bonds are Stage 1 instruments for ECL purposes, while all OECD corporate bonds are Stage 3 instruments, as these are already defaulted. There were no movements among Stages during the year.

15 Investment Securities (cont'd)

Breakdown of investment securities 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
Investment securities valued at fair value through other comprehensive income	-	-	9 515	-	-	-	-	-	9 515
Investment securities valued at amortised cost	-	-	-	-	-	-	-	3 927	3 927
Total gross as at 31 December 2022	**-**	**-**	**9 515**	**-**	**-**	**-**	**-**	**3 927**	**13 442**
Investment securities valued at fair value through other comprehensive income	-	-	9 743	-	-	-	-	-	9 743
Investment securities valued at amortised cost	-	-	-	-	-	-	-	3 788	3 788
Total gross as at 31 December 2023	**-**	**-**	**9 743**	**-**	**-**	**-**	**-**	**3 788**	**13 531**

The information about classification of investment securities is available in Note 2 (4) item (iv). All securities are quoted. The average yield on debt securities was 1.42% as at 31 December 2023 (31 December 2022: 1.45%)

16 Investments in Associates

(1) Investments in associates based on information provided by venture capital fund managers, in thousands of euro:

		Net asset value, VCF		Net asset value, Altum	
Company or venture capital fund generation	**Country of incorporation**	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.
The 2nd generation VCFs	LV	9 328	9 778	6 534	6 855
The 3rd generation VCFs	LV	5 023	9 230	3 668	7 653
The 4th generation VCFs	LV	35 230	30 313	24 562	19 017
AIF "Altum capital fund"	LV	33 381	34 529	16 327	16 888
Baltic Innovation Fund	LU	92 147	86 107	15 501	14 232
Total investments in associates		**175 109**	**169 957**	**66 592**	**64 645**

	Total assets		Total liabilities		Profit / (loss)	
	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	2023	2022
Baltcap Latvia Venture Capital Fund	3 841	6 237	6	21	729	(1 696)
Imprimatur Capital Technology Venture Fund	6 194	8 066	-	-	(1 737)	285
Imprimatur Capital Seed Fund	2 497	2 683	-	-	(124)	(498)
FlyCap Mezzanine Fund II	2 777	4 193	7	7	170	(490)
Expansion Capital fund	4 059	5 237	229	58	(413)	(205)
ZGI-3	3 142	2 429	-	-	713	(416)
ZGI-4	10 750	8 108	-	-	(272)	(1 043)
FlyCap investment Fund	12 110	10 464	8	6	1 180	603
INEC 1	5 133	5 765	98	4	(1 117)	(483)
INEC 2	1 334	1 134	40	5	(475)	(210)
Buildit Latvia Pre-Seed Fund	2 875	1 358	-	-	699	(398)
Buildit Latvia Seed Fund	1 595	933	-	-	123	(368)
Commercialization Reactor Pre-seed Fund	2 034	900	-	-	(184)	(361)
Commercialization Reactor Seed Fund	1 133	572	4	2	(56)	(76)
Overkill Ventures Fund I	1 015	974	6	10	36	(253)
Overkill Ventures Fund II	2 206	1 367	36	106	315	223
Baltic Innovation Fund	N/A	N/A	N/A	N/A	3 318	2 274
KS AIF "Altum capital fund"	33 399	34 629	18	101	845	1 217
Total	**96 092**	**95 048**	**452**	**320**	**3 750**	**(1 896)**

16 Investments in Associates (cont'd)

As at 31 December 2023 the total venture capital fund's portfolio value at cost value was EUR 73,690 thousand (31 December 2022: EUR 74,858 thousand).

(2) Movement in investments in associates, in thousands of euro:

	Investments in venture capital funds		Investments in AIF "Altum capital fund"		Investments in Baltic Innovation Fund		Total	
	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.
Carrying amount at the beginning of period	33 525	36 729	16 888	14 998	14 232	13 222	64 645	64 949
Invested	8 385	7 489	631	2 240	1 381	2 700	10 397	12 429
Refunded	(7 292)	(9 293)	(1 605)	(945)	(423)	(1 690)	(9 320)	(11 928)
Revaluation	146	(1 400)	413	595	311	-	870	(805)
Net carrying amount at the period ended at 31 December	**34 764**	**33 525**	**16 327**	**16 888**	**15 501**	**14 232**	**66 592**	**64 645**

(3) Share of gain / loss of investment in associate and other investments, in thousands of euro:

	Investments in venture capital funds		Investments in AIF "Altum capital fund"		Investments in Three Seas Initiatives Investment Fund		Total	
	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.
Share of net gain / (loss) of investment in associate	456	(3 027)	413	595	-	-	869	(2 432)
Net income / (expense), excluding revaluation gain / (loss)	885	-	-	-	-	-	885	-
Share of net gain / (loss) of investment in Three Seas Initiatives Investment Fund	-	-	-	-	1 310	700	1 310	700
Share of net gain / (loss) of investment in associate	**1 341**	**(3 027)**	**413**	**595**	**1 310**	**700**	**3 064**	**(1 732)**

(4) Venture capital funds management fees in 2023, expenses included:

- Management fees for the 2nd and 3rd generation venture capital funds: contributions for fund management are not made (2022 amounted to EUR 425 thousand which were compensated from the risk coverage reserve) (see Note 28 (2));
- Management fees for the 4th generation venture capital funds amounted to EUR 1,659 thousand (2022: EUR 1,820 thousand) which were compensated from the risk coverage reserve (see Note 28 (2));
- Management fees for the Baltic Innovation Fund (BIF) amounted to EUR 138 thousand (2022: EUR 141 thousand), which were compensated from the risk coverage reserve (see Note 28 (2));
- Management fees for the AIF "Altum capital fund" amounted to EUR 206 thousand (2022: EUR 485 thousand) (see Note 10).

17 Other Investments

Total cost of other investments on 31 December 2023 was EUR 23,766 thousand (31 December 2022: EUR 15,419 thousand). The initial cost of the investment of the Three Seas Initiative Investment Fund also includes the management fees. Baltic Innovation Fund 2 management fee, which is later recognized as an expense, is not included in the investment's book value at the end of the reporting period.

All amounts in thousands of euro

	Investments in Baltic Innovation Fund 2		Three Seas Initiatives Investment Fund		Total	
	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.
Carrying amount at the beginning of period	4 478	1 982	11 263	6 756	15 741	8 738
Invested	3 428	2 496	5 086	4 355	8 514	6 851
Refunded	(167)	-	-	-	(167)	-
Revaluation	-	-	1 310	152	1 310	152
Net carrying amount at the period ended at 31 December	**7 739**	**4 478**	**17 659**	**11 263**	**25 398**	**15 741**

Baltic Innovation Fund 2 (BIF 2) is a EUR 156 million 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 an agreement on BIF 2 on 16 August 2019. The total capital committed by the Company to the BIF2 is EUR 26.5 million thus reaching the ownership rate of 16.99% of the total committed capital of the BIF 2 (EUR 156 million).

The Three Seas Initiative Investment Fund is a 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 supports 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 million thus arriving at the ownership rate of 2.15% on 31 December 2023 (31 December 2022: 2.15%) of the total committed capital the Three Seas Initiative Investment Fund (31 December 2023: EUR 928.1 million, 31 December 2022: EUR 928.1 million). The amount of capital investment paid by the Company to the Three Seas Initiative Investment Fund on 31 December 2023 was EUR 16.03 million (31 December 2022: EUR 10.9 million).

The accounting policy applied to other investments is described in Note 2 (5) item (v).

18 Loans

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

(1) Loans by the borrower profile, in thousands of euro:

	31.12.2023.	31.12.2022.
SME and Midcaps	132 379	147 369
Agriculture	167 620	159 509
Private individuals	46 126	4 920
Financial Intermediaries	33	46
Land Fund	28 692	27 089
Total gross loans	**374 850**	**338 933**
Impairment allowances	(25 490)	(21 074)
Total net loans	**349 360**	**317 859**

18 Loans (cont'd)

(2) Breakdown of loans by industries, in thousands of euro:

	31.12.2023.	31.12.2022.
Agriculture and forestry	189 424	173 937
Manufacturing	51 330	58 511
Electricity, gas and water utilities	27 646	8 744
Retail and wholesale	12 368	16 968
Health and social care	9 168	7 408
Construction	6 750	10 554
Real estate	5 838	15 790
Professional, science and technical services	5 832	3 592
Hotels and restaurants	4 555	5 910
Transport, warehousing and communications	4 364	7 025
Municipal authorities	3 134	7 767
Fishing	1 675	2 095
Information technologies and communication	810	1 986
Other industries	5 831	13 724
Private individuals	46 125	4 922
Total gross loans	**374 850**	**338 933**
Impairment allowances	(25 490)	(21 074)
Total net loans	**349 360**	**317 859**

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

	31.12.2023.	31.12.2022.
Number of customers	49	40
Total credit exposure of customers (EUR '000)	81 703	59 416
Percentage of total gross portfolio of loans	21.80%	17.53%

(4) Analysis of loan portfolio by client segments as at 31 December 2023, in thousands of euro:

	Stage 1		**Stage 2**		**Stage 3**		**POCI**		**Total gross loans**	**Total impairment allowance**
	Gross loans	Impairment allowance	Gross loans	Impairment allowance	Gross loans	Impairment allowance	Gross loans	Impairment allowance		
Financial Intermediaries	33	-	-	-	-	-	-	-	33	-
Agriculture	147 225	(472)	13 302	(197)	7 093	(1 863)	-	-	167 620	(2 532)
SME and Midcaps	82 987	(2 556)	27 115	(2 694)	22 206	(9 067)	71	(70)	132 379	(14 387)
Private individuals	41 364	(220)	3 548	(177)	1 214	(276)	-	-	46 126	(673)
Land Fund	28 426	(3)	-	-	266	(1)	-	-	28 692	(4)
Total segments, gross	**300 035**	**(3 251)**	**43 965**	**(3 068)**	**30 779**	**(11 207)**	**71**	**(70)**	**374 850**	**(17 596)**
Impairment overlay	-	(1 516)	-	(2 491)	-	(10)	-	-	-	(4 017)
Additional provision for increased interest rates	-	(3 877)	-	-	-	-	-	-	-	(3 877)
Total segments, net	**300 035**	**(8 644)**	**43 965**	**(5 559)**	**30 779**	**(11 217)**	**71**	**(70)**	**374 850**	**(25 490)**

18 Loans (cont'd)

(5) Movement in impairment allowances, in thousands of euro:

	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Impairment allowances at the beginning of the period	21 074	18 143
Increase in impairment allowances (Note 13: the sum of impairment losses and impairment losses covered by Portfolio Loss Reserve)	15 156	10 144
Decrease in impairment allowances (Note 13: the sum of reversal of impairment and reversal impairment losses covered by Portfolio Loss Reserve)	(7 722)	(7 347)
Write-off of loans covered by Portfolio Loss Reserve	(2 305)	(241)
Write-off of loans covered by Risk Coverage Reserve	(396)	(155)
Write-off of loans Company's share of impairment allowances	(1 455)	(721)
Loan interest overdue for more than 90 days	199	55
Increase of impairment allowances due to changes in off-balance sheet and balance sheet	939	1 196
Impairment allowances at the end of the period ended 31 December	**25 490**	**21 074**
Company's share of impairment allowances	15 719	*10 497*
Impairment allowances covered by Portfolio Loss Reserve	3 582	*5 999*
Impairment allowances covered by Risk Coverage Reserve	6 189	4 578

As at 31 December 2023 the average annual interest rate for the loan portfolio of the Company was 6.40% (31 December 2022: 5.59%).

(6) Loans with capital rebate , in thousands of euro:

	31.12.2023.	31.12.2022
Investment loans with capital rebate	7 447	-
RRF energy efficiency loans	3 015	-
RRF digitization loans	2 626	-
Total loans with capital rebate	**13 088**	**-**

19 Grants

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Energy Efficiency Programme for Multi-apartment Buildings	65 060	55 582
Housing grant programme "Balsts"	1 438	1 384
Grants for development of energy efficiency projects	692	188
Social Entrepreneurship Programme	511	892
Grants for energy efficiency improvement of family buildings	431	1
Grants for cultural industry support programme *	-	669
Total grants, gross	**68 132**	**58 716**
Impairment allowances	(936)	(436)
Total grants, net	**67 196**	**58 280**

* The grant component of the combined financial instrument.

19 Grants (cont'd)

Movement in net book value of grants in 2023, in thousands of euro:

	31.12.2023.	31.12.2022.
Carrying amount		
Carrying amount at the beginning of period	58 716	45 729
Grants paid to clients	47 932	43 025
Approved grants	(38 516)	(30 038)
Carrying amount at the end of period	68 132	58 716
Impairment allowances		
At the beginning of period	(436)	(332)
(Increase) of provisions	(261)	(102)
(Increase) of impairment allowances due to changes in off-balance sheet and balance sheet	(239)	(2)
At the end of period ended 31 December	(936)	(436)
Grants net book value at the beginning of the period	**58 280**	**45 397**
Grants net book value at the end of the period	**67 196**	**58 280**

20 Investment Properties

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Carrying amount at the beginning of period	53 453	46 164
Acquired during the reporting period *	8 879	5 758
Recognized on termination of reverse rent	-	164
Sold during the reporting period	(202)	(954)
Revaluation gains	6 487	2 345
Revaluation losses	(371)	(24)
Carrying amount at the end of the period	**68 246**	**53 453**

* 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 11 March 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.

Real estate (including investment property) owned by Altum is revalued annually in accordance with accounting requirements.

The revaluation of Altum's real estate in 2023 was carried out by certified real estate appraisers on the basis of an outsourcing contract resulting from procurement.

The accounting policy for investment properties is described in Note 2 (8) item (iv).

21 Intangible Assets

The balance sheet value of intangible assets includes the following intangible assets, in thousands of euro:

	31.12.2023.	31.12.2022.
Computer software	1 017	1 140
Total intangible assets	**1 017**	**1 140**

Movement in net book value of intangible assets, in thousands of euro:

	31.12.2023.	31.12.2022.
Original cost		
At the beginning of period	4 899	4 677
Additions	212	236
Disposals	(1 432)	(14)
At the end of period ended at 31 December	3 679	4 899
Accumulated amortization		
At the beginning of period	3 759	3 421
Amortization charge	327	338
Disposals	(1 424)	-
At the end of period ended at 31 December	2 662	3 759
Net book value at the beginning of period	**1 140**	**1 256**
Net book value as at 31 December	**1 017**	**1 140**

22 Property, Plant and Equipment

Breakdown of property, plant and equipment, in thousands of euros:

	31.12.2023.	31.12.2022.
Property, plant and equipment	3 929	4 141
Right-of-use assets	448	307
Total property, plant and equipment	**4 377**	**4 448**

Movement in carrying amount of property, plant and equipment, in thousands of euro:

	Land and buildings	Vehicles	Office equipment *	Total
Cost at 1 January 2022	5 399	44	4 993	10 436
Accumulated depreciation	(1 868)	(44)	(4 235)	(6 147)
Carrying amount at 1 January 2022	**3 531**	**-**	**758**	**4 289**
Additions	239	-	176	415
Disposals	(21)	-	(81)	(102)
Depreciation charge	(209)	-	(326)	(535)
Change in depreciation from disposals	-	-	74	74
Carrying amount at 31 December 2022	**3 540**	**-**	**601**	**4 141**
Cost at 1 January 2023	5 617	44	5 088	10 749
Accumulated depreciation	(2 077)	(44)	(4 487)	(6 608)
Carrying amount at 1 January 2023	**3 540**	**-**	**601**	**4 141**
Additions	194	1	187	382
Disposals	(126)	(41)	(712)	(879)
Depreciation charge	(219)	41	(285)	(463)
Change in depreciation from disposals	50	-	698	748
Carrying amount at 31 December 2023	**3 439**	**1**	**489**	**3 929**
Cost at 31 December 2023	5 685	4	4 563	10 252
Accumulated depreciation	(2 246)	(3)	(4 074)	(6 323)

***** Office equipment includes such fixed assets categories as furniture and fittings and computers and equipment, Note 2 (8) item (ii).

22 Property, Plant and Equipment (cont'd)

Movement in carrying amount of right-of-use assets, in thousands of euro:

	Land and buildings	Vehicles	Total
Cost at 1 January 2022	434	228	662
Accumulated depreciation	(252)	(129)	(381)
Carrying amount at 1 January 2022	**182**	**99**	**281**
Additions	5	174	179
Disposals	-	(48)	(48)
Depreciation charge	(86)	(67)	(153)
Change in depreciation from disposals	-	48	48
Cost at 31 December 2022	439	354	793
Accumulated depreciation	(338)	(148)	(486)
Carrying amount at 31 December 2022	**101**	**206**	**307**
Additions	282	54	336
Disposals	(389)	(19)	(408)
Depreciation charge	(125)	(70)	(195)
Change in depreciation from disposals	389	19	408
Cost at 31 December 2023	332	389	721
Accumulated depreciation	(74)	(199)	(273)
Carrying amount at 31 December 2023	**258**	**190**	**448**

23 Other Assets

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Financial assets	5 085	3 531
Other assets (repossessed collateral)	-	28
Total other assets, gross	**5 085**	**3 559**
Impairment allowances for financial assets	(1 163)	(2 029)
Company's share of provisions	*(319)*	*(582)*
Impairment allowances covered by Portfolio Loss Reserve	*(191)*	*(273)*
Provisions covered by risk coverage	*(653)*	*(1 174)*
Total financial assets, net	**3 922**	**1 502**
Total other assets, net	**3 922**	**1 530**

Movement in net book value of financial assets in 2023, in thousands of euro:

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
Financial assets				
At the beginning of period	1 869	248	1 414	3 531
Increase (decrease)	(846)	(58)	2 458	1 554
As at 31 December	1 023	190	3 872	5 085
Impairment provision				
At the beginning of period	(1 869)	(151)	(9)	(2 029)
Increase (decrease)	846	35	(15)	866
As at 31 December	(1 023)	(116)	(24)	(1 163)
Net book value at the beginning of period	**-**	**97**	**1 405**	**1 502**
Net book value as the end of period	**-**	**74**	**3 848**	**3 922**

23 Other Assets (cont'd)

Movement in net book value of financial assets in 2022, in thousands of euro:

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
Financial assets				
At the beginning of period	1 590	870	2 705	5 165
Changes	279	(622)	(1 291)	(1 634)
As at 31 December	1 869	248	1 414	3 531
Impairment provision				
At the beginning of period	(1 590)	(330)	(31)	(1 951)
Changes in impairment allowances	(279)	179	22	(78)
As at 31 December	(1 869)	(151)	(9)	(2 029)
Net book value at the beginning of period	**-**	**540**	**2 674**	**3 214**
Net book value as at 31 December	**-**	**97**	**1 405**	**1 502**

Movement in book value of repossessed collateral, in thousands of euro:

	31.12.2023.	31.12.2022.
At the beginning of period	28	28
Disposals	(28)	-
Total other assets at the end of period ended 31 December	**-**	**28**

24 Deferred Expense

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Management fees paid in advance to venture capital funds' managers	142	131
Other deferred expense	317	213
Total deferred expense	**459**	**344**

25 Accrued Income

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Compensation for management expenses of state support programs	3 222	503
Other accrued income	640	424
Total accrued income	**3 862**	**927**

26 Due to Credit Institutions

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Due to credit institutions registered in OECD countries	32 038	36 290
Total due to credit institutions	**32 038**	**36 290**

Balances due to credit institutions registered in the OECD countries are loans received by the Company from the European Investment Bank (EIB) of EUR 32,038 thousand (31 December 2022: EUR 36,290 thousand), of which EUR 164 thousand constitutes accrued interest expenses (31 December 2022: EUR 40 thousand).

On October 2, 2009, an agreement was signed with the EIB for a loan of EUR 100,000 thousand to finance projects under the SMEs Growth Loan Programme. As at 31 December 2023 the principal amount of the loan EUR 3,125 thousand (31 December 2022: EUR 6,250 thousand), the accrued interest on the loan amounts to EUR 58 thousand (31 December 2022: EUR 40 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 31 December 2023, the amount of the secured claim was EUR 3,182 thousand (31 December 2022: EUR 6,290 thousand).

On July 8, 2020, Altum signed an agreement with the EIB for a loan of EUR 80,000 thousand to finance working capital and investment loans to small and medium-sized enterprises, including those affected by the Covid-19 pandemic. As at 31 December 2023 the principal amount of the loan was EUR 28,750 thousand (31 December 2022: EUR 30,000 thousand), with a final repayment date of 3 April 2028. As at 31 December 2023, according to the loan agreement, there is available to the Company the financing for working capital and investment loans in the amount of EUR 25,000 thousand, final availability date was March 31, 2024. On 10 December 2021, Altum signed an agreement with the EIB for an additional loan of EUR 40,000 thousand to finance working capital and investment loans to small and medium-sized enterprises, the drawdown on which had not started by 31 December 2023. Final availability date is 10 December 2024. The volume and pace of drawdown under both agreements is subordinated to the further volume of new lending transactions. The loans are unsecured.

The average interest rate for the balances *Due to credit institutions* as of 31 December 2023 was 1.82% (31 December 2022: 0.30%).

27 Due to General Government Entities

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Loans received from Rural Support Service	3 311	3 318
Loans received from the Treasury	171 345	150 466
Total due to general governments	**174 656**	**153 784**

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 of 31 December 2023, the Company liabilities to Rural Support Service consist of the principal amount of EUR 3,072 thousand (31 December 2022: EUR 3,072 thousand) and accrued interest – EUR 240 thousand (31 December 2022: EUR 246 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:

- Loan programme for acquisition of agricultural land: as of 31 December 2023, the principal amount of the loan EUR 87,636 thousand (31 December 2022: EUR 81,718 thousand), the final repayment date is 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 of 31 December 2023, according to the loan agreement there is still available to the Company further financing in the amount of EUR 12,859 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As of 31 December 2023, the amount of the secured claim was EUR 105,175 thousand (31 December 2022: EUR 98,070 thousand).

27 Due to General Government Entities (cont'd)

- Loan programme for SME development: as of 31 December 2023, the principal amount of the loan EUR 64,617 thousand (31 December 2022: EUR 53,555 thousand), the final repayment date is 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 of 31 December 2023, according to the loan agreement the Company still is available the financing in the amount of EUR 47,425 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As of 31 December 2023, the amount of the secured claim was EUR 77,547 thousand (31 December 2022: EUR 64,271 thousand).

- Parallel loan programme: as of 31 December 2023, the principal amount of the loan EUR 4,600 thousand (31 December 2022: 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 of 31 December 2023, 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 of 31 December 2023, the amount of the secured claim was EUR 5,524 thousand (31 December 2022: EUR 5,521 thousand).

- Micro Loans Programme for Rural Areas: as of 31 December 2023, the principal amount of the loan EUR 1,733 thousand (31 December 2022: EUR 2,079 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 of 31 December 2023, according to the loan agreement the Company still is available the financing in the amount of EUR 4,440 thousand, the size and pace of the drawdown the loan relates to the further volume of new loan transactions. As of 31 December 2023, the amount of the secured claim was EUR 2,080 thousand (31 December 2022: EUR 2,495 thousand).

- Latvian Land Fund (the financing for the Fund's transactions): the loan amount has been used in 2020 and as of 31 December 2023 the principal amount of the loan EUR 7,085 thousand (31 December 2022: EUR 8,502 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 of 31 December 2023, the amount of registered mortgage was EUR 9,261 thousand (31 December 2022: EUR 10,406 thousand).

- Loan programme for reconstruction works of multi-apartment buildings and improvement of their territories: as of 31 December 2023, the principal amount of the loan EUR 5,654 thousand (31 December 2022: EUR 0 thousand), the final repayment date 20 January 2044. 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 of 31 December 2023, according to the loan agreement the Company still is available the financing in the amount of EUR 24,346 thousand, the size and pace of the drawdown the loan relates to the further volume of new loan transactions. As of 31 December 2023, the amount of the secured claim was EUR 6,786 thousand (31 December 2022: EUR 0 thousand).

As of 31 December 2023, the accrued interest on the loans received from the Treasury amounts to EUR 20 thousand (31 December 2022: EUR 11,4 thousand).

The Company has also concluded the following loan agreements with the Treasury, the use of which has not been started by 31 December 2023:

- Micro Loans and Star-up Loans programme: the amount of the loan agreement is 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 is 30 June 2031, 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.

28 Support programme funding

(1) 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 2023, 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
Loans					
ERDF II	8 301	69	-	-	8 301
ESF II	860	-	-	-	860
Microcredits of Swiss programme (closed programme)	565	6	-	(2)	563
ERDF I	234	-	-	-	234
ESF I	236	-	-	-	236
ERDF II (second round)	2 252	24	-	(7)	2 245
Incubators (from ESF II)	82	-	-	-	82
ERDF II 2 Public fund	226	-	-	-	226
Fund of Funds programme – Start-up loans	2 632	891	(47)	(75)	2 510
Fund of Funds programme – Microcredits	291	14	(2)	(1)	288
Fund of Funds programme – Parallel loans	4 012	3 590	(116)	(931)	2 965
Energy Efficiency Loans for Multi-apartment Buildings (I)	19 401	-	(140)	(206)	19 055
Start-up State Aid Cumulation Lending Programme	1 840	1 840	(564)	(272)	1 004
Other loans to start-ups	1 758	19	-	(1)	1 757
Mezzanine Programme – Loans	3 629	3 556	-	(594)	3 035
Guarantees and interest grants programme	4 287	4 287	(1 175)	-	3 112
SME energy efficiency loans	3 723	3 723	(109)	(1 351)	2 263
ERAF SME growth loans	22 000	1 320	-	(509)	21 491
ERAF loans for business sustainability	25 864	5 625	-	(1 125)	24 739
Parallel loans	2 000	2 000	(43)	(200)	1 757
Parallel loans 2	3 553	1 315	-	(538)	3 015
Loans for enterprises in rural territories	7 803	7 803	(595)	(128)	7 080
Start-up loans to innovative entrepreneurs	8 017	1 603	-	(258)	7 759
Multi-apartment building improvement loans	1 000	1 000	(97)	(49)	854
Energy Efficiency Loans for Multi-apartment Buildings (II)	13 939	818	-	(57)	13 882
Cultural industry support programme **	300	-	-	-	300
ELFLA Agricultural and rural development loans	11 975	2 874	-	(84)	11 891
RRF energy efficiency loans*	21 340	15 404	-	-	21 340
RRF digitization loans*	13 573	10 970	-	-	13 573
RRF Energy Efficiency Loans for Multi-apartment Buildings*	17 185	11 170	-	-	17 185
RRF housing construction loans*	12 791	4 652	-	-	12 791
Investment Loans with capital rebate *	127 739	103 266	-	-	127 739
PF1 Start-up and Micro ERDF loans	4 699	583	-	-	4 699
Advance payment 2021-2027 in the Participation Fund No 1 loan segment	15 424	-	-	-	15 424
Total loans	**363 531**	**188 422**	**(2 888)**	**(6 388)**	**354 255**

28 Support programme funding (cont'd)

(1) 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 2023, 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
Guarantees					
Fund of Funds programme – Guarantees	48 363	48 363	-	(9 941)	38 422
Energy Efficiency Guarantees for Multi-apartment Buildings	8 227	7 539	-	(1 419)	6 808
Housing Guarantee Programme	26 134	26 134	(2 472)	(18 017)	5 645
Housing Guarantee Programme for NAF soldiers	512	512	(105)	(315)	92
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	8 753	8 753	(2 529)	(794)	5 430
Mezzanine Programme – Guarantees	1 034	1 014	-	(200)	834
Portfolio Guarantee Fund	9 721	9 145	(1 789)	(3 403)	4 529
Export credit guarantees	5 474	5 168	(990)	(452)	4 032
Study and student portfolio guarantees ***	729	-	-	-	729
Agricultural Guarantees	1 388	1 388	(309)	(938)	141
ELFLA Agricultural and rural development guarantees	2 997	2 997	-	(165)	2 832
RRM energy car guarantees	1 500	1 500	-	-	1 500
PF1 Individual guarantees for digitalisation and automation	1 480	669	-	-	1 480
PF1 Guarantees for full-cycle business	402	182	-	-	402
PF1 Portfolio guarantees for full-cycle business	2 961	1 339	-	-	2 961
Advance payment 2021-2027 in the Participation Fund No 1 guarantee segment	9 961	-	-	-	9 961
Total guarantees	**129 636**	**114 703**	**(8 194)**	**(35 644)**	**85 798**
Grants					
Energy Efficiency Grants for Multi-apartment Buildings	65 094	-	-	-	65 094
Housing grant programme "Balsts"	4 828	-	-	-	4 828
Grants for energy efficiency improvement of family buildings	1 450	-	-	-	1 450
Social Entrepreneurship Programme	511	-	-	-	511
Grants for development of energy efficiency project	1 164	-	-	-	1 164
Grants for improving energy efficiency of family buildings	503	-	-	-	503
Grants for Cultural industry support *	108	-	-	-	108
Total grants	**73 658**	**-**	**-**	**-**	**73 658**
Venture Capital Funds					
Fund of Funds and venture capital funds	33 597	-	-	-	33 597
Investment Fund Activity	5 982	5 545	-	(46)	5 936
Baltic Innovation Fund	2 000	477	(440)	-	1 560
Baltic Innovation Fund II	1 629	489	(452)	-	1 177
Advance payment 2021-2027 in the Participation fund No 1 venture capital funds segment	15 654	6 013	-	-	15 654
Total venture capital funds	**58 862**	**12 524**	**(892)**	**(46)**	**57 924**
Other Activities					
Energy Efficiency Fund	38	-	-	-	38
Regional Creative Industries Alliance	-	-	-	-	-
Total other activities	**38**	**-**	**-**	**-**	**38**
Funding allocated to increase reserve capital	8 976	-	-	-	8 976
Total support programme funding	**634 701 ******	**315 649**	**(11 974)**	**(42 078)**	**580 649**

* Combined financial instrument.

** Combined financial instrument. On 5 July 2021, risk coverage (Portfolio Loss Reserve) of EUR 788 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.

*** Risk coverage (Portfolio Loss Reserve) of EUR 1,402 thousand has been included in the reserve, which is part of the specific reserves attributable to support programs (see Note 35 (2))

**** Support programme funding contains EUR 14,336 thousand allocated for management costs of the Company to be compensated from support programme funding.

28 Support programme funding (cont'd)

(1) 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 2022, in thousands of euro:

Financial Instrument / Programme	Programme funding	Of which, risk coverage reserve	Fair value adjustment	Provisions covered by risk coverage	Net programme funding
Loans					
ERDF II	8 265	1 275	-	(102)	8 163
ESF II	851	30	-	(9)	842
Microcredits of Swiss programme (closed programme)	565	35	-	(2)	563
ERDF I	414	-	-	-	414
ESF I	316	5	-	(2)	314
ERDF II (second round)	2 252	115	-	(34)	2 218
Incubators (from ESF II)	82	2	-	-	82
ERDF II 2 Public fund	226	-	-	-	226
Fund of Funds programme – Start-up loans	2 698	1 830	(104)	(187)	2 407
Fund of Funds programme – Microcredits	291	53	(2)	(7)	282
Fund of Funds programme – Parallel loans	4 012	4 012	(117)	(1 205)	2 690
Energy Efficiency Loans for Multi-apartment Buildings (I)	7 245	7 245	(77)	(80)	7 088
Start-up State Aid Cumulation Lending Programme	1 888	1 888	(443)	(407)	1 038
Other loans to start-ups	1 800	116	-	(38)	1 762
Mezzanine Programme – Loans	3 630	3 558	-	(837)	2 793
Guarantees and interest grants programme	4 287	4 287	(1 196)	-	3 091
SME energy efficiency loans	3 723	3 723	(142)	(365)	3 216
ERAF SME growth loans	15 000	900	-	(213)	14 787
ERAF loans for business sustainability	15 000	3 263	-	(269)	14 731
Parallel loans	2 000	2 000	(119)	(297)	1 584
Parallel loans 2	3 286	1 216	-	(424)	2 862
Loans for enterprises in rural territories	7 803	1 707	(413)	(149)	7 241
Start-up loans to innovative entrepreneurs	6 000	1 200	-	(155)	5 845
Multi-apartment building improvement loans*	750	750	(7)	(8)	735
Rental multi-apartment building improvement loans	4 074	244	-	(36)	4 038
Energy Efficiency Loans for Multi-apartment Buildings (II)	250	250	-	-	250
ERDF Multi-apartment building improvement loans	500	14	-	-	500
Cultural industry support programme **	2 220	-	-	-	2 220
ELFLA Agricultural and rural development loans	4 996	1 199	-	(31)	4 965
Investment Loans with capital rebate *	99 565	50 778	-	-	99 565
Total loans	**203 989**	**91 695**	**(2 620)**	**(4 857)**	**196 512**

28 Support programme funding (cont'd)

(1) 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 2022, in thousands of euro (cont'd):

Financial Instrument / Programme	Programme funding	Of which, risk coverage reserve	Fair value adjustment	Provisions covered by risk coverage	Net programme funding
Guarantees					
Fund of Funds programme – Guarantees	45 199	45 199	-	(8 385)	36 814
Energy Efficiency Guarantees for Multi-apartment Buildings	8 238	8 214	-	(1 486)	6 752
Housing Guarantee Programme	22 114	22 114	(2 532)	(16 033)	3 549
Housing Guarantee Programme for NAF soldiers	160	160	-	-	160
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	(2 567)	(1 049)	5 137
Mezzanine Programme – Guarantees	865	848	-	(278)	587
Portfolio Guarantee Fund	9 994	9 664	(2 196)	(3 399)	4 399
Export credit guarantees	3 390	3 390	(635)	(697)	2 058
Study and student portfolio guarantees ***	658	-	-	-	658
ELFLA Agricultural and rural development guarantees	2 500	2 500	-	-	2 500
Agricultural Guarantees	2 741	2 741	(374)	(1 501)	866
Total guarantees	**105 114**	**104 085**	**(8 304)**	**(32 828)**	**63 982**
Grants					
Energy Efficiency Grants for Multi-apartment Buildings	60 784	-	-	-	60 784
Housing grant programme "Balsts"	4 465	-	-	-	4 465
Grants for energy efficiency improvement of family buildings	1 142	-	-	-	1 142
Social Entrepreneurship Programme	1 657	-	-	-	1 657
Grants for development of energy efficiency project	1 596	-	-	-	1 596
Grants for improving energy efficiency of family buildings	810	-	-	-	810
Grants for Cultural industry support *	1 089	-	-	-	1 089
Total grants	**71 543**	**-**	**-**	**-**	**71 543**
Venture Capital Funds					
Fund of Funds and venture capital funds	35 488	30 268	-	-	35 488
Investment Fund Activity	4 209	3 367	-	(354)	3 855
Baltic Innovation Fund	1 794	538	(511)	-	1 283
Baltic Innovation Fund II	1 902	571	(548)	-	1 354
Total venture capital funds	**43 393**	**34 744**	**(1 059)**	**(354)**	**41 980**
Other Activities					
Energy Efficiency Fund	580	-	-	-	580
Regional Creative Industries Alliance	-	-	-	-	-
Total other activities	**580**	**-**	**-**	**-**	**580**
Funding allocated to increase reserve capital	683 ****	-	-	-	683
Total support programme funding	**425 302 *****	**230 524**	**(11 983)**	**(38 039)**	**375 280**

* Combined financial instrument.

** Combined financial instrument. Risk coverage (Portfolio Loss Reserve) of EUR 809 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 35 (2)).

*** Risk coverage (Portfolio Loss Reserve) of EUR 3,308 thousand has been included in the reserve for control Covid-19 programmes, which is part of the specific reserves attributable to support programs (see Note 35 (2))

**** The financing included in the reserve capital is intended for guarantees of the Housing Guarantee Program for NAF soldiers in the amount of 320 thousand euro and for the Housing Guarantee Support Program in the amount of 363 thousand euro.

***** Support programme funding contains EUR 12,999 thousand allocated for management costs of the Company to be compensated from support programme funding.

28 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.

(2) Movement in the Company's support programme funding in 2023, in thousands of euro:

Financial Instrument / Programme	Financing, net 31.12.2022.	Financing received	Reallocated funding between programmes	Compensated grants/ capital rebate	Compensated income and expense	Revaluation of liabilities	Programmes' income/ profit distribution	Other changes	Changes in provisions covered by risk coverage	Financing, net 31.12.2023.
Loans										
ERDF II	8 163	-	-	-	-	-	138	(102)	102	8 301
ESF II	842	-	-	-	-	-	19	(10)	9	860
Microcredits of Swiss programme (closed programme)	563	-	-	-	-	-	-	-	-	563
ERDF I	414	-	-	-	-	-	(180)	-	-	234
ESF I	314	-	-	-	-	-	(80)	-	2	236
ERDF II (second round)	2 218	-	-	-	-	-	14	(14)	27	2 245
Incubators (from ESF II)	82	-	-	-	-	-	-	-	-	82
ERDF II 2 Public fund	226	-	-	-	-	-	-	-	-	226
Fund of Funds programme – Start-up loans	2 407	-	-	-	-	-	-	(9)	112	2 510
Fund of Funds programme – Microcredits	282	-	-	-	-	-	-	-	6	288
Fund of Funds programme – Parallel loans	2 690	-	-	-	-	-	-	1	274	2 965
Energy Efficiency Loans for Multi-apartment Buildings (I)	7 088	21 377	(9 632)	-	(25)	-	436	(63)	(126)	19 055
Start-up State Aid Cumulation Lending Programme	1 038	-	-	-	-	-	-	(169)	135	1 004
Other loans to start-ups	1 762	-	-	-	(2)	-	12	(52)	37	1 757
Mezzanine Programme – Loans	2 793	-	(160)	-	(60)	-	219	-	243	3 035
Guarantees and interest grants programme	3 091	-	-	-	-	-	-	21	-	3 112
SME energy efficiency loans	3 216	-	-	-	-	-	-	33	(986)	2 263
ERDF SME growth loans	14 787	-	7 000	-	-	-	-	-	(296)	21 491
ERDF loans for business sustainability	14 731	-	11 000	-	(136)	-	-	-	(856)	24 739
Parallel loans	1 584	-	-	-	-	-	-	76	97	1 757
Parallel loans 2	2 862	-	267	-	-	-	-	-	(114)	3 015
Loans for enterprises in rural territories	7 241	-	-	-	-	-	-	(182)	21	7 080
Start-up loans to innovative entrepreneurs	5 845	-	2 028	-	-	-	-	(11)	(103)	7 759
Multi-apartment building improvement loans	735	-	250	-	-	-	-	(90)	(41)	854

28 Support programme funding (cont'd)

(2) Movement in the Company's support programme funding in 2023, in thousands of euro: (cont'd)

Financial Instrument / Programme	Financing, net	Financing received	Reallocated funding between programmes	Compen-sated grants/ capital rebate	Compen-sated income and expense	Revalua-tion of liabilities	Program-mes income / profit distribution	Other changes	Changes in provisions covered by risk coverage	Financing, net
	31.12.2022.									31.12.2023.
Rental multi-apartment building improvement loans	250	-	(250)	-	-	-	-	-	-	-
Energy Efficiency Loans for Multi-apartment Buildings (II)	4 038	-	9 632	-	(3)	-	236	-	(21)	13 882
ERDF Multi-apartment building improvement loans	500	-	(500)	-	-	-	-	-	-	-
Cultural industry support programme *	2 220	-	-	-	(28)	-	-	(1 892)	-	300
ELFLA Agricultural and rural development loans	4 965	5 000	2 000	-	(285)	-	264	-	(53)	11 891
RRF energy efficiency loans*	-	24 176	(1 500)	(1 281)	-	(101)	46	-	-	21 340
RRF digitization loans*	-	13 543	-	-	-	16	14	-	-	13 573
RRF Energy Efficiency Loans for Multi-apartment Buildings*	-	17 185	-	-	-	-	-	-	-	17 185
RRF housing construction loans*	-	12 870	-	-	-	-	-	(79)	-	12 791
Investment Loans with capital rebate ******	99 565	27 500	-	-	-	674	-	-	-	127 739
PF1 Start-up and Micro ERDF loans	-	-	4 699	-	-	-	-	-	-	4 699
Advance payment 2021-2027 in the Participation Fund No 1 loan segment	-	20 123	(4 699)	-	-	-	-	-	-	15 424
Total loans	**196 512 ****	**141 774**	**20 135**	**(1 281)**	**(539)**	**589**	**1 138**	**(2 542)**	**(1 531)**	**354 255**
Guarantees										
Fund of Funds programme - Guarantees	36 814	-	3 200	-	-	-	-	(36)	(1 556)	38 422
Energy Efficiency Guarantees for Multi-apartment Buildings	6 752	-	-	-	(225)	-	214	-	67	6 808
Housing Guarantee Programme	3 549	4 020	-	-	-	-	-	60	(1 984)	5 645
Housing Guarantee Programme for NAF soldiers	160	352	-	-	-	-	-	(105)	(315)	92
Portfolio guarantees for renovation of family buildings*	502	-	(502)	-	-	-	-	-	-	-
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	5 137	-	-	-	-	-	-	38	255	5 430
Mezzanine Programme - Guarantees	587	-	160	-	(17)	-	26	-	78	834
Portfolio Guarantee Fund	4 399	-	-	-	(152)	-	-	286	(4)	4 529
Export credit guarantees	2 058	2 190	-	-	-	-	-	(461)	245	4 032
Study and student portfolio guarantees	658	120	-	-	(49)	-	-	-	-	729
Agricultural Guarantees	866	-	-	-	-	-	-	(1 288)	563	141
ELFLA Agricultural and rural development guarantees	2 500	2 500	(2 000)	-	(4)	-	1	-	(165)	2 832
RRM energy car guarantees	-	-	1 500	-	-	-	-	-	-	1 500
PF1 Individual guarantees for digitalisation and automation	-	-	1 480	-	-	-	-	-	-	1 480
PF1 Guarantees for full-cycle business	-	-	402	-	-	-	-	-	-	402
PF1 Portfolio guarantees for full-cycle business	-	-	2 961	-	-	-	-	-	-	2 961
Advance payment 2021-2027 in the Participation Fund No 1 guarantee segment	-	14 804	(4 843)	-	-	-	-	-	-	9 961
Total guarantees	**63 982**	**23 986**	**2 358**	**-**	**(447)**	**-**	**241**	**(1 506)**	**(2 816)**	**85 798**

28 Support programme funding (cont'd)

(2) Movement in the Company's support programme funding in 2023, in thousands of euro: (cont'd)

Financial Instrument / Programme	Financing, net	Financing received	Reallocated funding between programmes	Compensated grants/ capital rebate	Compensated income and expense	Revaluation of liabilities	Programmes income / profit distribution	Other changes	Changes in provisions covered by risk coverage	Financing, net
	31.12.2022.									31.12.2023.
Grants										
Energy Efficiency Grants for Multi-apartment Buildings	60 784	37 233	-	(30 586)	(2 337)	-	-	-	-	65 094
Housing grant programme "Balsts"	4 465	3 000	-	(2 637)	-	-	-	-	-	4 828
Grants for energy efficiency improvement of family buildings *	1 142	-	502	(194)	-	-	-	-	-	1 450
Social Entrepreneurship Programme	1 657	2 188	-	(3 019)	(188)	-	-	(127)	-	511
Grants for development of energy efficiency project	1 596	-	537	(821)	(148)	-	-	-	-	1 164
Grants for improving energy efficiency of family buildings	810	-	-	(307)	-	-	-	-	-	503
Grants for Cultural industry support *	1 089	-	-	(952)	(29)	-	-	-	-	108
Total grants	**71 543**	**42 421**	**1 039**	**(38 516)**	**(2 702)**	**-**	**-**	**(127)**	**-**	**73 658**
Venture Capital Funds										
Fund of Funds and venture capital funds	35 488	18 962	(22 995)	-	(2 469)***	(961)	5 551 ****	-	-	33 597
Investment Fund Activity	3 855	-	-	-	(131)	1 085	(1 131)*****	1 950	308	5 936
Baltic Innovation Fund	1 283	-	-	-	(203)	-	409 *******	71	-	1 560
Baltic Innovation Fund II	1 354	-	-	-	(273)	-	-	96	-	1 177
Advance payment 2021-2027 in the Participation fund No 1 venture capital funds segment	-	15 654	-		-	-	-	-	-	15 654
Total venture capital funds	**41 980**	**34 616**	**(22 995)**	**-**	**(3 076)**	**145**	**4 829**	**2 117**	**308**	**57 924**
Other Activities										
Energy Efficiency Fund	580	40	(537)	-	(45)	-	-	-	-	38
Regional Creative Industries Alliance	-	-	-	-	-	-	-	-	-	-
Total other activities	**580**	**40**	**(537)**	**-**	**(45)**	**-**	**-**	**-**	**-**	**38**
Funding allocated to increase reserve capital	683	9 152	-	-	-	-	-	(859)	-	8 976
Total support programme funding	**375 280**	**251 989**	**-**	**(39 797)**	**(6 809)**	**734**	**6 208 **********	**(2 917)**	**(4 039)**	**580 649**

* Combined financial instrument.

** Support programme funding includes funding that had to be reallocated between the programmes, partly done in 2023, and to be continued in 2024

*** include EUR 1,659 thousand management fees for the 4th generation venture capital funds.

**** include EUR 1,410 thousand mezzanine interest received and EUR 477 thousand realised gain on investments in 4th generation venture capital funds in 12 months of 2023.

***** include EUR 483 thousand mezzanine interest received, EUR 19 thousand loan interest and EUR 1,633 thousand loss on investments in 2nd and 3rd generation venture capital funds in 12 months of 2023.

****** Combined financial instrument. Reallocated funding from the special reserve capital (Note 35 (2))

******* Includes realised gains on repayments of EUR 409 thousand for the 12 months 2023.

******** Includes EUR 2,966 thousand from Interest income at effective interest rate, EUR 423 thousand income of loans and EUR 1,157 thousand income of guarantees.

28 Support programme funding (cont'd)

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

	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Revaluation of investments in 2nd and 3rd generation venture capital funds	1 085	(2 414)
Realised gain on investments in 2nd and 3rd generation venture capital funds	(1 633)	872
Mezzanine interest received from investments in 2nd and 3rd generation venture capital funds	483	225
Revaluation of investments in 4th generation venture capital funds	(940)	(2 336)
Realised gain on investments in 4th generation venture capital funds	477	42
Mezzanine interest received from investments in 4th generation venture capital funds	1 410	536
Gains/(losses) of investment in associate and other investments less losses from liabilities at fair value through profit or loss	**882**	**(3 075)**

29 Provisions for contingent liabilities

Provisions for impairment of off-balance sheet liabilities, in thousands of euro:

	31.12.2023.	31.12.2022.
Provisions for loan commitments	319	1 077
Company's share of provisions	*432*	*432*
Provisions covered by Portfolio Loss Reserve	*(360)*	*12*
Provisions covered by Risk Coverage Reserve	*247*	*633*
Provisions for grant commitments	25	376
Company's share of provisions	*25*	*376*
Total provisions	**344**	**1 453**
Company's share of provisions	*457*	*808*
Provisions covered by Portfolio Loss Reserve	*(360)*	*12*
Provisions covered by Risk Coverage Reserve	*247*	*633*

30 Liabilities from financial guarantees

Movement of Liabilities from financial guarantees, in thousands of euro:

	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Provisions at the beginning of the period	45 852	37 373
Increase in provisions (Note 13: the sum of *impairment losses* and *impairment losses covered by Portfolio Loss Reserve*)	18 530	24 064
Decrease in provisions (Note 13: the sum of *reversal of impairment* and *reversal impairment losses covered by Portfolio Loss Reserve*)	(15 770)	(15 314)
Reclassification (Disbursed guarantee)	(1 018)	(536)
Fair value component - guarantee premiums	(275)	265
Provisions at the end of the period ended 31 December	**47 319**	**45 852**
Fair value component - guarantee premiums	*3 759*	*4 034*
Company's share of provisions	*1 649*	*2 683*
Provisions covered by Portfolio Loss Reserve	*6 907*	*7 481*
Provisions covered by Risk Coverage Reserve	*35 004*	*31 654*

31 Other Liabilities

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Due to customers	1 446	2 008
Other liabilities	2 920	1 747
Total other liabilities	**4 366**	**3 755**

Sub-item *Due to customers* include funds received from clients of the Company to be used for repayment of the loans at a later stage.

32 Accrued Expense

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Accrued expenses for unused vacation	419	362
Accrued tax	247	199
Accrued expenses for services received	63	46
Audit services	126	53
Other accrued expenses	1	1
Total accrued expense	**856**	**661**

33 Issued Debt Securities

All bonds are listed on the Baltic bond list by Nasdaq Riga.

All amounts in thousands of euro

ISIN	Currency	Number of initially issued securities	Par Value	Date of issuance	Maturity Date	Discount / Coupon Rate	31.12.2023.	31.12.2022.
LV0000802353	EUR	20 000	1 000	17.10.2017	17.10.2024	1.37%	20 031	20 001
LV0000880037	EUR	10 000	1 000	07.03.2018	07.03.2025	1.30%	10 098	10 091
LV0000880037	EUR	15 000	1 000	05.06.2019	07.03.2025	1.30%	15 224	15 251
LV0000880037	EUR	20 000	1 000	15.04.2020	07.03.2025	1.30%	20 192	20 195
LV0000870095	EUR	20 000	1 000	08.10.2021	08.10.2026	0.44%	19 988	19 975
Total issued debt securities at the end of period ended 31 December							**85 533**	**85 513**

So called “Green bonds” are financial instruments used to support sustainability projects in Latvia, while providing the Company with an opportunity to diversify the Company’s funding base and support development of the Baltic Bond market.

Currently the Company has made 5 bond issues totalling EUR 85 million. The entry in regulated capital markets was made back in October 2017 by issue of Green bonds with tenor of 7 years. EUR 20 million Green Bond was issued under Green Bond Framework 2017 which received a Medium Green shading from CICERO. Revised Green Bond Framework 2021 follows the recommendations outlined in the 2021 edition of the Green Bond Principles by ICMA (International Capital Markets Association) and received CICERO Medium Green in December 2021. The proceeds raised by Green bond issue are eligible for the following segments – Energy efficiency, Renewables, Sustainable transportation and Passive housing. There are no KPI’s nor covenants linked to Green bonds issue.

For further details on Green Bond Framework 2017 and 2021 and respective second party opinions from CICERO see https://www.altum.lv/investoriem/obligacijas/programma-17-7-gadu-zalas-obligacijas/par-zalajam-obligacijam/. For Investor report on Altum Green Bonds see https://www.altum.lv/wp-content/uploads/2023/09/ALTUM_GB-Investor-report_30-June-2023.pdf.

For details on the recognition and measurement for these liabilities, refer Note 2 (4) item (xix).

Movements in issued debt securities, in thousands of euro:

	31.12.2023.	31.12.2022.
At the beginning of period	85 513	85 558
Accrued coupon	933	869
Coupon pay-out	(933)	(933)
Discount amortisation	(30)	(30)
Commission amortisation	50	49
Total issued debt securities at the end of period ended 31 December	**85 533**	**85 513**

Information about bondholders structure according to holders groups and total number of bondholders at 31 December 2022:

Bondholders group	**Number**	**%**
Pension funds and investment funds	34	61%
Financial institutions	8	15%
Other legal entities	3	5%
Insurance companies	8	15%
Private individuals	2	4%
Total	55	**100%**

34 Share capital

All amounts in thousands of euro

	Quantity		Carrying amount	
	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.
Fully paid share capital				
Ordinary shares	204 862	204 862	204 862	204 862
Total fully paid share capital	**204 862**	**204 862**	**204 862**	**204 862**

The decision about establishment of the Company was made by the Latvian Cabinet of Ministers decision on 17 December 2013. The Company was registered in the Commercial Register on 27 December 2013, having share capital of LVL 400,130, which corresponds to 569,334 euros.

A capital increase was made on 11 September 2014 by merging the equity shares of Latvian Guarantee Agency Ltd, the SJSC Latvian Development Finance Institution Altum and the SJSC Rural Development Fund. The amount of share capital after its increase was 204,862,333 euros. The face value of each share is 1 euro.

All shares of the JSC Development Finance Institution Altum are owned by the Government of Latvia. The Ministry of Finance was appointed to be the shareholder until 28 February 2015. According to the Development Finance Institution Law that came to effect on 1 March 2015, as of its effective day, the holder of 40% of the financial institution's shares is the Ministry of Finance, the holder of 30% of shares – the Ministry of Economics, and the holder of 30% of shares – the Ministry of Agriculture.

For more information see Note 1 (1).

In accordance with Paragraph 2 of Article 15 of the Development Finance Institution Law, the Company's profit for the period is transferred to reserves in order to ensure financial stability and sustainable operation of the Company as well as to mitigate the risks of approved support programmes.

35 Reserves

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

	Specific reserves for support programmes	Other specific reserves-difference recognised in reorganisation reserve	General reserve capital	Total reserves
Reserves as of 1 January 2022	**200 193**	**(15 935)**	**37 089**	**221 347**
Decrease of Specific Reserves to General reserve capital at allocation of the profit for year 2021	(3 446)	-	3 446	-
2021 profit of the Company	-	-	13 829	13 829
Increase of reserve capital	3 525	-	-	3 525
Decrease of reserve capital	(58 565)	-	-	(58 565)
Reserves as of 1 January 2023	**141 707**	**(15 935)**	**54 364**	**180 136**
Increase of reserve capital	2 839	-	-	2 839
Increase of Specific Reserves from General reserve capital at distribution of the profit for year 2022	64	-	(64)	-
Reduction of Specific Reserves from General reserve capital at distribution of the profit for year 2022	(5 310)	-	5 310	-
2022 profit of the Company	-	-	11 484	11 484
Reallocation of general reserves to specific reserves attributable to support programmes	13 829	-	(13 829)	-
Decrease of reserve capital	(27 500)	-	-	(27 500)
Reserves as of 31 December 2023	**125 629**	**(15 935)**	**57 265**	**166 959**

35 Reserves (cont'd)

(2) 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 for mitigating the consequences of the Ukrainian war	Guarantees for mitigating the consequences of the Ukrainian war	Baltic SME Initial Public Offering Fund	Loans to Midcaps	Guarantees to Midcaps	Working capital loans	Loan holiday guarantees		
Specific reserves as of 1 January 2022	**17 686**	**2 375**	**5 788**	**4 500**	**-**	**-**	**-**	**22 565**	**20 000**	**58 148**	**44 316**	**24 815**	**200 193**
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)
Increase of specific reserves	1 452	2 073	-	-	-	-	-	-	-	-	-	-	3 525
Decrease of reserve capital, directing funds to risk coverage of program Loans with capital rebate	-	-	-	-	-	-	-	(22 565)	(20 000)	-	(16 000)	-	(58 565)
Specific reserves as of 31 December 2022	**19 138**	**3 308**	**5 788**	**4 500**	**-**	**-**	**-**	**-**	**-**	**56 465**	**28 130**	**24 378**	**141 707**
of which:													
Portfolio Loss Reserve (Specific Reserves)	*19 138*	*3 308*	*5 788*	*4 500*	*-*	*-*	*-*	*-*	*-*	*40 702*	*28 130*	*8 413*	*109 979*

35 Reserves (cont'd)

(2) 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 for mitigating the consequences of the Ukrainian war	Guarantees for mitigating the consequences of the Ukrainian war	Baltic SME Initial Public Offering Fund	Loans to Midcaps	Guarantees to Midcaps	Working capital loans	Loan holiday guarantees		
Increase of reserve capital*	2 839	-	-	-	-	-	-	-	-	-	-	-	2 839
Reserve capital redistribution **	-	-	-	-	21 500	12 500	-	-	-	(21 500)	(12 500)	-	-
Increase of Specific Reserves from General reserve capital at distribution of the profit for year 2022	-	-	-	-	-	-	-	-	-	-	64	-	64
Portfolio Loss Reserve (Specific Reserves) used to cover credit loss upon approval of the 2022 annual report	-	(1 906)	-	(482)	-	-	-	-	-	(1 914)	(537)	(471)	(5 310)
Reallocation of general reserves to specific reserves attributable to support programmes ***	-	-	-	-	-	-	13 829	-	-	-	-	-	13 829
Decrease of reserve capital	-	-	-	-	-	-	-	-	-	(17 500)	(10 000)	-	(27 500)
Specific reserves as of 31 December 2023	**21 977**	**1 402**	**5 788**	**4 018**	**21 500**	**12 500**	**13 829**	**-**	**-**	**15 551**	**5 157**	**23 907**	**125 629**
of which:													
Portfolio Loss Reserve (Specific Reserves)	*21 977*	*1 402*	*5 788*	*4 018*	*21 234*	*12 500*	*1 018*	-	-	*15 551*	*5 157*	*7 942*	*96 587*

* Item *Reserve capital for non-Covid-19 programmes* includes the following increases of Special Reserve capital for non-Covid-19 programmes of EUR 2,839 thousand in 12 months of 2023:

- Increase of EUR 363 thousand for housing guarantees in accordance with the decision of the Extraordinary Shareholders' Meeting of 10 March 2023, adopted on the basis of the Agreement of 10 December 2022 on state aid for the purchase or construction of a dwelling and the Agreement concluded on 15 December 2022 with the Ministry of Economics;
- Increase of EUR 320 thousand for housing guarantees in accordance with the decision of the Extraordinary Shareholders' Meeting of 10 March 2023, adopted on the basis of the Agreement of 10 December 2022 on state aid for the purchase or construction of a dwelling and the Agreement concluded on 19 December 2022 with the Ministry of Defence on transfer of funding to the program on state aid to soldiers of the National Armed Forces for the purchase or construction of a dwelling;
- Increase of EUR 1,980 thousand for housing guarantees in accordance with the decision of the Extraordinary Shareholders' Meeting of 30 October 2023 adopted on the basis of the Agreement of 10 December 2022 on the financing of the programme on state assistance for the purchase or construction of a dwelling, as well as the Agreement No 2 to this Agreement between AS "Development Finance Institution Altum" and the Ministry of Economics, signed on 25 December 2023;
- Increase in housing guarantees in the amount of EUR 176 thousand in accordance with the decision of the Extraordinary Shareholders' Meeting of 14 December 2023, adopted on the basis of the Agreement of 10 December 2022 on the financing of the programme on state assistance for the purchase or construction of a dwelling, as well as the Agreement No 1 of 27 September 2023 with the Ministry of Defence on the transfer of funds to the programme on state aid to soldiers of the National Armed Forces for the purchase or construction of a dwelling.

35 Reserves (cont'd)

** Item *Reserve capital redistribution* includes a decrease of Special Reserve capital for mitigating the consequences of COVID-19 in Q1 2023 by EUR 34 million:

- EUR 21.5 million for the program Loans for the financing of working capital in accordance with the decision of the Extraordinary Shareholders' Meeting of 10 March 2023, adopted on the basis of the Cabinet of Ministers' Regulation No.149 of 19 March 2020 "Regulations on loans of working capital to economic operators whose operations have been affected by the spread of Covid-19";
- EUR 8.5 million for the Credit Holiday Guarantee programme in accordance with the decision of the Extraordinary Shareholders' Meeting of 10 March 2023, adopted on the basis of the Cabinet of Ministers' Regulation No.537 of 5 September 2017 "Regulations on portfolio guarantees for the promotion of lending to small (micro), small and medium-sized economic operators - legal entities";
- EUR 4 million for the Credit Holiday Guarantees programme in accordance with the decision of the Extraordinary Shareholders' Meeting of 10 March 2023, adopted on the basis of the Cabinet of Ministers' Regulations No.150 of 19 March 2020 "Regulations on guarantees for economic operators whose operations have been affected by the spread of Covid-19".

** Item *Reserve capital redistribution* includes increases of Special Reserve capital for non-COVID-19 programmes of EUR 34 million in Q1 2023;

- EUR 21.5 million for the programme *Loans for mitigating the consequences of the war in Ukraine* in accordance with the decision of the Extraordinary Shareholders' Meeting of 10 March 2023, adopted on the basis of the Cabinet of Ministers' Regulations No.349 (Prot. No.32 §27) "Regulations on the loan program for mitigating the economic consequences of Russia Federation's military aggression against Ukraine ";
- EUR 12.5 million for the programme *Guarantees for mitigating the consequences of the war in Ukraine* in accordance with the decision of the Extraordinary Shareholders' Meeting of 10 March 2023, adopted on the basis of the Cabinet of Ministers' Regulations No.377 (Prot. No.33 §54) "Regulations on the guarantee program for mitigating the economic consequences of Russia Federation's military aggression against Ukraine".

** The item *Decrease of reserve capital* includes decreases of Special Reserve capital for COVID-19 reductions of EUR 27.5 million in Q3 2023:

- EUR 17.5 million for the Covid-19 loan programme, in accordance with the decision of the Extraordinary Shareholders' Meeting of 3 July 2023, adopted on the basis of Cabinet of Ministers Regulation No.662 of 6 July 2022 '"Amendments to Cabinet of Ministers Regulation No.503 of 6 July 2021 " Regulations Regarding Loans with Capital Rebate for Investment Projects of Merchants for Facilitating Competitiveness";
- EUR 10.0 million for the Covid-19 Guarantee Programme in accordance with the decision of the Extraordinary Shareholders' Meeting of 3 July 2023, adopted on the basis of Cabinet of Ministers Regulation No.662 of 6 July 2022 "Amendments to Cabinet Regulation No.503 of 6 July 2021 " Regulations Regarding Loans with Capital Rebate for Investment Projects of Merchants for Facilitating Competitiveness".

The reallocation of the funds resulting from the reduction in the specific capital reserve will be redirected to the financing of the Loans with capital rebate program. Thus, the reduction of the specific capital reserve by reducing the funding for certain support programs and the corresponding transfer of funding to liabilities of EUR 27.5 million for the financing of the loans with capital rebate program will ensure that the same nature of funding is maintained- funding for the implementation of a new support program and for the coverage of expected losses. The transfer of funding from the specific capital reserve will result in a corresponding reduction of the Portfolio loss reserve by EUR 27.5 million. The Risk coverage reserve in liabilities will increase by EUR 27.5 million.

*** The item Reallocation of general reserves to specific reserves attributable to support programmes includes, in accordance with the decision of the Extraordinary Shareholders' Meeting of 30 October 2023 taken on the basis of Article 5, paragraph 2, subparagraph 1 of the Development Finance Institution Law "In addition to the provisions of the Law on the Management of Public Entity Capital Shares and Capital Companies, the General Meeting of Shareholders shall decide on the amount of reserve capital and the policy for building up provisions" and Article 15, paragraph 2, subparagraph 1 "The reserve capital shall include a portion of the amount of expected losses (full or partial) of public funding received under the programme, determined in accordance with the risk management policy (hereinafter referred to as "expected losses")" and the Cabinet of Ministers' Minute Decision of 13 June 2023 "Information Report on the Establishment of the Baltic Initial Public Offering Fund for Small and Medium-sized Enterprises" (No.32 /41) the increase of special reserves by EUR 13,829 thousand by reallocating the above-mentioned funds from the general reserve for the establishment and implementation of the Baltic Initial Public Offering Fund for SMEs

35 Reserves (cont'd)

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 such are disclosed separately as Portfolio Loss Reserve within respective reserve capital.

According to the Cabinet of Ministers Regulation No 628 of 31 October 2023 "Amendments to Cabinet of Ministers Regulation No 503 of 6 July 2021 " Regulations Regarding Loans with Capital Rebate for Investment Projects of Merchants for Facilitating Competitiveness " (effective from 4 November 2023), additional funding of up to EUR 30.5 million for the loans with capital rebate programme for large and medium-sized enterprises is envisaged:

- Reallocation from the Ukraine Guarantee Programme (EUR 12.5 million) in accordance with Cabinet of Ministers Regulation No 377 of 21 June 2022 "Regulations on the guarantee program for mitigating the economic consequences of Russia Federation's military aggression against Ukraine "";
- Reallocated from the Ukraine Loan Programme (EUR 5 million) in accordance with Cabinet of Ministers Regulation No 349 of 14 June 2022 "Regulations on the loan program for mitigating the economic consequences of Russia Federation's military aggression against Ukraine";
- Reallocation of the reimbursed funding under the Covid-19 loan programme (up to EUR 13 million) in accordance with Cabinet of Ministers Regulation No 149 of 19 March 2020 "Regulations on loans of working capital to economic operators whose operations have been affected by the spread of Covid-19".

35 Reserves (cont'd)

(3) Analysis of 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 for mitigating the consequences of the Ukrainian war	Guarantees for mitigating the consequences of the Ukrainian war	Baltic SME Initial Public Offering Fund	Loans to Midcaps	Guarantees to Midcaps	Working capital loans	Loan holiday guarantees		
Portfolio Loss Reserve as of 1 January 2022	**17 686**	**2 375**	**5 788**	**4 500**	**-**	**-**	**-**	**22 565**	**20 000**	**58 148**	**44 316**	**24 815**	**200 193**
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 rebate	-	-	-	-	-	-	-	(22 565)	(20 000)	-	(16 000)	-	(58 565)
Portfolio Loss Reserve as of 1 January 2023	**19 138**	**3 308**	**5 788**	**4 500**	**-**	**-**	**-**	**-**	**-**	**56 465**	**28 130**	**24 378**	**141 707**
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	*-*	*(1 906)*	*-*	*(482)*	*-*	*-*	*-*	*-*	*-*	*(1 914)*	*(473)*	*(471)*	*(5 246)*

35 Reserves (cont'd)

(3) Analysis of 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 for mitigating the consequences of the Ukrainian war*	Guarantees for mitigating the consequences of the Ukrainian war	Baltic SME Initial Public Offering Fund	Loans to Midcaps	Guarantees to Midcaps	Working capital loans	Loan holiday guarantees		
Increase of reserve capital	2 839	-	-	-	-	-	-	-	-	-	-	-	2 839
Reserve capital redistribution	-	-	-	-	21 500	12 500	-	-	-	(21 500)	(12 500)	-	-
Increase of Specific Reserves from General reserve capital at distribution of the profit for year 2022	-	-	-	-	-	-	-	-	-	-	64	-	64
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2022 annual report	-	(1 906)	-	(482)	-	-	-	-	-	(1 914)	(537)	(471)	(5 310)
Reallocation of general reserves to specific reserves attributable to support programmes	-	-	-	-	-	-	13 829	-	-	-	-	-	13 829
Decrease of reserve capital, transfer to program Loans with capital rebate for capital rebate	-	-	-	-	-	-	-	-	-	(17 500)	(10 000)	-	(27 500)
Portfolio Loss Reserve as of 31 December 2023	**21 977**	**1 402**	**5 788**	**4 018**	**21 500**	**12 500**	**13 829**	**-**	**-**	**15 551**	**5 157**	**23 907**	**125 629**
of which:													
Portfolio Loss Reserve (Specific Reserves)	*21 977*	*1 402*	*5 788*	*4 018*	*21 234*	*12 500*	*1 018*	*-*	*-*	*15 551*	*5 157*	*7 942*	*96 587*
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2023 annual report	*-*	*(1 402)*	*-*	*(718)*	*(647)*	*-*	*-*	*-*	*-*	*717*	*2 030*	*73*	*53*

* Approved Portfolio Loss Reserve, determined at the initially larger planned volumes of new transactions and portfolio of the programme

36 Off-balance sheet items and contingent liabilities

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Contingent liabilities:		
Outstanding guarantees	480 025	481 013
Financial commitments:		
Loan commitments	88 846	61 233
Commitments to AIF "Altum capital fund" *	30 578	31 209
Commitments to investments in associates **	32 555	44 130
Commitments to other investments	21 123	29 859
Grant commitments	1 575	47 824
Total contingent liabilities and financial commitments	**654 702**	**695 268**

* Considering the investments made by AIF Altum capital fund as of 31 December 2022 (EUR 34.4 million) and the planned investments of EUR 7.4 million for existing portfolio companies, as well as scheduled contributions to cover management fee, the position " Commitments to AIF Altum capital fund" could decrease by EUR 22.5 million.

** Considering the investments are realized in the 2nd and 3rd generation venture capital funds and the subsequent liquidation of the funds, the position " Commitments to investments in associates" could decrease by EUR 5.7 million.

Impairment allowances for loan commitments, in thousands of euro:

	31.12.2023.	31.12.2022.
Unutilised loan facilities	88 846	61 233
Impairment allowances	(319)	(1 076)
Total unutilized loan facilities, net	**88 527**	**60 157**

Impairment allowances for grant commitments, in thousands of euro:

	31.12.2023.	31.12.2022.
Grant commitments	1 575	47 824
Impairment allowances	(25)	(376)
Total grant commitments, net	**1 550**	**47 448**

Analysis of the guarantee portfolio by client segments as at 31 December 2023, 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	11 582	(1 309)	346	(27)	-	-	11 928	(1 336)
SME and Midcaps	166 333	(10 348)	17 755	(2 865)	4 954	(3 074)	189 042	(16 287)
Private individuals	277 713	(24 738)	914	(114)	428	(404)	279 055	(25 256)
Total segments, gross	**455 628**	**(36 395)**	**19 015**	**(3 006)**	**5 382**	**(3 478)**	**480 025**	**(42 879)**
Additional provision for increased interest rates	-	(681)	-	-	-	-	-	(681)
Total segments, net	**455 628**	**(37 076)**	**19 015**	**(3 006)**	**5 382**	**(3 478)**	**480 025**	**(43 560)**

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

Breakdown of off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 31 December 2023, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
Contingent liabilities							
Outstanding guarantees	293 468 *	-	-	3	45 121	141 433	480 025
Financial commitments							
Loan commitments	88 846	-	-	-	-	-	88 846
Commitments to AIF "Altum capital fund"**	279	557	836	1 671	27 235	-	30 578
Commitments to investments in associates***	2 235	10 139	6 706	6 582	6 723	170	32 555
Commitments to other investments	333	665	998	1 996	10 250	6 881	21 123
Total financial commitments	93 268	11 361	8 540	10 249	44 208	7 051	174 677
Grant commitments	1 575	-	-	-	-	-	1 575
Total contingent liabilities and financial commitments	**386 736**	**11 361**	**8 540**	**10 252**	**89 329**	**148 484**	**654 702**

* 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.

** Considering the investments made by AIF Altum capital fund as of 31 December 2022 (EUR 34.4 million) and the planned investments of EUR 7.4 million for existing portfolio companies, as well as scheduled contributions to cover management fee, the position " Commitments to AIF Altum capital fund" could decrease by EUR 22.5 million.

*** Considering the investments are realized in the 2nd and 3rd generation venture capital funds and the subsequent liquidation of the funds, the position " Commitments to investments in associates" could decrease by EUR 5.7 million.

Breakdown of off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 31 December 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
Contingent liabilities							
Outstanding guarantees	305 461 *	-	-	7	30 835	144 710	481 013
Financial commitments							
Loan commitments	61 233	-	-	-	-	-	61 233
Commitments to AIF "Altum capital fund"	19	577	596	1 929	28 088	-	31 209
Commitments to investments in associates	2 622	5 243	7 694	13 669	13 461	1 441	44 130
Commitments to other investments	575	1 150	1 725	3 450	15 261	7 698	29 859
Total financial commitments	112 273	6 970	10 015	19 048	56 810	9 139	214 255
Grant commitments	47 824	-	-	-	-	-	47 824
Total contingent liabilities and financial commitments	**417 734**	**6 970**	**10 015**	**19 055**	**87 645**	**153 849**	**695 268**

* 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.

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

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. Additional information on classification of venture capital funds is available in Note 1.

Committed funding for investments in subsidiaries, associates and other investments, in thousands of euro:

		Committed funding		Uncalled committed funding	
	Contract period	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.
Investments in Associates					
KS Overkill Ventures Fund I	09.05.2026	3 200	3 200	599	626
KS Buildit Latvia Pre-Seed Fund	20.06.2026	4 160	4 160	520	1 352
KS Commercialization Reactor Pre-seed Fund	24.07.2026	4 160	4 160	479	1 746
KS INEC 1	29.11.2028	13 650	13 650	6 087	6 747
KS INEC 2	29.11.2028	5 850	5 850	2 985	3 562
KS Overkill Ventures Fund II	09.08.2026	1 800	1 800	267	743
KS Buildit Latvia Seed Fund	30.06.2026	2 200	2 200	729	1 192
KS Commercialization Reactor Seed Fund	22.08.2026	1 800	1 800	640	1 132
KS ZGI-4	14.08.2028	19 500	19 500	8 989	12 263
KS Baltcap Latvia Venture Capital Fund	22.01.2023	20 000	20 000	3 841	3 841
KS Imprimatur Capital Technology Venture Fund	10.06.2024	4 966	4 966	133	133
KS Imprimatur Capital Seed Fund (fund is in the process of liquidation)	11.06.2022	10 000	10 000	-	-
KS ZGI-3	31.12.2024	11 800	11 800	806	806
KS FlyCap investment Fund	31.12.2024	15 000	15 000	757	757
FlyCap Mezzanine Fund II	28.08.2029	12 790	12 790	4 124	6 110
KS Expansion Capital fund	31.12.2024	15 000	15 000	132	132
AIF "Altum capital fund"	02.09.2027	48 910	48 910	30 578	31 209
Baltic Innovation Fund I	01.01.2029	26 000	26 000	1 467	2 987
Other investments					
Baltic Innovation Fund II	12.07.2036	26 000	26 000	17 150	20 800
Three Seas Initiatives Investment Fund	27.02.2035	20 000	20 000	3 973	9 059
Total funding		**266 786**	**266 786**	**84 256**	**105 198**

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

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
At the beginning of period	(499)	698
Gain / (loss) from changes in fair value	221	(1 197)
Other comprehensive income	221	(1 197)
Revaluation reserve of financial assets measured at fair value through other comprehensive income	**(278)**	**(499)**

38 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 Altum shareholders	
	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.
Investments in venture capital funds	-	-	50 266	47 680	-	-
Investments in AIF "Altum capital fund"	-	-	16 327	17 701	-	-
Due to general governments	-	-	-	-	3 312	3 318
Support programme funding	421 510	228 737	-	-	159 139	86 327
Off-balance sheet financial liabilities for venture capital funds	-	-	32 555	44 130	-	-
Off-balance sheet financial liabilities for AIF "Altum capital fund"	-	-	30 578	31 209	-	-

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

	Received State aid funding		Issued State aid funding or funding paid back	
	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Transactions with shareholders				
Ministry of Finance of the Republic of Latvia	28 726	32 703	(7 886)	(13 054)
Ministry of Agriculture of the Republic of Latvia	-	-	(1 212)	-
Ministry of Economics of the Republic of Latvia	85 174	42 166	-	-
Associates				
Venture capital funds	10 397	12 429	(11 350)	(12 037)
Other companies owned by the Company's shareholders				
Rural Support Service	7 500	7 500	-	-
Central Finance and Contracting Agency of the Republic of Latvia	128 154	78 582	-	-
Ministry of Education and Science of the Republic of Latvia	2 925	2 245	-	-
Ministry of Culture of the Republic of Latvia	-	3 003	(1 892)	(3 070)
Ministry of Defence of the Republic of Latvia	528	-	-	-
Ministry of Wealth Fair of the Republic of Latvia	1 688	3 172	(629)	-

The remuneration of the members of the Supervisory Council, Audit Committee and the Management Board of the Company in 2023 amounted to EUR 802 thousand (2022: EUR 720 thousand), including social insurance tax.

	01.01.2023.-31.12.2023.	01.01.2022.-31.12.2022.
Remuneration to the Supervisory Council and the Management Board	650	583
to the Supervisory Council	*92*	*92*
to the Management Board	*558*	*491*
Social insurance tax	152	137
Total	**802**	**720**

39 Fair values of assets and liabilities

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

	Total carrying amount		Total fair value incl.		Level 2		Level 3	
	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.
Assets measured at fair value								
Financial assets at fair value through other comprehensive income - investment securities	9 743	9 515	9 743	9 515	9 743	9 515	-	-
Other investments	25 398	15 741	25 398	15 741	-	-	25 398	15 741
Investments in associates	66 592	64 645	66 592	64 645	-	-	66 592	64 645
Investment properties	68 246	53 453	68 246	53 453	-	-	68 246	53 453
Loans with capital rebate	13 088	-	13 088	-	-	-	13 088	-
Assets with fair values disclosed								
Due from credit institutions and the Treasury	702 788	571 667	697 557	571 667	697 557	571 667	-	-
Financial assets at amortised cost:								
Investment securities	38	39	38	39	-	-	38	39
Loans	349 360	317 859	335 975	325 250	-	-	335 975	325 250
Other financial assets	3 922	1 502	3 922	1 502	-	-	3 922	1 502
Total assets	**1 239 175**	**1 034 421**	**1 220 559**	**1 041 812**	**707 300**	**581 182**	**513 259**	**460 630**
Liabilities measured at fair value								
Support programme funding	580 649	375 280	580 649	375 280	-	-	580 649	375 280
Liabilities with fair value disclosed								
Due to credit institutions	32 038	36 290	32 038	36 290	-	-	32 038	36 290
Due to general governments	174 656	153 784	174 656	153 784	-	-	174 656	153 784
Liabilities from financial guarantees	47 319	45 852	47 319	45 852	-	-	47 319	45 852
Financial liabilities at amortised cost - Issued debt securities	85 533	85 513	82 127	85 513	-	-	82 127	85 513
Total liabilities	**920 195**	**696 719**	**916 789**	**696 719**	**-**	**-**	**916 789**	**696 719**

Loans with rebate

The fair value of loans with capital rebate is determined separately for (a) the planned capital rebate and (b) the component of the loan for which no capital rebate will be applied. The fair value is determined based on a discounted cash flow method using inputs that are primarily unobservable in an active market, which are based on the Company's assumptions and estimates and are regularly reviewed and adjusted based on the most recent information available.

The maximum amount of the capital rebate is determined at the time the loan is granted, but the actual amount of the capital rebate will depend on the performance of the financed project in the post-monitoring phase, taking into account the degree of achievement of the project's stated objectives, so the fair value calculation estimates the expected amount of the capital rebate based on assumptions about the timing and probability of the capital rebate being applied, allowing for the possibility that not all borrowers will achieve the stated project objectives to qualify for the capital rebate. The probability of the capital allowance being applied is determined by assessing the likelihood of each major project financed achieving its stated objectives or by using historical data on the amount of capital rebate applied. The expected amount of the capital rebate is discounted at a risk-free interest rate determined using the yield curve for AAA-rated euro area government bonds published by the European Central Bank.

The fair value measurement of the component of the loan to which the capital rebate will not be applied is based on assumptions about the expected future cash flows of the loan until maturity. The cash flows include the expected repayments of principal, reduced by the expected capital rebate at the date of application of the capital rebate, as well as interest payments and related costs (e.g. applicable administrative costs). To determine the fair value of future cash flows, the cash flows are reduced by the expected loss given default of the borrower's probability of default (PD) and loss given default (LGD) measures and discounted by the WACC (Weighted Average Cost of Capital). The WACC is determined using publicly available data (Aswath Damodaran database) on the average cost of capital in the banking sector.

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

Loans with rebate (cont`d)

The fair value of loans with capital rebate using discounted cash flow method is EUR 13,088 thousand as at 31 December 2023 and it includes EUR 9,883 thousand fair value of capital rebate and EUR 3,205 thousand fair value of loans to which the capital rebate will not be applied.

As of 31 December 2023, the Company has performed a sensitivity analysis of the fair value of loans with capital rebate to changes in the most influential inputs, in thousands of euro:

		Discount rate		Probability of capital rebate	
	Fair value	1 pp increase	1 pp decrease	1 pp increase	1 pp decrease
Capital rebate	9 883	(285)	300	107	(107)
Loans without capital rebate	3 205	(90)	95	(89)	89
Total	**13 088**	**(375)**	**395**	**18**	**(18)**

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.

Investment securities

Investment securities are measured applying quoted prices or valuation techniques using observable or unobservable market inputs or combination of both. The majority of investment securities recognised at fair value are the 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.

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

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 depending on existence of significant influence or control.

Investments in venture capital funds, are measured at fair value through profit or loss.

Investment properties

Investment properties are measured at fair value, which 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. Considering that the majority of investment properties consist of agricultural land plots, their fair value is determined using the comparative transaction method.

Support programme funding

Support programme funding are liabilities used to ensure the liquidity of the support programme and to cover expected credit losses, as well as to compensate the costs of managing the support programme. Expected credit losses of the support programme throughout the life of the programme are covered by the Risk Coverage Reserve, which is part of the support programme funding. The Company determines the fair value of the support programme funding once a year using the discounted cash flow method. The discounted cash flow method is used to determine the present value of the estimated expected credit losses in the next three years after the end of the reporting period in those support programme in which the Company is a principal and new volumes are issued. The Company uses internal information to estimate the expected credit losses, which are included in the cash flows in an amount that does not exceed the amount of the Risk Coverage Reserve at the end of the reporting period. On the other hand, the discount rate used in the calculations (see Note 2 (14)) reflects the Company's current financial market borrowing rate at the end of the reporting period. The discount rate is an unobservable input, therefore the Company performed its sensitivity analysis. If the discount rate were 1.0% higher/lower, while all other variables were unchanged, the carrying amount of the support programme funding would (decrease)/increase by EUR (230) / 238 thousand respectively.

40 Segment Information

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

- Loans
- Guarantees,
- Venture capital funds,
- Grants,
- Land Fund,
- 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.

40 Segment Information (cont'd)

Analysis of the operating segments for the period from 1 January 2023 till 31 December 2023, in thousands of euro:

	Loans *	Guarantees *	Venture capital funds	Grants	Land Fund	Management of AIF "Altum capital fund"	Other services	Total
Interest income at effective interest rate *(Note 4.1)*	16 799	-	-	-	1 876	-	-	18 675
Other interest and similar income:	2 767	4 146	63	-	17	-	3	6 996
of which, interest on loans (Note 4.2)	*1 485*	-	-	-	17	-	3	1 505
of which, interest on guarantees (Note 4.2)	-	2 944	-	-	-	-	-	2 944
Interest expense	(6 975)	(208)	(16)	-	(707)	-	-	(7 906)
Income for implementation of state aid programmes	2 810	2 101	2 202	2 666	-	-	45	9 824
Expenses to be compensated for implementation of state aid programmes	(2 177)	(1 172)	(2 138)	(1 609)	-	-	(45)	(7 141)
Gains from debt securities and foreign exchange translation	(2)	-	-	-	-	-	(1)	(3)
Share of profit/(losses) of investment in associates	-	-	3 064	-	-	-	-	3 064
Gains less losses from liabilities at fair value through profit or loss	-	-	(882)	-	-	-	-	(882)
Other income	-	-	-	14	8 503	210	270	8 997
Other expense	75	(171)	(209)	(40)	(448)	(210)	(13)	(1 016)
Staff costs	(3 462)	(478)	(434)	(688)	(266)	-	(437)	(5 765)
Administrative expense	(733)	(290)	(134)	(161)	(92)	-	(68)	(1 478)
Amortisation of intangible assets and depreciation of property, plant and equipment	(341)	(158)	(81)	(155)	(48)	-	(35)	(818)
Allowance for expected credit-losses, net	(5 581)	1 031	-	(177)	(10)	-	-	(4 737)
Profit or (loss) from assets held for sale revaluation	-	-	-	-	-	-	-	-
Total segment profit/(loss)	**3 181**	**4 801**	**1 435**	**(150)**	**8 825**	**-**	**(281)**	**17 810**
Financial assets at fair value through profit or loss	-	-	66 592	-	-	-	-	66 592
Other investments	-	-	25 398	-	-	-	-	25 398
Additions of property and equipment, intangible assets and investment property	313	94	25	121	8 898	-	22	9 473
Total segment assets	**742 941**	**171 153**	**172 046**	**79 217**	**97 551**	**-**	**53 177**	**1 316 086**
Total segment liabilities	**507 752**	**192 120**	**38 124**	**72 016**	**81 361**	**-**	**35 360**	**926 733**
Total off-balance	**88 682**	**480 025**	**53 678**	**1 575**	**164**	**30 578**	**-**	**654 702**

* The financial result of the segment also includes the financial result of the combined financial instruments, which are not disclosed separately in the segment analysis, but which include the component of financial instrument (such as a loan or guarantee) and the component of the capital rebate.

40 Segment Information (cont'd)

Analysis of the operating segments for the period from 1 January 2022 till 31 December 2022, in thousands of euro:

	Loan	Guarantees	Venture capital fund	Grants	Land Fund	Management of AIF "Altum capital fund"	Other services	Total
Interest income at effective interest rate *(Note 4.1)*	12 100	-	-	-	2 844	-	-	14 944
Other interest and similar income:	1 680	3 218	12	1	7	-	72	4 990
of which, interest on loans (Note 4.1)	*1 539*	*-*	*-*	*1*	*7*	*-*	*72*	*1 619*
of which, interest on guarantees (Note 4.2)	*-*	*3 061*	*-*	*-*	*-*	*-*	*-*	*3 061*
Interest expense	(2 147)	(96)	(4)	-	(713)	-	-	(2 960)
Income for implementation of state aid programmes	818	1 195	3 405	587	-	-	88	6 093
Expenses to be compensated for implementation of state aid programmes	(735)	(530)	(3 151)	(587)	-	-	(88)	(5 091)
Gains from debt securities and foreign exchange translation	43	50	4	-	-	-	-	97
Share of (losses) of investment in associates	-	-	(1 732)	-	-	-	-	(1 732)
Gains less losses from liabilities at fair value through profit or loss	-	-	3 075	-	-	-	-	3 075
Other income	-	-	1 007	5	4 650	485	61	6 208
Other expense	(338)	(84)	(132)	(36)	(485)	(485)	(10)	(1 570)
Staff costs	(3 627)	(875)	(46)	(1 400)	(246)	-	(317)	(6 511)
Administrative expense	(996)	(331)	9	(324)	(107)	-	(80)	(1 829)
Amortisation of intangible assets and depreciation of property, plant and equipment	(350)	(168)	(84)	(172)	(52)	-	(37)	(863)
Expected credit losses, net	(3 230)	92	-	(407)	13	-	165	(3 367)
Profit or (loss) from assets held for sale revaluation	-	-	-	-	-	-	-	-
Total segment profit/(loss)	**3 218**	**2 471**	**2 363**	**(2 333)**	**5 911**	**-**	**(146)**	**11 484**
Financial assets at fair value through profit or loss	-	-	50 703	-	-	-	-	50 703
Other investments	-	-	14 248	-	-	-	-	14 248
Investments in associates	-	-	11 097	-	-	-	-	11 097
Additions of property and equipment, intangible assets and investment property	217	68	17	94	3 920	-	17	4 333
Total segment assets	**555 335**	**151 112**	**162 433**	**74 252**	**89 970**	**-**	**66 486**	**1 099 588**
Total segment liabilities	**404 004**	**112 089**	**38 780**	**73 835**	**74 088**	**-**	**809**	**703 605**
Total off-balance	**61 060**	**481 013**	**73 989**	**47 824**	**173**	**31 209**	**-**	**695 268**

41 Events after the reporting date

There are no events outside the normal course of business since the last day of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2023 or through to the date of issuance of these financial statements.

Independent Auditor's Report

To the Shareholder of JSC Development Finance Institution ALTUM

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of JSC Development Finance Institution ALTUM (the "Company") as at 31 December 2023, and of the Company's financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union (EU).

Our opinion is consistent with our additional report to the Audit Committee dated 2 Aril 2024.

What we have audited

The Company's financial statements comprise:

- the statement of comprehensive income for the year ended 31 December 2023;
- the statement of financial position as at 31 December 2023;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Audit Services that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Audit Services.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable laws and regulations in the Republic of Latvia and that we have not provided non-audit services that are prohibited under Article $37.^{6}$ of the Law on Audit Services of the Republic of Latvia.

We have not provided non-audit services to the Company in the period from 1 January 2023 to 31 December 2023.

Our audit approach

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Translation note: This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Overview

	• Overall materiality: EUR 11,800 thousand, which represents approximately 0.9% of total assets. • Allowances for expected credit losses on loans and financial guarantees. • Valuation of investments in Venture Capital Funds.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	EUR 11,800 thousand
How we determined it	Overall materiality is approximately 0.9% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the appropriate benchmark for the Company, whose main financial objective is to implement state support programmes and secure availability of finances in order to contribute to the national economic development, against which the performance of the Company is most commonly measured by stakeholders. We chose 0.9% to be applied to the chosen benchmark as this is consistent with quantitative materiality thresholds used for public interest companies.

We have agreed with the Audit Committee that we would report misstatements identified during our audit above EUR 590 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Allowances for expected credit losses on loans and financial guarantees Refer to Notes 2 (15), 13, 18 and 30 to the financial statements on pages 35, 54 and 68 respectively. We focused on this area because the application of IFRS 9 “Financial instruments” expected credit loss (ECL) model for loans and financial guarantees requires complex and subjective judgements over both timing of recognition of impairment and their extent. The key features of the ECL model include classification of loans and guarantees into 3 stages, assessment of credit risk parameters and application of forward-looking information. The amount of impairment provision for the Company’s loans and guarantees is based on the model calculations that take into consideration the exposure at default, probability of default, and other known risk factors impacting the stage of each exposure. It also takes into account estimated future cash flows from the loan repayments or sale of collateral (loss given default), and ECL adjustments by expected impact of future macroeconomic scenarios. For all loans and guarantees in Stage 1 and 2 and insignificant loans in Stage 3, the expected credit losses are calculated using the ECL model, while for significant exposures and guarantees in Stage 3 ECL is calculated on individual basis and expert judgement is applied to determine a probability of default (PD) and loss given default (LGD). As at 31 December 2023 expected credit losses on loans amounted to EUR 25,490 thousand (refer to note 18) and expected credit losses for financial guarantees amounted to EUR 43,560 thousand (refer to note 18.1).	We have assessed whether the Company’s accounting policies in relation to the ECL of loans and guarantees are in compliance with the IFRS Accounting Standards as adopted by the European Union by assessing each of the following significant model components: exposure at default, probability of default and loss given default, definition of significant increase in credit risk, and the use of macroeconomic scenarios. We have assessed the design and operating effectiveness of the controls over relevant loan and guarantee data and ECL calculations. These controls included controls over accuracy of ECL model input data, monitoring of loan quality and approval of loans issued. Furthermore, we have performed detailed testing over the reliability of loan and guarantee data such as contract dates, interest and commission rates, collateral values and types, allocation of stages, including ageing and performing/non performing status and other inputs used in ECL calculation tools as at 31 December 2023. We have also performed detailed testing over macroeconomic factors used as inputs to ECL calculation tools. For a sample of individually assessed loans we have evaluated reasonableness of assumptions made by the Company’s credit expert regarding future cash flow scenarios, PD and LGD, appropriateness of ECL stage applied, accuracy of ECL calculation as well as existence and valuation of collaterals. We have involved a PwC expert to assess the ECL model and recalculate the allowances for credit losses for loans and guarantees assessed on a collective basis. We have tested the accuracy of input information used in the ECL model. We have also reviewed the credit risk disclosures.
Valuation of investments in Venture Capital Funds Refer to Notes 2 (15), 17 and 20 to the financial statements on pages 33 – 34, 57 and 59 respectively. The Company has significant investments in Venture Capital Funds (VCFs). They are classified in the financial statements as associates and valued at fair value through profit or loss.	We have assessed whether the Company’s accounting policies in relation to the valuation of investments in VCFs comply with the requirements of IFRS Accounting Standards as adopted by the European Union.

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Key audit matters	How our audit addressed the key audit matter
The fair value of the investments in VCFs are primarily determined using information about fair values of the underlying investments held by the VCFs. The underlying investments represent a combination of debt and equity instruments that are rarely traded in an active and liquid market. The Company uses discounted cash flow models in determining the fair values of the underlying investments. Consequently, significant judgement and assumptions need to be applied when determining the fair value of VCFs, most significant assumptions are applied with respect to discount rates and future cash flows. As of 31 December 2023, the total fair value of investments in VCFs reported by the Company amounts to EUR 66,592 thousand (refer to note 16.1).	We have reviewed the audited financial statements of selected VCFs and verified our understanding of their business performance and expectations of their exit values, which are considered to be representative of fair values of underlying investments, with the representatives of the Company responsible for monitoring of the performance of the underlying investments made by the VCFs. We have obtained the calculations of fair value of the underlying investments held by VCFs prepared by VCF managers and verified by the Company's valuation expert. We further involved our valuation experts to review the methodology used for fair valuation of underlying investments and significant assumptions used in valuations: discount rates and future cash flows. We verified spreadsheet formulas and mathematical accuracy. We have reviewed the contracts register and inspected a sample of new investments made by VCFs in companies. We also assessed the information contained in investment memos prepared on initial investment. We have also assessed the adequacy of disclosures about VCFs.

Reporting on other information including the Management Report

Management is responsible for the other information. The other information comprises:

- information about Altum, as set out on page 2 of the Annual Report,
- the Management Report, as set out on pages 3 to 13 of the Annual Report,
- information on the Supervisory Council and Management Board, as set out on page 14 of the Annual Report,
- the Statement of Management's Responsibility, as set out on page 15 of the Annual Report,
- key financial and performance indicators, as set out on pages 120 to 122 of the Annual Report,
- Corporate Sustainability Report for the year ended 3 December 2023, as set out on pages 123 to 164 of the Annual Report.

but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information identified above.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report, we also performed the procedures required by Law on Audit Services of the Republic of Latvia. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Corporate Sustainability Report for the year ended 31 December 2023, our responsibility is to consider whether the Statement of Corporate Governance includes the information required by section (3) of Article 56.^{2} of the Financial Instruments Market Law.

Translation note: This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the other information identified above for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Management Report has been prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia; and
- the Corporate Sustainability Report for the year ended 31 December 2023 includes the information required by section (3) of Article 56.[2] of the Financial Instruments Market Law.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report whether we have identified material misstatements in the Management Report and other information that we have obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the IFRS Accounting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based

on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the compliance of the presentation of the financial statements with the requirements of the European Single Electronic Format ("ESEF")

The electronic reporting format of the financial statements has been applied by the management of the Company to comply with the requirements of art. 3 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). Based on these requirements the financial statements have to be presented in XHTML format. We confirm that the electronic reporting format of the financial statements for the year ended 31 December 2023 complies with the ESEF Regulation in this respect.

Appointment and period of our audit engagement

We were first appointed as auditors of the Company on 14 December 2023.

The engagement partner on the audit resulting in this independent auditor's report is Ilandra Lejiņa.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejiņa
Member of the Board
Certified auditor in charge
Certificate No.168

Riga, Latvia
2 April 2024

Independent Auditor's Report is signed electronically with a secure electronic signature and contains a time stamp.

Translation note: This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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OTHER NOTES TO THE ANNUAL REPORT

OTHER NOTES TO THE ANNUAL REPORT

KEY FINANCIAL AND PERFORMANCE INDICATORS

Based on data from audited financial statements for the respective years

	2023	2022	2021	2020	2019	2018
Key financial data						
Net interest income (EUR '000)	17 765	16 974	16 717	14 572	11 569	11 302 *
Operating profit (EUR '000)	17 810	11 484	13 829	5 539	8 131	4 092
Profit for the period (EUR '000)	17 810	11 484	13 829	5 539	8 131	4 092
Cost to income ratio (CIR)	26.34%	38.83%	39.46%	47.51%	52.58%	74.84% **
Employees	255	234	226	211	203	222
Total assets (EUR '000)	1 316 086	1 099 588	976 204	850 704	560 061	495 939
Financial debt (EUR '000)	599 305	458 382	360 909	342 490	217 943	177 249
Tangible common equity (TCE) / Total tangible managed assets (TMA) *	**23.4%**	**27.0%**	**33.8%**	**33.6%**	**29.4%**	**31.7%**
Equity and reserves (EUR '000)	389 353	395 983	440 736	382 594	232 738	221 590
Total risk coverage: (EUR '000)	**370 211**	**297 218**	**285 954**	**180 205**	**87 456**	**77 815**
Risk coverage reserve	315 649	230 524	159 196	112 567	99 778	85 276
Risk coverage reserve used for provisions	(42 078)	(38 039)	(29 496)	(28 197)	(27 829)	(19 268)
Portfolio loss reserve (specific reserve capital)	96 587	109 979	159 700	102 264	15 507	11 807
Portfolio loss reserve used to compensate provisions upon approval of the annual report	53	(5 246)	(3 446)	(6 429)	-	-
Liquidity ratio for 180 days ****	430%	366%	518%	464%	582%	227%
Net Cash flows from operating activities (EUR '000)	35 724	89 535	49 555	21 966	39 813	7 997
Net Cash flows from financing activities (EUR '000)	9 009	3 525	43 768	165 800	18 700	12 013
Net Cash flow from investing activities (EUR '000)	(18 467)	(8 437)	4 553	(4 016)	(11 230)	8 307
Support instruments gross value (EUR '000), of which	**1 101 797**	**1 064 821**	**979 130**	**872 302**	**667 649**	**553 628**
Financial instruments gross value (EUR '000) *****						
Loans (excluding sales and leaseback transactions)	359 246	311 844	315 674	302 481	225 144	210 208
Guarantees	480 025	481 013	414 978	359 605	284 232	236 895
Venture capital funds	97 456	90 277	85 973	73 165	68 331	59 698
Land Fund, of which:	96 938	80 542	79 163	68 258	39 634	21 717
- sales and leaseback transactions	28 692	27 089	32 999	31 500	15 268	6 923
- investment properties	68 246	53 453	46 164	36 758	24 366	14 794
Total	**1 033 665**	**963 676**	**895 788**	**803 509**	**617 341**	**528 518**
Number of transactions	35 260	33 796	30 978	26 578	22 437	18 603
Volumes issued (EUR '000) (by financial instrument) *****						
Loans (excluding sales and leaseback transactions)	141 993	95 820	100 966	138 238	64 320	59 608
Guarantees	99 440	153 067	126 997	137 425	98 240	88 765
Venture capital funds	23 920	18 526	29 158	14 014	9 022	4 149
Land Fund, of which	17 676	7 414	10 595	28 191	16 384	10 823
- sales and leaseback transactions	7 916	3 105	3 254	16 796	7 239	6 835
- investment properties	9 760	4 309	7 341	11 395	9 145	3 988
Total	**283 029**	**274 827**	**267 716**	**317 868**	**187 966**	**163 345**
Number of transactions	4 846	6 539	6 579	6 147	5 559	5 590
Total contribution to the economy by volumes issued in the reporting period, including the contribution of the final recipients (EUR '000)	946 008	765 577	791 646	696 306	531 661	460 045
Leverage for raised private funding	229%	123%	177%	114%	142%	162%
Volume of support programmes funding per employee (EUR '000)	4 054	4 118	3 964	3 808	3 041	2 381
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1

* 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

Net income from interest	"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'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 budget.
Operating profit	"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.
Cost to income ratio (CIR)	"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.
Financial debt	"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". "Risk Coverage Reserve" is disclosed in the Note on Support Programme Funding to the Financial statements of Altum. "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.
Tangible common equity (TCE) / Tangible managed assets (TMA)	"Tangible Common Equity" (TCE) is calculated by subtracting the revaluation reserve of available for sale investments from total equity. The amount of "Total managed assets" (TMA) is calculated by adding the guarantees shown as off-balance sheet items to the total assets of Altum 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". Data for the calculation of both indicators (TCE, TMA) are obtained from Altum's Financial statements: Statement of Financial Position and Statement of Changes in Equity, notes - Off balance sheet items and contingent liabilities and Provisions. Altum uses the ratio "TCE/TMA" to evaluate Altum's capital position adequacy and to measure Altum's tangible common equity in terms of Altum'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.
Total risk coverage	"Total Risk Coverage" is the net funding available for covering the expected credit losses of the State aid programmes implemented by Altum. "Total Risk Coverage" is calculated as the total of "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'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. "Risk Coverage Reserve" is disclosed in the Note on Support Programme Funding to the Financial statements of Altum. "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. "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. "Total Risk Coverage" is key indicator to be used for assessment of Altum's risk coverage on implemented programmes and long-term financial stability.

Definition of ratios (cont'd)

180-day liquidity ratio	"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'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's ability to fulfil Altum's contractual and/or contingent liabilities during 6 (six) month with the currently available liquidity resources. "180-days-liquidity ratio" helps to manage Altum's liquidity risk in line with Altum's funding management objectives and risk framework. Risk and Liquidity Management Committee of Altum monitors its level on a quarterly basis.
Support instruments gross value	"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
Total contribution to the economy by volumes issued in the reporting period, including the participation of the final recipients, by volumes issued in the period	"The 'Total contribution to the economy by volumes issued in the reporting period, 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.
Leverage for raised private funding	"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.
Employees	Average number of employees in the report period excluding members of the Council and the Audit Committee.
Volume of support programmes funding per employee	"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.
Venture capital	The Venture Capital Funds presented at their gross value.

JSC DEVELOPMENT FINANCE INSTITUTION ALTUM

Corporate Sustainability Report
for the year ended 31 December 2023

(the 10th reporting period)

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General information

The Corporate Governance Report 2023 of the joint-stock company Attīstības Finanšu Institūcija ALTUM (Development Finance Institution ALTUM, hereinafter – ALTUM), unified registration No. 50103744891, is prepared in accordance with the requirements of Article 56(2)(3) of the Financial Instrument Market Law and based on the good corporate governance recommendations for capital companies in Latvia Corporate Governance Code (January 2021) (hereinafter – the Code) developed by the Corporate Governance Advisory Council. The recommendations were developed taking into consideration the requirements for companies provided in the legislation of the Republic of Latvia as well as corporate governance recommendations of the Organization for Economic Co-operation and Development. Besides, the Corporate Governance Report covers environmental, social and corporate governance (hereinafter – ESG) considerations based on the Nasdaq ESG Reporting Guide 2.0 (May 2019). ESG risk management principles and reflected information are based on ECB (European Central Bank) guidelines and TCFD (Task Force on Climate-related Financial Disclosures) Recommendations.

ALTUM is a Latvia state-owned company ensuring to enterprises and households access to financing resources by means of financial support instruments – loans, guarantees, investments in venture capital funds – in areas defined as important and to be supported by the state, thus developing national economy and in such a way enhancing mobilisation of private capital and financial resources.

In its day-to-day operations in implementing the state-delegated functions to foster the development of national economy and taking voluntary company responsibility for impact on society and environment, ALTUM acts in compliance with the organization's strategy and values. Our values define our daily activities, are reflected in our operations and conduct, and fully permeate our positive attitude and openness to changes and innovation. ALTUM's value system is designed to provide a clear perception of ALTUM to our external partners and clients as well as to our employees.

TEAM

We work professionally in a unified team together with our customers and partners, thereby creating and implementing effective state aid programmes that are relevant to our client's needs.

EXCELLENCE

Making use of our experience and creative perspective, we strive for excellence in everything we do. We constantly develop ourselves. We take on the complicated, yet finish with simplicity. We look at things and challenges creatively.

RESPONSIBILITY

We strive to reach our goals, pursue everyday work with efficiency, fairness and respect.

ALTUM is also the manager of the AIF "ALTUM capital fund" (hereinafter - the Fund) registered by the Financial and Capital Market Commission (integrated into the Bank of Latvia as of 1 January 2023) (hereinafter - FCMC). The fund was established in the spring of 2020 to support overcoming the impact of Covid-19. Its aim is to support well-managed, perspective large companies (Midcaps and large SMEs) that being under the virus impact are ready to adjust their operations by changing their business model, adjusting product development, introducing new technology, expanding into new export markets, thereby fostering their growth.

Strategy 2022 -2024

On 9 March 2022, the Supervisory Board of ALTUM approved ALTUM's Medium-TERM Operational Strategy 2022-2024 (hereinafter – the Strategy), underlining the importance of sustainable financing and ESG considerations both at product level and their full integration into ALTUM's credit risk management.

ALTUM continues to strengthen its role as a key partner of the Government in the implementation of financial instrument programmes and is actively involved in the development of new financial instrument programmes together with the relevant ministries.

According to ALTUM's Strategy since Q4 2022, there are available new programmes funded from the European Recovery and Resilience Facility (hereinafter – RRF), which target specific areas of support: climate change mitigation solutions, namely, improving energy efficiency in multi-apartment buildings and switching to renewable energy technologies, improving energy efficiency in enterprises, and construction of rental houses, while a programme for digitisation projects in enterprises was launched in February 2023.

In the Strategy period the following took place: loans with capital rebate for large investment projects started in December 2022 and continued throughout 2023, in Q4 2024, programmes to be financed from the EU funds during the new programming period (2021-2027) were launched. Setting up and launching of the 5th generation venture capital funds are planned. Support to the existing programmes for entrepreneurs as well as introducing brand new ones to promote business productivity, research and innovation are continued as well as supporting energy efficiency improvements in both multi-apartment buildings and private homes. Transitional funding from the European Agricultural Fund for Rural Development (EAFRD) is to provide additional funding for the Programme for Agricultural and rural development guarantees and the Programme for Loans for Enterprises for Rural Territories, while a new measure – loans with capital rebate for small rural businesses – is to be introduced with funding from the Common Agricultural Policy Strategic Plan 2023-2027.

ALTUM also continues to implement other ongoing state support programmes in areas identified as the state supported and prioritised, ensuring access to finance for enterprises at different stages of development and for specific target groups of the population.

ALTUM follows the demand in the financial market and current market failures, improving and adapting state support instruments to the needs of clients and cooperation partners as well as to economic policy priorities.

In order to prepare for the implementation of the EU InvestEU programme, a Pillar Assessment was carried out in the first half of 2023 in cooperation with the selected independent auditor. The Pillar Assessment is a prerequisite for ALTUM to apply for the role of InvestEU Implementing Partner and, in the future, also for the role of Direct Cooperation Partner in the implementation of EU funds, thus increasing the offer of new specialised and appropriate financial instruments for Latvian companies. The first phase of the assessment was completed in November 2023 submitting a draft report to the European Commission. Once the draft report agreed upon with the European Commission, the key recommendations to be implemented by ALTUM will be identified. The evaluation is expected to be finalised in 2024, after the European Commission has sufficient assurance on the execution of the recommendations, based on the information provided by ALTUM and the auditors' opinion. A decision on the submission of the application to become the InvestEU Implementing Partner has not yet been made.

Following strategic development directions and long-term objectives are set in the approved ALTUM Strategy or the period 2022 – 2024:

- The main financial objective in implementing the state support programmes is to ensure positive return on ALTUM's equity.
- The main non-financial objective is to support and facilitate availability of finances to business and to contribute to national economic development.
- ALTUM priority areas include issuing and servicing guarantees and loans, investments in venture capital funds in various growth stages, solutions for climate change mitigation including implementation of energy efficiency programmes in both the residential building 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
- The main target activities embrace support for entrepreneurs, farmers and certain categories of persons; energy efficiency; the 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.

ALTUM's objective is to continue ensuring the highest possible credit rating that is not more than two notches below the Latvian sovereign rating assigned by Moody's Investors Service (hereinafter – Moody's), the international credit rating agency.

Financial and non-financial targets

According to the ALTUM's Strategy, the following key financial targets on ALTUM's financial operations and non-financial targets driven by ALTUM strategic objectives, regulatory framework and policy planning documents in order to ensure the performance of functions assigned to public entity, were set:

- The Strategy anticipates a moderate increase in the volume of new transactions, with the volume of new transactions growing by 3.24% by 2024.
- ALTUM's gross portfolio of financial instruments is expected to grow at an average annual rate of 10%, reaching a total portfolio size of EUR 1.3 billion by the end of 2024.
- Contribution to economy by ALTUM volumes issued characterises a projected increase in ALTUM's impact on economic development by facilitating mobilisation of private capital and financial resources in the priority areas. In 2024, this indicator is planned at EUR 773 million level.
- *Return on Equity* (ROE) is planned to remain above 1.3% during the Strategy implementation period.
- *Equity* at the end of the reporting year is expected to show positive dynamics.
- To ensure ALTUM's financial efficiency, the Cost-to-Income Ratio is planned to be no more than 65%.

Information on achieving the 2023 non-financial targets set out in the Strategy:

New transaction volumes (incl. grants) reached EUR 289 million in 2023, which is by EUR 42 million less (-13%) than the targeted EUR 331 million in the Strategy for 2023. Reaching the indicator set in the Strategy was affected by smaller new transaction volumes in new support programmes – in investment loans' programme for the Midcaps with a capital discount (-13 million EUR) and in support programmes under the Resilience and Recovery Fund (-31 million EUR), in several existing support programmes, such as housing guarantee programmes (-10 million EUR) and in the guarantees' programme for Midcaps (-11 million EUR), which in turn was affected by the high interest rates, which continued to rise since the end of 2022 also in the first half of 2023, as well as in the Covid-19 support programmes (-20 million EUR), in which there were no new transactions in 2023, as the support programmes ended at the end of 2022 due to lack of demand. The volume of new transactions (-9 million EUR) was smaller than planned in the Strategy, also in grant programmes.

- **At the end of 2023, the gross portfolio (incl. grants)** amounted to **EUR 1,102 million** which is by EUR 93 million less (-8%) than the targeted EUR 1,194 million in the Strategy for 2023. The largest impact on the gross portfolio of support instruments (incl. grants) was left by the grant portfolio, which at the end of 2023 was by EUR 61 million less (-47%) compared to the one set in the Strategy (EUR 129 million) and the loan portfolio (excluding reverse rent transactions, which are included in the portfolio of the Land Fund), which at the end of 2023 was by EUR 49 million less (-12%) compared to the Strategy (409 million EUR), as well as the portfolio of venture capital instruments, which at the end of 2023 was by EUR 20 million less (-17%) compared to the Strategy (117 million EUR). Smaller portfolio volumes at the end of 2023 were affected by lower volumes of new transactions, which in turn were affected by high interest rates, inflation and the wait-and-see attitude of entrepreneurs and individuals towards taking on new credit obligations. Despite the unfavourable economic conditions, which also affected the guarantees' portfolio and the portfolio of the Land Fund, at the end of 2023 the guarantees' portfolio and the portfolio of the Land Fund were by EUR 30 million (+7%) and EUR 7 million (+7%) respectively higher than the one specified in the Strategy (EUR 450 million and EUR 90 million, respectively).

Financial and non-financial targets (cont'd)

By segment, the largest portfolio is formed by SMEs and Midcaps - 32.3% (31 December 2022: 35.1%), followed by Individuals - 31.5% (31 December 2022: 29.2%), Agriculture - 26.7% (31 December 2022: 26.2%) and Financial Intermediaries - 9.5% (31 December 2022: 9.4%).

- **Moody's credit rating** in the Strategy is set two notches below the Moody's rating assigned to the Latvian state. On 2 February 2024, Moody's reaffirmed ALTUM's **Baa1** long-term credit rating with a stable outlook, at the same level as that assigned on 16 December 2022 (and accordingly also in 2023). According to Moody's updated Government-Related Issuers Methodology published on 25 January 2024, Moody's no longer classifies ALTUM as a government-related issuer and has withdrawn its Baseline Credit Assessment of baa3. Henceforth, ALTUM's credit rating is assessed solely on the basis of Moody's Finance Companies Methodology. As of 2 February 2024, ALTUM has a standalone credit assessment that replaces the withdrawn Baseline Credit Assessment.

  ALTUM is one notch below the rating assigned to the Latvian state, which at the end of 2023 was A3, and was above the threshold set in the Strategy.

  ALTUM's long-term credit rating Baa1 is one of the highest assigned to Latvian capital companies and allows ALTUM to better implement its long-term strategy of raising funds by being a regular capital market participant and issuing bonds.

- **Total contribution to economy by ALTUM volumes issued in 2023** totalled **EUR 946 million,** which is by EUR 156 million more (+20%) than the targeted in the Strategy for 2023 (EUR 790 million).
- **The volume of the state support programmes (incl. grants) per employee** amounted to **EUR 4.5 million,** which is by EUR 0.6 million less (-8%) than the targeted in the Strategy for 2023 (EUR 5.1 million).
- **Voluntary employee turnover** was **8%**, which is below the indicator targeted in the Strategy (<10%) and above the same indicator of 2022 (+0.7%).
- **The number of trained employees** reached **96%,** exceeding the number targeted in the Strategy (>70%) and below the same indicator of 2022 (-2%).

In 2023, ALTUM met its main non-financial target as set out in the Strategy: **to support and facilitate availability of finances to business and to contribute to national economic development**.

Information on achieving the 2023 financial targets set out in the Strategy:

- In 2023**, Return on Equity ROE** was **4.7%,** which was above the indicator targeted in the Strategy (>=1.3%, + 1.8% in absolute terms compared to 2022);
- **The profit of EUR 17.8 million** exceeded the indicator targeted in the Strategy for 2023 (EUR 8.9 million, +EUR 6.3 million compared to 2022);
- **Equity (at the end of the year) totalled EUR 390 million** (EUR 414 million was targeted in the Strategy for 2023, - EUR 6 million compared to 2022). Lower equity at the end of 2023 compared to the one set in the Strategy can be explained by the reallocation of funding from specific reserve capital, intended to cover the risk of the Covid-19 support programmes, to liabilities for investment loans' programmes to Midcaps with a capital rebate, increasing the volume of the programme and keeping the same nature of the funding, i.e. funding to implement a new support programme and to cover expected losses.
- **Cost-to-Income Ratio was 26%** which was below the targeted in the Strategy(<=65%, -12% in absolute terms compared to 2022);
- **The 6-month liquidity ratio of 402%** was higher than the targeted ratio (>=100%, + 36% in absolute terms compared to 2022). In 2023, ALTUM received funding from several EU funds - at the beginning of 2023, funding from the the Resilience and Recovery Fund, and at the end of 2023, funding from the new EU funds' period 2021-2027, as well as funding from the EU funds' period 2014-2020 throughout 2023, which increased ALTUM's liquid assets. ALTUM maintained high liquidity;
- **Tangible common equity (TCE) / Total tangible managed assets (TMA**) was **23%,** which was above the indicator targeted in the Strategy (>=20%). Compared to 2022, this ratio decreased by 4% in absolute terms due to the change in equity (see the commentary to the indicator "Equity (year-end)"). In 2023, ALTUM's total assets under management

Financial and non-financial targets (cont'd)

increased by EUR 217 million (+ 20%), which also reduced this ratio. The above ratio shows that ALTUM has sufficient own funds to cover the risks associated with its operations.

In 2023, ALTUM's main financial target as set out in the Strategy was met: **to deliver a positive return on ALTUM's equity through the state support programmes.**

The deviations of some indicators from the targets set in the Strategy were not significant and had no negative impact on achieving ALTUM's main objectives and the implementation of the Strategy.

Additional information on the achievement of non-financial and financial targets is available in Annual Report for the year ending 31 December 2023 - the Management Report and Other Notes to the Annual Report.

Approving ALTUM's business plan and budget for 2024, the Shareholders' Meeting, in line with the Strategy, set the following key goals and objectives for ALTUM in 2024:

the main objective is to ensure, through the implementation of state support programmes, the growth of ALTUM's portfolio while maintaining a positive return on capital and efficiency;

goals and targets:

Cautious and wait-and-see attitude of entrepreneurs towards new investments and credit commitments, influenced by the high cost of resources, is expected to continue in 2024, therefore, ALTUM plans to be more involved in direct lending in areas where lending is scanty. At the same time, ALTUM plans to maintain its focus on launching programmes for the new EU programming period 2021-2027 as well as to continue implementing the Recovery and Resilience Facility (RRF) programmes and the programme for large investment loans with capital rebate.	To facilitate access to finance and make the granting of loans even more efficient and faster, an automated review process is planned for loan applications up to EUR 100 thousand.	Enhancing the role of venture capital instruments by introducing the 5th generation venture capital funds; it will play an important role in supporting the growth and development of innovative, technological and high growth potential companies as well as the IPO Fund to encourage both participation and activity in the capital markets.

Contribution to economy

ALTUM has a long-term vision for raising funding, with the aim of providing resources to finance business projects that are important to the national economy.

Total contribution to economy by ALTUM volumes issued in the reporting year:

In 2023: EUR 946 million

In 2022: EUR 766 million

In 2021: EUR 792 million

Internal control and risk-management system

Internal control

The purpose of the internal control system is to ensure the company efficient, sustainable and successful operation, accuracy of information provided, and compliance with the relevant laws and regulations and operating principles.

The internal control system of ALTUM has been designed to ensure efficient, sustainable and effective operation of the company, accuracy of information provided, and compliance with the relevant laws and regulations to provide a reasonable assurance that the assets of ALTUM are secured against loss and unauthorised management and use, operational risks are identified and managed on an ongoing basis, the amount of capital is adequate to cover the identified risks inherent in the operation of ALTUM, the transactions are performed in line with the procedures established by ALTUM, the company operates reasonably, prudently and efficiently in compliance with the legal requirements, and the drawbacks identified in the ALTUM management are timely eliminated.

The ALTUM management bears responsibility for establishing a comprehensive internal control system (ICS) and its effective functioning. Regarding the preparation of financial statements and veracity , impartiality, clarity and completeness of the information presented , this responsibility manifests as selecting adequate accounting methods, accordingly described in internal regulatory documents.

The **Internal Audit Division**, an independent body subordinated to ALTUM Supervisory Board, monitors ALTUM's internal control system and assesses its adequacy and efficiency. The Head of the Internal Audit Division is appointed by a decision of ALTUM's shareholders' meeting. The objective of the Internal Audit Division is to strengthen ALTUM's values and to help the Supervisory Board, Management Board and heads of business units to achieve their strategic and business objectives more effectively through independent and impartial assessment. Every year the shareholders' meeting approves the annual action plan of the Internal Audit Division, about the implementation of which the Internal Audit Division reports to the shareholders' meeting. The Supervisory Board supervises the Management Board in ensuring that the internal control system is established and operates effectively.

In 2023, the Internal Audit Division prepared 12 (2022: 11) audit reports in accordance with the agreed action plan, providing an assessment of the functioning of the process management and control system; they were presented to ALTUM Supervisory Board. During the reporting year, 47 (2022:63) audit recommendations were made, all recommendations are implemented where deadline has been incurred. Audit reports provide assurance to ALTUM management on business processes, e.g., Loan Programme for Companies Affected by the Economic Consequences of Russia's Military Aggression against Ukraine, Investment Loans with Capital Rebate for Midcaps, Compliance of the Internal Control System with the Regulatory Requirements Regarding ML/TPF Risk Prevention and Meeting Sanctions Requirements and Effectiveness of its Operation at AS Attīstības finanšu institūcija ALTUM, Personal Data Protection, Support for Social Entrepreneurship, Follow-up of the Investment Process in Venture Capital, Assessment of the Implementation of Audit Recommendations and its Impact on Process Change, and other audits.

The Internal Audit Division performs its functions in accordance with the applicable laws and regulations, international standards for the professional practice of internal auditing, and ALTUM's internal regulations. The Internal Audit Division prepares and submits to the shareholders' meeting, at least once a year, a report on the audits performed, the main problems and drawbacks identified, assessing the effectiveness of the internal control system and giving an opinion on the measures to be taken to improve the functioning of the internal control system.

Since 1 December 2017, ALTUM has an **Audit Committee;** among other things, it monitors the effectiveness of the internal control and risk management to the extent it relates to financial reporting and impartiality. The Audit Committee monitors ALTUM's financial reporting process and performs other duties as required by the Financial Instrument Market Law. The Audit Committee worked closely with the Internal Audit Division on the audits. In 2023 9 audit committee meetings were held and a total of 12 issues were discussed (2022: 10 committee meetings and 13 issues discussed).

ALTUM has an Accounting Policy and a Provisioning Policy, the purpose of which is to set out the principles, methods and rules relating to the items for accounting, measuring and presenting transactions, facts and events in financial statements. ALTUM management has established financial accounting principles that ensure that the financial statements provide information that is reliable and useful for decision-making of users of the financial statements. The Accounting and Provisioning Policies applied ensure that the information presented in ALTUM's financial statements is true, comparable, timely, significant, understandable, relevant and complete. ALTUM has internal regulatory documents governing financial reporting.

ALTUM's principles on the processing of personal data, recruitment processes including, provide information on the way ALTUM handles personal data through its internal resources, including information systems. Personal data is any information relating to an identified or identifiable natural person. In order to provide information on the processing of personal data, ALTUM gives the above information on its website under the section "Privacy Policy" in accordance with Regulation (EU) 2016/679 of the

European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

Risk management

Risk management aims to identify, assess, manage and control potential events and situations to provide assurance that the strategic objectives of the business are achieved.

ALTUM has a risk management framework, taking into account the Company size, structure and operational specificities as well as the limited capacity to manage individual risks. ALTUM manages risks affecting its operations in accordance with the Company approved internal regulations for risk management, which describe and define the measures used to manage risks inherent in its operations.

The following are the major risk management principles adhered to:

- risk management is part of day-to-day functions;
- ALTUM identifies and assesses potential risks before introducing new products or services;
- while assuming risks, ALTUM maintains its long-term capacity to meet its objectives and targets;
- ALTUM does not engage in transactions, activities, etc., which create risks that threaten the stability of ALTUM's business or which may significantly harm ALTUM's reputation.

ALTUM uses various risk analysis methods and tools to manage its risks, and sets risk limits and restrictions.

As the impact of Covid-19 diminished, ALTUM continued to monitor the portfolios exposed to the impact of Covid-19. Transactions that received relief because of the impact of Covid-19 are able to meet their obligations after the end of the relief period and no significant increase in defaults has been observed. The size of the portfolio of Covid-19 support instruments has significantly decreased in 2023, reaching EUR 14 million at the end of 2023 (31.12.2022: EUR 48 million).

Following the Russian invasion of Ukraine in February 2022, ALTUM has restricted any cooperation with Russian and Belarusian nationals and related companies, including

Since Russia invaded Ukraine in February 2022, ALTUM has restricted any cooperation with Russian and Belarusian nationals and related companies; moreover, changes were made in the ALTUM Policy for Prevention of Money Laundering and Terrorism and Proliferation Financing and Sanctions Compliance to the effect that ALTUM refrains from dealing with clients where the owners, ultimate beneficiaries or officials are Russian or Belarusian nationals. The Russian invasion of Ukraine led to imposing broad sanctions against Russia and Belarus and their legal entities and, to mitigate the sanctions risk, ALTUM imposed additional control measures during both the granting of financial instruments and the monitoring of the business relationship, and paid increased attention to the "Know Your Customer" approach, including an assessment of the customer's reputation, personal and business activities. ALTUM does not finance transactions aimed at the purchase of goods/services from persons registered in Russia or Belarus.

ALTUM monitors the changes to sanctions on an ongoing basis and follows the situation in Ukraine closely and continuously. ALTUM takes appropriate measures to see that potential direct or indirect impact on its business because of events in Ukraine or sanctions against Russia and Belarus are minimised, including but not limited to additional monitoring of transactions with clients whose core business could be affected by both the above factors. As part of its sanctions risk management, ALTUM conducts an in-depth analysis of clients and their business partners concerning their links with countries known to be or likely to be involved in circumventing the sanctions imposed against Russia and Belarus.

Along with the above, in 2023, ALTUM continued to take steps to identify potential clients in difficulty and to assess whether the increase in energy prices as well as the sanctions imposed against Russia and Belarus had directly or indirectly affected or might affect significantly clients' solvency as well as to ensure that direct and indirect effects were quantified and appropriate provisions made. In 2023, ALTUM assessed the impact of rising interest rates on the clients' ability to service their debts in the face of increasing costs, and also established an adequate general provision.

In managing the Fund, ALTUM follows the best practices of the private equity and venture capital industry: the Investment Committee includes independent industry experts carrying out investment appraisals and making investment decisions; reporting to the Fund's investors is carried out in accordance with Invest Europe guidelines, and investment valuation is carried out according to an established internal procedure based on the valuation guidelines approved by the IPEV Council.

The Annual Report is publicly available in Latvian and English at ALTUM's office at Doma laukums 4, Riga, and in an electronic form on the website https://www.ALTUM.lv/en/, under "FINANCIAL INFORMATION" in the section "FOR INVESTORS" and under "ABOUT ALTUM" in the section "FINANCIAL INFORMATION".

Risk management (cont'd)

Independent audit

The financial statements of ALTUM are independently audited, and the independent auditors state whether, in their opinion, the financial statements give a true and fair view of ALTUM's financial position, performance and cash flows in accordance with International Financial Reporting Standards as adopted by the European Union. PricewaterhouseCoopers SIA was the approved auditor of ALTUM's financial statements for 2023-2025. In accordance with EU Regulation No 537/2014 on specific requirements regarding statutory audit of public-interest entities, ALTUM Audit Committee was involved in the auditor selection

process in open tendering, which procedure is laid down in the Public Procurement Law.

The selection of the auditor was based on the following qualification criteria:

- the applicant is registered in accordance with the requirements of the laws and regulations of the country of registration or permanent residence.
  The requirement also applies to a partnership and all members of the partnership (if the tender is submitted by a partnership) or all members of an association of suppliers (if the tender is submitted by an association of suppliers), and to subcontractors (if the tenderer intends to use subcontractors);
- performing of at least three (3) audits of the IFRS financial statements of EU credit institutions within the previous three (3) years (2020, 2021, 2022 and 2023 up to the tender submission date), where the carrying amount of the credit institution's loan portfolio was not less than EUR 200 million;
- a license for providing the services of certified auditors;
- the auditor in-charge holds a certificate of a certified auditor;
- the applicant has no conflicts of interest to prevent from providing audit services;
- the applicant as well as any business partner of the applicant's network of audit firms (if the applicant is a business partner of a network of audit firms) has not provided to ALTUM any prohibited non-audit services referred to in Article 5(1)(2) of EU Regulation No 537/2014 of the European Parliament and of the Council during the period specified in Article 5(1)(1)and meets the requirements of Articles 4 and 5 of Regulation No 537/2014 of the European Parliament and the Council.

The following criteria were applied for the auditor selection:

- the most economically advantageous proposal with the lowest price;
- involvement of an expert in International Financial Reporting Standards in the performance of the contract.

Contribution to sustainability

The financial sector has a crucial role to play in achieving the European Green Deal objectives, including the transition to a climate-neutral, climate-resilient, resource-efficient and fair economy. Sustainability is a key part of ALTUM's business and strategy and has become an important strategic driver for the banking sector as well as for development finance institutions in Europe. ALTUM takes responsibility for the long-term economic, environmental and social impact of its day-to-day activities and continuously works to ensure that the investment decisions it makes in building its portfolio contribute to sustainable development, do not adversely impact sustainability factors and facilitates its clients' transition towards a sustainable economy and encourage responsible business practices.

In support of the Global Shared Agenda to halt climate change, eradicate poverty and fight inequality by 2030, ALTUM follows those companies committed to contributing to sustainable development and has prioritised the UN Sustainable Development Goals (UN SDGs), which are closely linked to the company operations and strategic objectives. The UN SDGs have been identified based on a stakeholder survey and the Company influence, as shown in ALTUM's materiality matrix (see further on in this section).

Impact	Materiality aspect	UN SDGs
Climate issues	Financial instruments for climate change mitigation Climate resilience considered in all financing decisions Raising awareness of climate change improving climate resilience Impact of own daily activities on climate	
Governance	Fair and ethical governance, anti-corruption Open communication and stakeholder involvement Sustainable procurement Cybersecurity, right to privacy and data protection	
Services	Promoting entrepreneurship, employment Governance decisions upon all financing issues Social considerations in all financing decisions	
Working environment	Employee health and safety Fair treatment of employees Staff training and development Diverse and inclusive working environment, gender equality	
Society	Fostering and strengthening the entrepreneurial spirit Promoting financial literacy in society Improving the economic status of women	

Sustainable finance

ALTUM's long-term performance can only be ensured by adhering to the principle of sustainable business, which consists of three interrelated and equally important ESG considerations - environmental, social and corporate governance.

Starting in early 2021, ALTUM's management stated as its priority sustainable financing and the integration of ESG considerations into credit risk management and business processes. This is also one of the objectives of ALTUM's Strategy 2022-2024 and was included as one of the five key targets in the Operational Plan 2022 approved by the shareholders' meeting.

In 2022, the Financial and Capital Market Commission developed a roadmap for a sustainable financial sector in Latvia with a view to clarifying the financial sector watchdog's expectations on the position and actions of financial and capital market participants in identifying and managing sustainability risks.

The aspects and steps towards sustainable finance included in the road map developed by ALTUM correspond to the road map developed by FCMC.

Sustainable finance (cont'd)

work is under way to expand the range of sustainable finance instruments	SMEs and Midcaps are promoted to move towards sustainable development through appropriate access to finance and incentives	overall, financial sector and public support is increased to accelerate the transition of businesses to a sustainable economy	internal processes are reviewed to integrate ESG considerations in financing decisions and further portfolio monitoring	staff competencies are developed in integrating sustainable finance and ESG considerations into risk management

ALTUM's ambitions for sustainable finance are realised voluntary and are driven by (i) the expectations of stakeholders, such as investors, credit rating agencies, international lenders, Nasdaq, for ALTUM to be a Latvian development finance institution with a highly significant impact on the Latvian economy, and (ii) eligibility requirements for public funding available from the EU Cohesion Policy and/or RRF instrument contributing to the Sustainable Europe Investment Plan/Green Deal Investment Plan, where ALTUM plays a critical role in the implementation of financial instruments in the SME sector in Latvia. The ambition level of ALTUM is also influenced by the sustainable financing framework already in place for part of ALTUM's portfolio (e.g., the portfolio financed under the ALTUM Green Bond Financing Framework 2021 (previously ALTUM Green Bond Financing Framework 2017)), taking into account the Green and Social Bond Principles published by the International Capital Market Association (ICMA)) and the Taxonomy Regulation. Although not binding on ALTUM, the Company follows the practices of

Contribution to sustainability (cont'd)

the international financial institutions sector in its day-to-day operations. Thus, the EBA (European Banking Authority) and ECB (European Central Bank) guidelines on the integration of ESG considerations in credit risk management, including lending and monitoring, are reviewed alongside with assessing their further integration into ALTUM's credit risk management processes, both when making financing decisions and improving ALTUM's internal processes.

Guided by the detailed ESG road map 2022, covering the integration of ESG aspects into credit risk management for ALTUM's loan and guarantee portfolios in the SME, Midcaps and Agriculture segments, in the 2nd quarter of 2023, a methodology for analysing the materiality of ESG risks was developed and an assessment of the sensitivity of loan, collateral and guarantee portfolios of the SME, Midcaps and Agriculture segments to transition risks and various physical climate risks was made. It is the starting point for managing both transition risks and physical climate risks so that decisions can be data-driven. In addition, it promotes the development of new sustainable financing product offerings to facilitate companies' successful transition to a climate-neutral economy, as well as the ability to successfully operate in supply chains, considering the significant changes in the sustainability requirement of companies' value chains. In the second half of 2023, work on the development of the ESG risk assessment matrix, ESG scoring model and development of a customized customer questionnaire to obtain information for the assessment of ESG risks and regarding the planned/actual customer sustainability key performance indicators (from now on: KPI's) data was completed.

The existing ALTUM's sustainable financing segments, defined by Green Bonds Framework 2021 - energy efficiency, renewable energy resources, passive housing, and sustainable transportation – are supplemented with a new segment - "facilitating the transition of companies towards climate-neutral economy". This segment comprises sustainable financing that facilitates the companies' resilience towards transition risks, strengthen competition and doesn't allow shrinking of market share and revenue challenged by value chains' sustainability requirements. "Sensitive" industries - industries with high consumption of fossil resources and/or highly exposed towards transition risks are of most focus. Sustainable financing solutions covers both the decarbonization of companies' supply chains and investments in the decarbonization of the company's product life cycle, as well as technologies ensuring lower CO_2 emissions for industrial operations requiring dedicated fossil-fired energy supply to achieve high temperatures, as well as investments to mitigate the effects of climate physical risks.

In the second half of 2023, the work on tagging current green/sustainable projects in the SME and Agriculture segments and the assessment of the CO_2 footprint of the loan portfolio of these segments continued.

In 2023 the tagging methodology for SME / Midcap and Agriculture segments' loan portfolio was developed in 2023. That will assist to label the projects within the following categories - (i) Taxonomy aligned, (ii) sustainable projects, (iii) eligible with Green bond Framework 2021, (iv) brown and (v) other projects.

The AIF "Altum Capital Fund" investments have been made, paying due attention to the ESG performance of the target company and the expected impact of related economic changes on the company's supply and value chains. In compliance with the requirements of The Sustainable Finance Disclosure Regulation, the Fund policy was published at the end of 2022, which reflects how the Company assesses the principal adverse effects of the Company's investment decisions on sustainability factors (Principal Adverse Impact report), in accordance with the requirements of Article 4 of SFDR. ALTUM identified principal adverse impact indicators that could be affected by ALTUM's investment decisions. In addition, ALTUM has identified material impact aspects – this allows ALTUM to mitigate any negative impact. At the beginning of 2024 principal adverse impact indicators of the Fund portfolio companies were summarised for the year 2023. Adverse impact indicators assess the adverse impact of investment decisions on sustainability factors. For note of record the principal adverse impact indicators of the Fund portfolio companies for the year 2023 do not imply adverse effects on sustainability factors caused by investment decisions.

ALTUM commits to following the best examples in the industry across Europe, which have expressed their firm stance by defining achievable goals and refusing to support unsustainable sectors and projects regardless of the source of funding. This includes refraining from financing energy production projects that rely on fossil fuels. Taking into consideration the outcome of materiality analyses of ESG risks carried out earlier in the 2023, the Sustainability strategy is under development planned to be approved in spring 2024. Among other things, the existing client portfolio will be reviewed, stimulating clients to move towards sustainable development as well as phasing out the financing of projects that do not meet ALTUM ESG considerations in credit risk management.

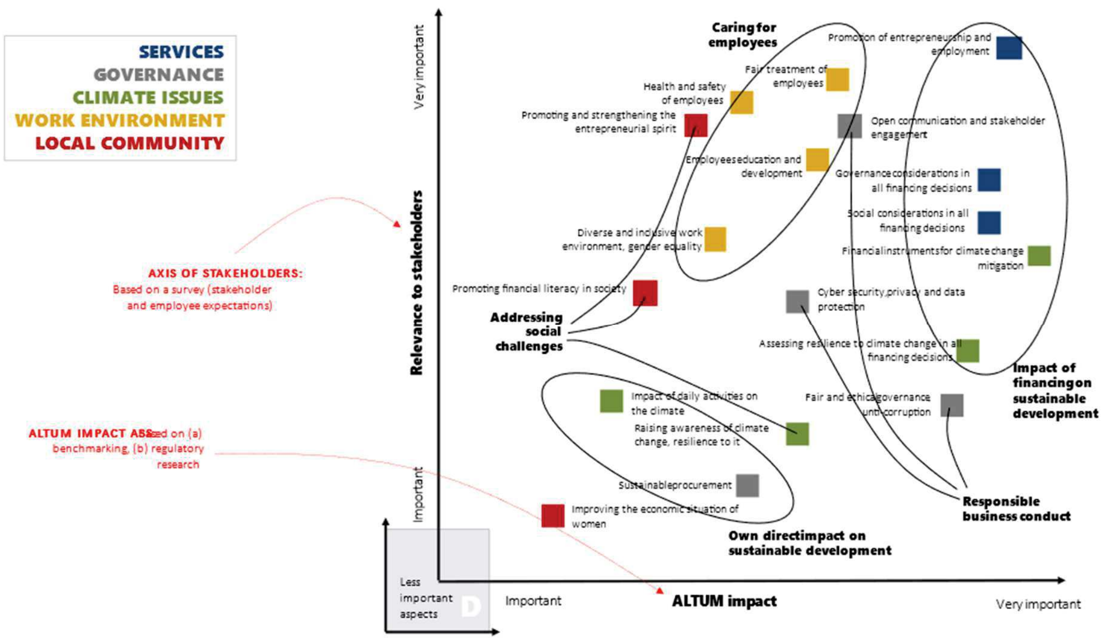
Double materiality matrix

ALTUM works closely with its stakeholders, and recognising ALTUM's specific role in the national economy identified the needs of stakeholders and address them. ALTUM is aware of and assesses the social, environmental and economic impacts of its activities and involves stakeholders in solving issues of mutual concern. In building relationships with stakeholders, ALTUM organises and engages them in consultations, partnerships, informative and educational events.

To establish ALTUM's materiality matrix for sustainability and define the ambition level for sustainable finance in the loan portfolio, stakeholder identification, mapping and a survey were carried out at the end of 2021 to identify the material aspects to be included in the sustainability content.

This process resulted in the identification of the most significant areas of impact and materiality aspects, reflected in the materiality matrix.

More information on ALTUM's double materiality matrix can be found here.



In 2024, there are plans to update the Materiality Matrix to monitor changes in stakeholder expectations and to comply with the new European Sustainability Reporting Standards (ESRS) requirements, which will be binding for ALTUM from 2026 onwards.

Environmental and social impacts of ALTUM-funded projects

Environmental projects

In 2017 ALTUM issued bonds as series of notes quoted on Nasdaq Riga for the total face value of EUR 20 million, becoming the first national development institution of a Central and Eastern European country to issue green bonds.

The funding attracted from issuing the Green Bonds is used to fund sustainable business projects in the fields of energy efficiency, energy generation from renewable energy resources, green buildings and sustainable transportation, including energy service companies (ESCO) servicing companies in these fields. To make sure the investors can follow ALTUM Green Bond 2021 investments and gain an insight into the funded projects, ALTUM published the annual ALTUM Green Bonds Investor report as at 30 June 2022.

To ensure investors' confidence that ALTUM will invest green bond funding in environmentally friendly projects and achieve certain environmental goals, CICERO (the Center for International Climate and Environmental Research, Oslo, part of the credit rating agency S&P Global since 2022) provided an independent opinion on ALTUM's Green Bond Framework in September 2017 and received a Medium Green assessment.

In the second half of 2021, ALTUM's Green Bond Framework 2021 was updated, taking into account the Green and Social Bond Principles published by the International Capital Market Association (ICMA) in June 2021. In December 2021, ALTUM received a renewed Medium Green assessment from CICERO.

Environmental and social impacts of ALTUM funded projects (cont'd)

Issuance of green bonds ensured ALTUM to become the first company from Latvia to join the Nasdaq Sustainable Bond Network globally in September 2021.

All the new programmes available within the framework of RRF funding have a sustainability focus in terms of the activities to be supported, but they are of different types and fall into the following groups: (i) climate programmes that ensure compliant with DNSH for the specific environmental objective of the Taxonomy (ii) a digitisation programme aimed at increasing productivity, and (iii) a rental housing programme with the social objective of reducing inequalities.

You can read more about programmes for business sustainability and energy efficiency here, while more information on apartment building energy efficiency can be found here.

ALTUM has developed energy efficiency competence centre. Team of experts consults companies on energy efficiency, energy audits, and technical documentation preparation for investment projects. Our team's expertise has been developed since 2017 when ALTUM issued Green Bonds to attract funds for financing sustainable projects. Our team's knowledge of energy efficiency solutions and market trends extends beyond standard solutions, providing additional value to our clients.

Over the course of four years, we have consulted on projects for various companies. If all the recommendations from energy audits were implemented, these projects would collectively contribute to saving 16,000 tons of CO_2e emissions annually. For more information about the Energy Grant, please see here.

Social projects

As a development financial institution, ALTUM ensures diversity and equal opportunities not only within its organization but also on a much broader scale, with a positive and meaningful long-term impact on a significantly wider range of individuals and society as a whole.

By making a direct contribution to the development of Latvian society, ALTUM ensures equal access to financing for:

(i) socially significant projects,
(ii) socially vulnerable groups,
(iii) business startups and development in rural areas regardless of profession or age, and
(iv) social enterprises, fostering social entrepreneurship and integrating individuals into the workforce who might otherwise struggle to fully integrate into society.

By financing socially significant projects, ALTUM's positive impact on promoting diversity and equality extends far beyond the organization's boundaries. Social objectives are achieved through financial instruments such as loans, guarantees, and investments in venture capital funds, which provide financial resources to businesses and households. Funding is allocated to areas identified by the state as supportable and significant, thereby promoting economic development and facilitating the mobilization of private capital and financial resources. The total amount of ALTUM's social entrepreneurship program is 12.6 million EUR, supporting 206 projects.

Environmental and social impacts of ALTUM funded projects (cont'd)

One of the social impact projects funded by ALTUM and implemented in 2023 is the "Rūre" Social Care Center in Liepāja, providing long-term social care, social rehabilitation, and medical services under one roof. The center sets an example of integrated care and introduces a new service model that sets new standards for Latvia's social care industry.

For several years, ALTUM has been implementing the "Small Loans in Rural Areas" program, providing opportunities for starting businesses in rural regions. This initiative helps reduce inequality between urban and rural areas while emphasizing equal opportunities for starting a business regardless of profession or age. The small loans in rural areas are specifically targeted at rural territories (outside cities!) where the availability of financing from the banking sector is significantly lower. With very accessible terms and low interest rates, entrepreneurs have been able to implement projects even in small villages and border areas. The annual volume of loans disbursed ranges from 7 to 9 million EUR, with an average loan size of approximately 30,000 EUR.

Below you can find an overview of ALTUM's new transactions promoting environmental and social goals over the past three years:

Since 2016, ALTUM is actively involved in improving the energy efficiency of multi-apartment buildings. In recent years, client interest and use of support experienced rapid growth. It should be noted that in 2022, the increase in client activity coincided with the change of EU programmes due to the change of EU programming periods, which consequently stimulated a significant activity at the end of the current programme. This resulted in significant volumes of new transactions in the Individuals segment, contributing to the achievement of the environmental objectives.

In the segment of multi-apartment building energy efficiency, 2023 was largely a transitional year, during which many potential participants of the new EU Recovery Fund program worked on developing project technical documentation and organizing the necessary decision-making by residents to start the project. This process was still influenced by the uncertainty caused by the global rise in interest rates and geopolitical events. It should be noted that in 2023, the implementation of projects from the previous EU planning period continued, affecting the capacity of authorized persons to simultaneously prepare and submit projects for the new Recovery Fund program. The first applications were submitted in 2023, and construction work on the first projects will begin in the 2024 construction season. Considering the relatively time-consuming process of project preparation, a faster increase in concluded transactions and completed projects is expected in the period from 2024 to 2026.

New transactions under the Energy Efficiency Programme for Multi-Apartment Buildings and Private houses in 2022 gave

3089 tCO_2e reduction p.a.

(total expected impact of the projects)

Environmental and social impacts of ALTUM funded projects (cont'd)

Since Green Bond issuance in autumn 2017, ALTUM has initiated active work on financing sustainable projects and market education.

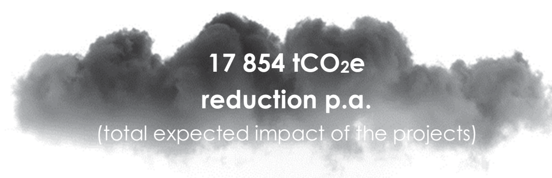
The Covid-19 pandemic significantly slowed down the interest of SMEs in projects aimed at improving energy efficiency, renewable energy resources, and sustainable transportation. Caution persisted in 2022, especially with the onset of the Russia-Ukraine war. It was only with the energy crisis that entrepreneur activity resumed, albeit cautiously, hoping for a quicker start to the RRF Energy Efficiency Program. This explains the relatively small volumes disbursed in 2022. Since there is a considerable time gap between the allocation of funding and project implementation for such projects, the funding allocated in 2022 but not yet disbursed amounted to EUR 10.9 million.

However, thanks to active efforts and favorable financing rates available to clients, there was a significant increase in the volume of loans disbursed in the SME segment for the implementation of sustainable projects in 2023 - EUR 28.1 million (compared to EUR 6.4 million in 2022).

In 2023, the disbursed funding was predominantly in the Renewable Energy Resources segment (51%), followed by the Energy Efficiency segment (48%), with a very small volume in the Sustainable Transportation segment (1%).

The new disbursed volumes in 2023 were positively influenced by the RRF Energy Efficiency Program launched in the second half of 2023, offering capital discounts, with a disbursement volume of EUR 4.2 million. Additionally, it is worth noting that the loans disbursed in the SME segment in 2023 have a high intensity of CO2 footprint reduction.

Impact from new volumes in 2023



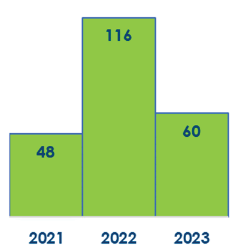
636 tCO_2e reduction p.a. per invested 1 MEUR
(total expected impact of the projects)

The above activities providing guarantees and grants under the programmes for improving energy in multi-apartment buildings and private houses in the Individuals segment and loans for sustainable projects in the SME segment resulted in the following volumes of new transactions contributing to reaching the environmental objectives:

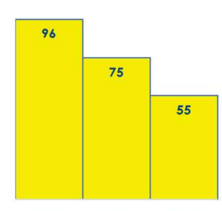
Providing guarantees for home purchase (Individuals segment) and a full range of state support financial instruments to companies to overcome the effects of the Covid-19 pandemic resulted in the following volumes of new transactions contributing to social objectives:

Below is a summary of new transactions in the Individual, Agricultural, and SME segments over the past three years.

New transactions contributing to reaching the environmental objectives 2020 - 2022, MEUR



New transactions contributing to reaching the social objectives 2020 - 2022, MEUR



ESG – Corporate Governance

To ensure the achievement and sustainability of ALTUM's strategic objectives, a corporate governance model was elaborated and developed. Starting with 2021, ALTUM applies the Corporate Governance Recommendations, incorporated in the Code.

Adherence to the principles of corporate governance set out in the Code contributes to the value growth of the company in the long term, its effective management and transparency of its operations. The principles are applicable at all levels of ALTUM, creating a successful system of interrelationships between shareholders, the Supervisory Board, the Management Board, employees, clients and the rest of society. ALTUM's day-to-day activities include open and trustworthy communication with all stakeholders as well as compliance with Latvian and international legal norms and ethical standards.

In assessing the compliance of ALTUM's corporate governance system with the corporate governance principles set out in the Code and the compliance of ALTUM's activities with these principles, it can be concluded that ALTUM fully complies with them as set out in the Code, except the principle "Independent members of the Supervisory Board".

Nomination and selection of the supreme governing bodies

Competent and experienced management is a precondition for effective business performance and decision-making that contributes to long-term value growth.

ALTUM's governance model is designed to follow good corporate governance practices, contained in the Code, separating strategic and operational management. The company has a three-tier governance structure. ALTUM is governed by a shareholders' meeting, the Supervisory Board and the Management Board. In the cases set out in the Law on Governance of Capital Shares of a Public Person and Capital Companies, decisions are also taken by the Cabinet of Ministers as the supreme decision-making body. Under the Commercial Law, both the Management Board and the Supervisory Board are jointly and severally liable.

Evaluating the compliance of ALTUM's corporate governance system with corporate governance principles set out in the Code and compliance with these principles in ALTUM's operations, ALTUM fully complies with the corporate governance principles defined in the Code, with exception of the principle "The Company's Supervisory Board has independent supervisory board members". The composition and terms of operation of ALTUM's Supervisory Board as well as the Management board are determined by the Law on Development Finance Institution (hereinafter - AFI Law)

According to Article 7 of the AFI Law, members of ALTUM Supervisory Board and Management Board are subject to the requirements set out in the Credit Institution Law for members of the Supervisory Board and the Management Board of a credit institution.

ALTUM Supervisory Board is composed of three members. Each shareholder is entitled to nominate one candidate for election to the Supervisory Board. Chairperson of the Supervisory Board is a member of the Supervisory Board nominated by the Ministry of Finance. ALTUM Management Board is limited to five members. The Supervisory Board elects Chairperson of the Management Board from among its members. The term of office of the Supervisory Board and the members of the Management Board is three years.

The procedure for nominating members of the Management Board and the Supervisory Board is governed by the Law on Governance of Capital Shares of a Public Person and Capital Companies and Regulations of the Cabinet of Ministers "The procedure for nominating management board and supervisory board members in capital companies where capital shares are owned by the State or derived public person". The holder of the state capital shares or the Supervisory Board of the capital company establishes a Nomination Committee to evaluate the candidates for membership of the Management Board or the Supervisory Board. The Nomination Committee includes representatives nominated by the holder of the state capital shares or the Supervisory Board and the Cross-Sectoral Coordination Centre (from 1 March 2023 the Cross-Sectoral Coordination Department of the State Chancellery) (hereinafter - SCC) as well as independent experts and, if necessary, observers with advisory rights.

Potential candidates for the Management Board and the Supervisory Board are selected through an application procedure. An exception is made only in cases provided for by law where a member of the Supervisory Board or the Management Board is reappointed for a new term of office or it is not possible to nominate a person for a term of office that would ensure the capacity of the Supervisory Board or the Management Board.

If it is not possible to nominate a candidate for a member of the Supervisory Board or the Management Board within a time limit which would ensure the institution's legal capacity, a candidate meeting the relevant criteria of professionalism and competence shall be appointed as a member of the Supervisory Board or the Management Board. The person so elected holds office until a member of the Supervisory Board or of the Management Board is elected in accordance with the nomination procedure laid down by law, but for no longer than one year.

Governance Structure

The nomination procedure for ALTUM Supervisory Board and Management Board members ensures the recommendations set in the Code on Corporate Governance and promotes good corporate governance in the Company.

Shareholders

Effective involvement of shareholders in decision-making helps to achieve the Company's financial and non-financial objectives and ensures its sustainability.

Finanšu ministrija

Baiba Bāne,

State Secretary of the Ministry of Finance,

continues as a representative of ALTUM shareholders

Ekonomikas ministrija

Edmunds Valantis,

State Secretary of the Ministry of Economics,

continues as a representative of ALTUM shareholders

Zemkopības ministrija

Raivis Kronbergs,

State Secretary of the Ministry of Agriculture,

took up his post as a representative of ALTUM shareholders; he was approved by the Cabinet as the State Secretary of the Ministry of Agriculture on 3 January 2022

Supervisory Board

The members of ALTUM Supervisory Board have relevant experience and expertise, and possess a range of skills and knowledge, including in the financial sector, business development management as well as corporate strategy and financial management. The Supervisory Board is gender-balanced and respects the principles of diversity.

Līga Kļaviņa

Chairperson of the Supervisory Board

Deputy State Secretary for Financial Policy at the Ministry of Finance of the Republic of Latvia. Prior to that, she held several senior positions in the Ministry of Finance, representing the interests of the Latvian State in state-owned companies as well as working for a long time in international financial institutions.

Holder of a Master's degree in Law from the Institute of International Affairs, University of Latvia.

Term of office: 26.12.2025

Ilze Baltābola

Member of the Supervisory Board

Experience in coordinating policies to improve the business environment and implementing business support programmes in Latvia.

Deputy Director of the Department of Entrepreneurship Competitiveness, Ministry of Economics.

Graduated from the Faculty of Economics and Management at the University of Latvia with a Master's degree in European Studies.

Term of office: for the period until a candidate is selected in accordance with the procedure laid down in the Law on Governance of Capital Shares of a Public Person and Capital Companies.

Jānis Šnore

Member of the Supervisory Board

15 years' experience in financial management and planning, currently Deputy State Secretary at the Ministry of Agriculture of the Republic of Latvia.

Holder of a Master's degree in Agricultural Science from the Latvian University of Agriculture (now the Latvian University of Life Sciences and Technologies) and a diploma in International Economic Relations from the Institute of International Affairs, University of Latvia.

Term of office: for the period until a candidate is selected in accordance with the procedure laid down in the Law on Governance of Capital Shares of a Public Person and Capital Companies.

Governance structure (cont'd)

ALTUM has a defined and comprehensible work organisation of the Supervisory Board and the availability of timely, high-quality and relevant information that facilitates effective performance of the Supervisory Board's tasks and full involvement of the Supervisory Board members in decision-making. In 2022, the Supervisory Board held 13 meetings, which addressed issues related to t supervision and management of ALTUM's activities as well as the work of the Audit Committee, the performance and independence of the Internal Audit Division, the functioning of the Internal Control System, the implementation and monitoring of state support programmes. The Supervisory Board was actively involved in the Strategy development.

Management Board

Reinis Bērziņš

Chairperson of the Management Board

Business management and finance professional with extensive experience in managing companies and institutions.

Holder of a Master's degree in International Finance and Banking from BA School of Business and Finance, a Master's degree in Business Administration from the Swiss Business School and a Master's degree in Law from the University of Latvia.

Main areas of responsibility: finance and resource management and sustainability management.

Member of the Supervisory Board of the Three Seas Initiative Investment Fund, an international investment fund, Chairman of the Advisers' Convention of BA School of Business and Finance. Chairman of the Supervisory Board of Riga Stradiņš University.

Managing ALTUM since 12 October 2015.

Term of office: 26.05.2024

Jēkabs Krieviņš

Member of the Management Board

Financial expert with more than 25 years of experience in the organisation and management of corporate lending, gained working in both the commercial banking and public financial institutions sectors.

Holder of a Master's degree in Business and Institutional Management from Riga Business School, a Certificate in Banking from BA School of Business and Finance and a Bachelor's degree in Economics from the Latvian University of Agriculture (now the Latvian University of Life Sciences and Technologies).

Main areas of responsibility: IT and technology development, ALTUM's customer and regional service centres, private housing guarantees, oversight of the Latvian Land Fund.

Member of the Board of the European Association of Guarantee Institutions (AECM)

Term of office: 26.05.2024

Inese Zīle

Member of the Management Board

20 years' experience in the financial sector, including more than 15 years managing various departments, as well as experience in the public sector.

Holder of a Master's degree in International Economics and Business from the University of Latvia.

Main areas of responsibility: development and implementation of ALTUM's state support programmes, energy efficiency in residential buildings, corporate client services, marketing and public relations.

ALTUM's representative on the Supervisory Board of the Finance Latvia Association. Member of the Supervisory Board of VAS Sadales tīkls.

Term of office: 26.05.2024

Ieva Jansone-Buka

Member of the Management Board

Experience in the financial sector, working in senior positions in both commercial and corporate banking.

Holder of a Professional Master's degree in business from the Stockholm School of Economics in Riga, a Bachelor's degree in Management and Political Science from the University of Latvia.

Main areas of responsibility: venture capital financial instruments, organisation and management of the lending process, export guarantees, implementation of the social entrepreneurship and energy efficiency programmes, compliance

Member of the Supervisory board of SIA Tet.

Term of office: 17.03.2024*

Juris Jansons

Member of the Management Board

More than 20 years of experience in operational compliance, financial crime prevention and risk management, gained in senior positions in the commercial banking sector.

A Master's degree in Law from the University of Latvia. In addition to many years of experience in the field of anti-money laundering, holding CAMS certificate.

Main areas of responsibility: risk management, anti-money laundering and countering the financing of terrorism and proliferation, legal and, administrative management, monitoring of client liabilities and human resources.

Term of office: 08.01.2026

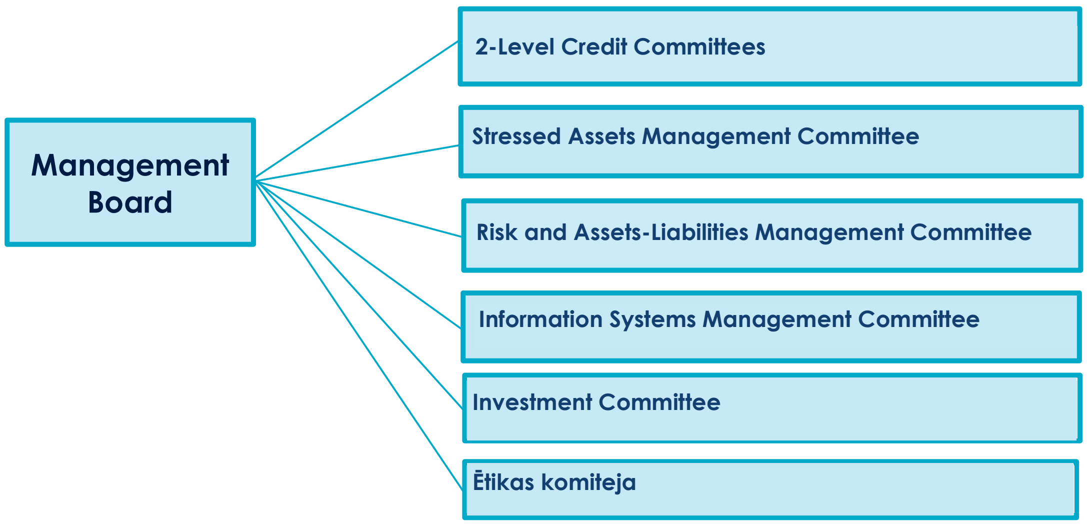
Governance structure (cont'd)

During the reporting period, there were changes in the Management Board as Juris Jansons was elected as its Member by the Supervisory Board on 9 January 2023.

* On 25 January 2024, the Supervisory Board re-approved Ieva Jansone-Buka as a Member of the Management Board for a new term of office from 18 March 2024 to 17 March 2027.

In 2023, the Management Board held 71 meetings.

Committees were established by a decision of the ALTUM Management Board. Their main tasks, rights and responsibilities, principles of operation as well as the rights and obligations of the members of the Committees are set out in the Committee Regulations.



Information on ALTUM management, ALTUM shareholder representatives, ALTUM Audit Committee and ALTUM governance is available on ALTUM's website www.ALTUM.lv, in the "ABOUT ALTUM" section under "Corporate Governance".

The remuneration of the Supervisory Board and the Management Board is determined by the legislation of the Republic of Latvia - the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Cabinet Regulations issued on the basis thereof. The law establishes a uniform framework for the remuneration of the members of the Supervisory Board and the Management Board of state owned companies. SCC Guidelines for Determining the Remuneration of Members of the Management Board and the Supervisory Board of a Capital Company of a Public Person and a Public Private Capital Company define the procedure for payment of a bonus or variable remuneration to the Management Board after the approval of the annual report and assessing the performance of the company, its Management Board and Supervisory Board in the reporting year.

Transparency of the company's operations

Transparency is the foundation for effective investor relations and successful communication with shareholders and other stakeholders. ALTUM regularly and timely informs shareholders and other stakeholders about the company business activities, financial performance, governance and other relevant issues, disclosing accurate, complete, objective, up-to-date and reliable information. The Company's website publishes information on governance, the strategy and the lines of business, the annual report as well as the articles of association, the Code of Conduct guidelines, company key policies and the corporate governance report.

Disclosure is made within the time limits prescribed by law or immediately after the occurrence of an event requiring disclosure. The information is disclosed in Latvian and English.

ALTUM has its regulated information as well as internal and external communication procedures. On behalf of the company, authorized persons answer inquiries made by investors and stakeholders as well as communicate with the media. In October 2017, ALTUM started listing on Nasdaq Riga, and regularly ALTUM discloses information in accordance with the "Procedure by which Nasdaq Riga OMX issuers disclose information" and ALTUM's internal rules.

Organisational culture and ethical conduct

ALTUM has zero tolerance for bribery and corruption and prohibits it in any form, directly or indirectly. ALTUM does not engage in corrupt practices and fully condemns them. To ensure adequate management of corruption, bribery and conflict of interest risks, ALTUM has established an organizational control system that ensures preventive risk management and a control environment that aims to prevent corruption risks by preventing conflict of interest and corrupt practices and bribery in decision-making and in the working environment in general.

ALTUM's ethical principles are laid down in the Ethical Code and serve as the standard of conduct for ALTUM management and all employees. The Ethical Code comprises guidelines for employees' day-to-day communication with colleagues, customers, business partners; it helps create a responsible, safe and comfortable working environment, which in turn promotes loyalty and ethical conduct among employees, thus ensuring the attainment of the Company's long-term goals.

ALTUM provides a number of secure and protected channels, among them for raising an alarm, in order to detect any possible bribery or corruption activity, or any violation of anti-corruption laws and regulations. No complaints about corruption or whistleblowing reports were received in 2022.

Stakeholder management

Regular and meaningful communication with stakeholders is an important tool in identifying and addressing issues relevant for each stakeholder group. ALTUM stakeholders have been identified while recognising ALTUM's specific role in the national economy. As a development finance institution, ALTUM ensures access to finance for defined groups of entrepreneurs and private individuals. This support provides a positive and meaningful long-term impact on the society.To ensure effective cooperation ALTUM communication practices are tailored for the needs of each stakeholder group.

- **Clients**

ALTUM's client service network is subordinated to the Company's main non-financial objective to promote access to finance for business. This is achieved by maximising the availability of staff advice to all customer segments, both face-to-face and remotely.

Clients are offered face-to-face consultations in all regions of Latvia, and employees regularly visit clients to get to know their business better.

Efficient customer service system for clients who wish to communicate remotely. ALTUM offers fully remote customer service starting with a consultation and loan application to the decision-making.

In order to improve remote servicing and reduce the need for paper, the staff encourages clients to use electronic signatures.

For the second year, client satisfaction was measured by their feedback to an on-line survey. All clients of our lending services were requested to complete it. The survey asked clients to comment on the simplicity and clarity of the processes, the competence and responsiveness of the staff, the performance of the client portal, the speed of decision-making and other important aspects of client service.

- **Employees**

Employee involvement is essential for the improvement of ALTUM's working environment, safety, training processes, etc., as well as for the development of new ALTUM business lines, the creation, implementation and improvement of support programmes. Employees' views are sought periodically through employee surveys, in cooperation with their authorised representatives, working groups, hackathons, etc.

- **Shareholders and supervisory board**

Shareholders

Transparency is the foundation for effective investor relations and successful communication with shareholders and other stakeholders. ALTUM regularly and timely informs shareholders and other stakeholders about the company business activities, financial performance, governance and other relevant issues, disclosing accurate, complete, objective, up-to-date and reliable information.

Shareholder involvement in decision-making contributes to achieving company's financial and non-financial objectives and ensures its sustainability.

Supervisory board

Supervisory board represents interests of the shareholders, oversees work of the management board, participates in strategic development of JSC ALTUM and supervises its financial and risk management. ALTUM has defined procedure for organisation of work of the supervisory board and the availability of high-quality information. This allows for an effective performance of supervisory board members and their inclusion into decision-making process..

More information on JSC ALTUM's shareholders and supervisory board can be found here.

- **Investors**

Sound financial, risk and corporate governance is a prerequisite for well-organised and successful investor relations. Regular bond emissions on NASDAQ Riga since 2017 have strengthened ALTUM's position as an active member of the capital markets. Investor road show and consistent communication is an integral part of preparation for bond emission. Provision of high-quality quarterly financial and operational information and stock market notifications on significant operational events at ALTUM are an inherent part of investor relations. ALTUM carries out these activities with highest responsibility and diligence.

- **Financial sector**

For the assessment of collaboration partners, specifically banks, ALTUM conducts an annual survey where bank employees provide feedback on the services provided by ALTUM, employee competence, and evaluate past collaborations.

- **Policy makers, governmental or regulatory institutions**

ALTUM collaborates with ministries of Republic of Latvia to identify priorities and needs of policy-makers as well as problems facing their industries. This allows for an efficient cooperation between institutions in development of support instruments for respective industries.

- **Suppliers**

ALTUM works on development of supplier code of conduct to ensure collaboration compliant with environmental, social and governance aspects.

- **Professional associations and educational institutions**

To promote scientific and entrepreneurial cooperation, youth involvement in scientific research, quality research and commercialisation of innovative ideas, ALTUM cooperates with Latvia University of Life Sciences and Technologies, BA school of Business and Finance, Rezekne Academy of Technologies and Vidzeme University of Applied Sciences.

ALTUM promotes innovative agricultural practices and their real-life application by providing financial support to the best scientific research from Latvian academy of Agriculture and Forestry. Collaboration with BA School of Business and Finance ensures involvement of new finance professionals in developing research on availability and effectiveness of financial instruments. This allows new professionals to link their academic studies with development and current practices of financial sector.

- **Non-Governmental organisations, experts and professional associations**

ALTUM cooperates with industry experts and organisations to align financial product development with interests of entrepreneurs and other parties involved. ALTUM is open to advice of experts and professional organisation in creating new and improving current financial products.

Highlights and achievements 2023

Moody's Investors Service	Nasdaq Baltic Awards 2023	FIGURE	BRONZAS STATUSS I 2023 DAŽĀDĪBAI ATVĒRTS DARBA DEVĒJS	
Long-term credit rating Baa1	Best Investor relations in the Baltics among Bond Issuers	2nd place in "Fair Pay 2023" organised by Figure Baltic Advisory	"Employer Open to Diversity 2023" by Society Integration Foundation	Platinum category award in the Sustainability Index

On February 2, 2024, Moody's reaffirmed **ALTUM's long-term credit rating at Baaa1 with a stable outloo**k, which is the same level as confirmed on December 16, 2022. According to Moody's updated Government-Related Issuers Methodology published on January 25, 2024, ALTUM is no longer classified as a government-related issuer, and its baseline credit assessment (baa3) has been withdrawn. As of February 2, 2024, ALTUM has been assigned a separate standalone credit assessment at the previous baa3 level, replacing the withdrawn baseline credit assessment. ALTUM initially received the Baa1 long-term credit rating in 2017, which is one of the highest among Latvian state-owned enterprises. This high rating allows ALTUM to successfully implement its long-term financing strategy by regularly issuing bonds. Financial market resource mobilization ensures ALTUM's financing source diversification, promotes sustainability and self-sufficiency in financing mobilization, while also fostering the development of the Baltic capital markets.

ALTUM was awarded 3rd place in the Nasdaq Baltic Awards 2023 nomination "Best Investor Relations in the Baltics among Bond Issuers". To be awarded, the Nasdaq Baltic listed companies were judged on their achievements in transparency, investor relations and good corporate governance practices. Moreover, the companies trading activity was assessed, taking into account market analysts and investors' assessments.

In 2023, ALTUM received high acclaim for its fair and equitable approach to determining compensation. In the "Fair Pay 2023" study conducted by the compensation research and management consulting firm Figure Baltic Advisory (formerly known as "Fontes"), ALTUM obtained the second place in the category of small and medium-sized enterprises. Several aspects were evaluated when analyzing companies: internal fairness (compensation for equivalent or similar-value positions within the company), external fairness (company-paid compensation relative to similar positions in the labor market), and social fairness (the gap between male and female compensation for equivalent positions). Among the criteria considered was the gender ratio in leadership positions, starting from middle-level management.

Similarly, in 2023, ALTUM's efforts in promoting diversity were recognized. In the evaluation by the Society Integration Foundation's "Employer Open to Diversity 2023" assessment, ALTUM was awarded bronze status, affirming its dedication to implementing diversity principles and its commitment to fostering an inclusive work environment. The award was designed to promote tolerance towards diversity in Latvian businesses and the job market, as well as to enhance societal understanding of the concept of diversity, while also sharing examples of best practices.

For the third year running, ALTUM participated in the Sustainability Index organised by the Institute for Corporate Sustainability and Responsibility, which assesses a Company's sustainability according to international requirements in all areas of corporate social responsibility. In 2022 for the second consecutive year, the company received the Platinum category award. The Sustainability Index score is one of the visible manifestations of the invisible day-to-day work that companies are doing to uphold the principles of corporate sustainability and responsibility, balancing the interests of shareholders, employees, customers, the environment, business partners and others with the conditions for sustainable performance, thereby becoming the leaders of tomorrow.

ESG - Environment

ALTUM runs a continuous environmental management and operational improvement cycle, including the revision of its long-term and short-term environmental targets to find a balance between efficiency of business operations and their impact on the environment and quality of life.

ALTUM is aware of its impact on climate change, as well as the impact of climate change on ALTUM's operations. ALTUM's environmental policy defines its objectives and commitment to conduct its activities with the least possible negative impact on the environment, both directly and indirectly.

As the Latvian development finance institution, ALTUM's environmental impact is mostly indirect and comes from the support programmes it provides to its clients. ALTUM recognises its important role as a state owned company and a financial sector player in achieving the ambitious targets set out in the National Energy and Climate Plan 2021-2030. ALTUM's credit policy as well as its cooperation with other financial sector actors are frequently reviewed in line with these challenges.

ESG risk management

The term of environment, social and governance (ESG)comprises approach that drives adequate business pattern of the organisation. In recent years the importance of ESG has increased significantly since the policy makers, finance sector and the society draw more and more attention towards companies impact upon society and their contribution towards climate change mitigation. Upon realisation of any ESG risk, negative impact upon credit risk, assets, financial and profit indicators or reputation of ALTUM might incur.

Analyses of materiality of ESG risks upon ALTUM. In 2023 the methodology for analyses of materiality of ESG risks upon ALTUM was developed and the materiality assessment of ESG risks upon ALTUM was carried out. The materiality assessment of ESG risks primary represents the risks that might impact the ALTUM's credit exposure portfolio (loan portfolio, collateral portfolio and guarantee portfolio) triggered by its customers' business operations industry, financed project's industry and geographical location of the client or the financed project. Within materiality analyses of ESG risks ALTUM credit exposure portfolio per loan, collateral and guarantee portfolios of the SME / Midcaps and Agriculture segments towards climate risks - transition risks and various physical climate was assessed. In light of the amortisation structure of ALTUM loan portfolio the climate risks are assessed in the following time scale – (i) until the year 2025, (ii) 2026 – 2040, (iii) behind the year 2040.

The Transition risks substantially impact the economic activities of the companies with further direct effect upon ALTUM by the companies' debt service capacity or maintenance the market value of the collateral. Transition risks might be directly or indirectly invented by transition process of the customers towards low carbon emission and more sustainable economy. The transition risk might increase, for example, if it arises from new climate and environment regulatory requirements, such as a reduction in emissions of GHG or competitors' technology progress or change of behaviour of the market and customers and is significantly depending on the customer's capacity to bear the necessary investment costs of transition project and its timely realisation.

The methodology for analyses of ESG risks' materiality for assessment of Transition risks is based on ECB guidance, ECB climate risk stress test reports and UNEP FI methodology strongly rooted in the Recommendations of the Task force on Climate-related Financial Disclosures (TCFD). Following the said methodology the transition risk level of each project is assessed at segment/sector bases (NACE code, 4 digit) in scale of five risk levels Low – Very High.

Table 1: Transition risk heatmap - high and very high transition risk exposure in individual economic sectors as at period-end

	31.12.2023		31.12.2022	
	'000 EUR	**% of total credit exposure**	**'000 EUR**	**% of total credit exposure**
Agriculture	29 854	6%	30 731	8%
Wood and paper production	49 913	10%	27 664	7%
Food and beverage production	11 540	2%	11 434	3%
Chemicals	12 249	3%	4 126	1%
Construction materials	6 425	1%	4 947	1%
Metals and mining	5 031	1%	13 829	3%
Consumer goods	1 310	0.3%	1 115	0.3%
Logistics	940	0.2%	1 522	0.4%
Other	1 863	0.4%	3 901	1%
Transition risk at high / very high label:	**119 125**	**25%**	**99 269**	**25%**
Total credit exposure*:	**477 576**	**100%**	**400 166**	**100%**

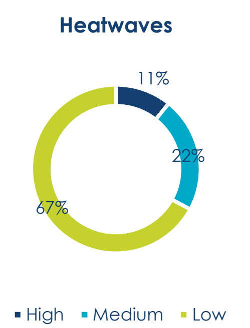
*Total credit exposure: gross credit portfolio and loan commitments

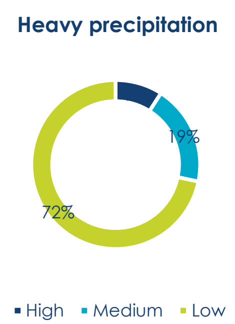
ESG risk management (cont'd)

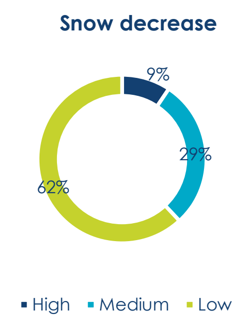
Following types of climate physical risks are distinguished - Heatwaves/ Droughts, Floods, Heavy Precipitation, Sea level rise and Snowfall changes. The methodology for assessment of climate physical risks is based on ECB guidance and Recommendations of TCFD.

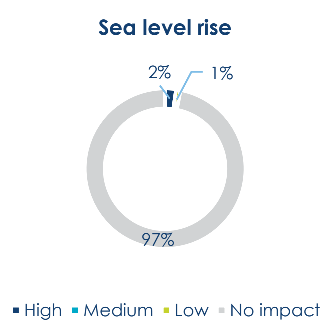
In order to assess the risk level of climate Physical risk, each project is assessed in light of project industry as well as geographical location of the project. Within the analyses of ESG risks materiality there are defined industries labelled as High risk level for climate Physical risk. In assessment of climate Physical risks data on client's project address (geographical location) and project industry (NACE code) are used. The impact of climate Physical risks upon project industry is assessed taking into consideration the impact of each type of climate Physical risks upon particular industry and followed by SASB Climate Risk Technical Bulletin. The impact of climate Physical risks upon geographical location is assessed by applying the LVĢMC Climate Change Analyses Tool and the Flood maps (in GIS format) developed by LVĢMC based upon RCP 4.5 scenario described by IPCC (Intergovernmental Panel on Climate Change) as an interim scenario for expected temperature change between 2 – 3 degree Celsius by 2100. Following the said methodology the impact of each climate Physical risk type is assessed upon each and particular project based on its geographical location and project industry within scale of 3 risk levels Low – High. If a specific type of climate physical risk is not associated with a high degree of risk for the industry's operations, it is not mapped and classified as Practically Non-existent. However, for climate physical risk types such as floods and sea level rise, the specific degree of climate physical risk is determined based on the geographic location associated with the project, as described above, regardless of the related industry.

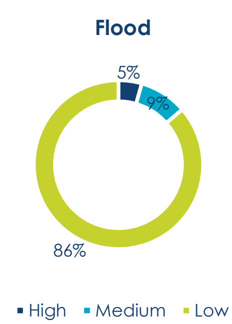
Below is the sensitivity analysis (distribution of risk levels) for each of the climate physical risks in the Loan Portfolio as of December 31, 2022. Currently, a sensitivity analysis of climate physical risks for the loan portfolio as of December 31, 2023 is being conducted, which will be published in ALTUM's abbreviated reports in the first quarter of 2024.







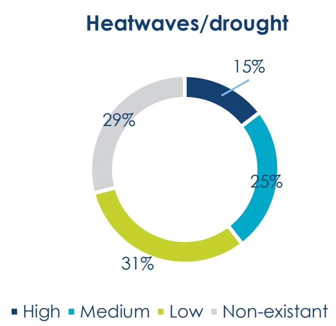


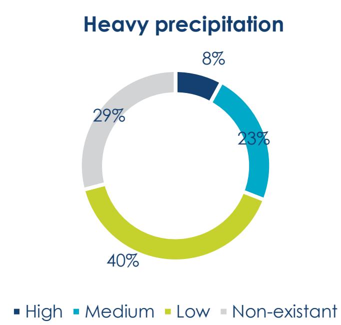


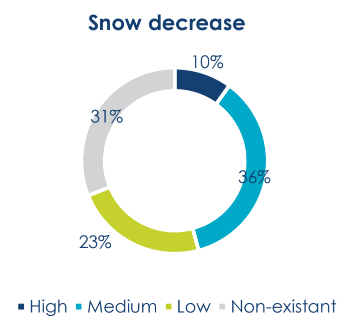
ESG risk management (cont'd)

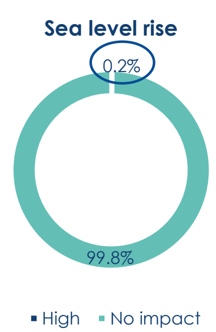
For collateral the differentiated approach is applied for assessment of climate Physical risk type impact upon particular collateral type. Flood and sea level rise risks impact any type of collateral, however risks of Heatwaves / Droughts, Heavy Precipitation and Snowfall changes impact only those collateral types interrelated with particular affected industries.

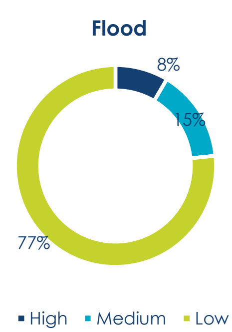
The sensitivity analysis of climate physical risks for the loan collateral portfolio as of December 31, 2023 will be published in ALTUM's abbreviated reports for the first quarter of 2024.











ESG scoring model. Based on outcome of analyses of materiality of ESG risks upon ALTUM later in the year 2023 ESG scoring model is developed to be applied in loan origination process above particular materiality threshold, as well as in monitoring of existing portfolio and collateral valuation in SME/Midcap and Agriculture segments. ESG scoring model will enable to assess the level of Transition risk at individual deal level. The implementation of ESG scoring model will be step-by-step as of the year 2024 taking into consideration the customers' ability to fulfil the unified banking sector ESG questionnaire to obtain information for the assessment of ESG risks and regarding the planned/actual customer sustainability KPI's data.

Mitigation of direct impact

Being a development finance institution, ALTUM has a relatively small direct impact on environment. Still the Company aims to further reduce its own environmental footprint.

One of the most widely used calculation frameworks worldwide for measuring CO_2 or GHG emissions is the Greenhouse Gas Protocol (GHGP), a voluntary accounting and reporting mechanism for GHG emissions. ALTUM uses it as a basis for voluntarily calculating, accounting for and later comparing the company CO_2 footprint and publicly reporting about the results. To make the data collection structured and comparable, the GHG Protocol is based on three Scopes:

Scope 1	direct emissions or GHG emissions from company-owned and controlled resources. The scope covers GHGs emitted in the course of carrying out its business activities or in the production of its products;
Scope 2	indirect GHG emissions from the consumption of purchased electricity, steam, heat and cooling;
Scope 3	all other indirect emissions in the value chain, starting with logistics, suppliers, product use, etc. generated outside the company.

Corporate Governance Report 2023 provides data on Scope 1 and Scope 2 emissions.

The CO_2 footprint is a measure of the total carbon dioxide emissions directly and indirectly caused by ALTUM activities. ALTUM measures its CO_2 footprint since 2018 and the calculations are made in accordance with Cabinet Regulation No 42 of 23 January 2018 "Methodology for Calculating Greenhouse Gas Emissions", which sets out the calculation methodology and CO_2 emission factors for transport fuels, district heating and electricity.

In 2023, the total emissions (Scope 1 and Scope 2) amounted to 89 tCO2e, (2022: 99 tCO2e), representing a decrease of 58.6% compared to 2018 (216 tCO2e). Compared to 2022, there has been a 10% reduction in the emissions generated by Scope 1 and Scope 2.

SCOPE 1		
fuel		28 tCO_2e
diesel		0.7 tCO_2e
	Total:	**29 tCO_2e**

SCOPE 2		
electricity		18 tCO_2e
heat		43 tCO_2e
	Total:	**61 tCO_2e**

In order to achieve its intention for reduction of GHG emissions, an energy audit of the Company was also carried out in 2018, covering the analyses of natural gas, car fleet and electricity consumption and possible activities to improve energy efficiency. Based on the conclusions and recommendations of the energy audit, ALTUM annually implements targeted activities to increase the Company's energy efficiency: work is underway to improve the energy efficiency of operations and buildings, reduce business travel through remote meetings, teleworking and the transition to an energy-efficient car fleet for the company needs. Special emphasis is placed on educating employees, encouraging a change in their attitudes and increasing their commitment to reducing their individual environmental impact as well.

Assessment of the intensity of CO_2 emissions:

In 2023, **emission generated per employee emoutned to** 0.42 tCO2 (the indicator remained unchanged since 2022), which is 57% less than in 2018 (2018: 0.97 tCO2e).

In 2023, ALTUM **generated 0.08 tCO2 per EUR 1 million of gross financial instrument portfolio**, which is 20% less than in 2022 (2022: 0.1 tCO2 emissions per EUR 1 million of financial instrument portfolio). Since 2018, there has been an 80% reduction in emissions (2018: 0.41 tCO2 emissions per EUR 1 million of financial instrument portfolio). Since 2018, ALTUM has not only reduced emissions but also increased the size of its gross credit portfolio.

The opinion on the greenhouse gas emission volumes was prepared by ALTUM and approved by the technical expert SIA TUV NORD Baltic in February 2024.

ALTUM strives to minimise the amount of waste it produces, segregates waste, provides separate waste bins for batteries (hazardous waste) in offices, promotes recycling and reduces greenhouse gas emissions that are directly linked to ALTUM activities.

Mitigation of direct imapct (cont'd)

Key actions:

- Replacement and upgrading of the heating system in the central office
- Replacement of the car fleet, significantly reducing fuel consumption and CO2 emissions
- LED lighting installed in offices, as well as motion sensors in certain areas
- Waste sorting ensured
- Digital document management system established
- Reduced office paper consumption and continuous recycling of waste paper
- Drinking water filters installed, PET bottles phased out
- Cleaning service ensured, including the use of environmentally friendly products
- Roof insulation works, significantly reducing heat loss.
- Bike parking and shower facilities installed

Mitigation of indirect impacts

ALTUM provides a wide range of support to individual and corporate customers for improving energy efficiency. We have come to a strong conviction that sustainability is the future of Latvian residents, entrepreneurs and ourselves. ALTUM defines business sustainability as the creation of long-term value, taking into account economic, ethical, social and environmental considerations. We have taken notice of the latest laws and regulations and their requirements promoting the supervision and mitigation of the impact of climate change. ALTUM initiated work on prevention of ESG related risks in credit risk management and business processes. A correct management of ESG risks is a sound business practice that must be implemented by ALTUM, its clients and cooperation partners

ALTUM focuses on sustainable development and innovative solutions to ensure financial stability. For more information on ALTUM's indirect impact mitigation, please refer to the section "**ALTUM's Project Impact on Environmental and Social Aspects**."

ESG - Social

Human resources management

ALTUM's Personnel Policy sets out the basic principles of sustainable personnel management. Its aim is to ensure unified, effective personnel management to attract, retain, and develop qualified, professional, and motivated employees to achieve high operational efficiency, as well as to ensure compliance with legal norms in labor relations, improve work organization, and promote employee development and loyalty to ALTUM.

Diversity, inclusive work environment, and human rights

In accordance with ALTUM's Diversity, Equality, and Inclusion Policy, ALTUM supports diversity and equal rights in personnel selection, growth, and development, in no way endorsing or promoting discrimination based on race, religion, age, ethnicity, sexual orientation, disability, and other aspects.

ALTUM aims for long-term employment relationships and is pleased with the relatively low turnover rate among employees, as well as the significant tenure of many of our employees in the company. **In 2023, the natural turnover of employees (voluntary resignations) was 8% (2022: 12.4%). The average length of employment in the company is 9 (2022: 10 years) years, with the longest tenure being 30 years.**

ALTUM is characterized by diversity, equality, and a non-discriminatory approach. Our goal is to create an inclusive work environment where employees can fully realize their potential. Respect and fairness are fundamental principles outlined in ALTUM's Code of Ethics. ALTUM's approach to inclusion, diversity, and human rights issues, as well as the whistleblowing mechanism, are defined in the Code of Ethics. In 2023, no reports (2022: no reports) were received through the Code of Ethics reporting mechanism.

ALTUM provides an inclusive work environment that supports diversity and prohibits discrimination based on ethnicity, age, gender, disability, sexual orientation, religion, political opinion, marital status, social background, or similar characteristics. ALTUM's internal culture is focused on cooperation, support, and respect, thus implementing one of ALTUM's values – "team".

ALTUM monitors diversity and inclusion indicators in various areas. This helps analyze the current situation and address challenging areas, including gender pay gaps, gender balance, and age indicators.

The diversity of ALTUM employees is of significant value, as their unique professional and life experiences contribute to growth and development to the company. ALTUM is a participant in the Latvian Diversity Charter – we work on creating an inclusive environment within the company and support the activities of the charter. We have also joined the "Strength in Diversity" movement initiated by the Society Integration Fund, aiming to support and share experiences on diversity management and learn to practice diversity management.

In 2023, ALTUM received the "Diversity-Friendly Employer" bronze status for its positive contribution to the implementation of diversity principles and its commitment to excellence in creating an inclusive work environment.

ALTUM has been awarded the status of "Family-Friendly Company" by the Society Integration Fund.

The average number of employees in 2023 was 250, with 70% being female and 30% male. ALTUM encompasses a wide age range among its employees, with 11% aged up to 30 years, 66% aged between 31 and 50 years, and 23% being over 51 years old. The youngest employee at ALTUM in 2023 was 21 years old, while the oldest was 70 years old. The average age of ALTUM employees is 46 years.

In 2023, ALTUM had 51 employees in senior and mid-level management positions, with 68% being female and 33% male:

- 71% of managers were aged between 31 and 50 years old.
- 29% of managers were over 51 years old.

The number of specialists in 2023 was 199, with 72% being female and 28% male:

- 14% of employees were aged up to 30 years old.
- 63% of employees were aged between 31 and 50 years old.
- 23% of employees were over 51 years old.

ALTUM values professional growth of the employees, with vacancies initially assessed based on the potential of existing employees. Last year, 35 positions were advertised, and in 2023, all advertised vacancies were promptly filled, indicating a positive image of ALTUM as an employer and a high-quality personnel selection process. All ALTUM employees had the opportunity to participate in 10 internal recruitment competitions, with 4 positions filled by candidates from within ALTUM. Assessing professional growth, 28 employees, or 11%, received promotions in 2023.

In 2023, all ALTUM employees had written employment contracts, ensuring official registration of labor relations and providing all necessary information to the relevant state institutions.

Human resource management (cont'd)

On average, ALTUM employed 232 (2022: 208) permanent employees and 26 fixed-term employees in 2023. ALTUM's work environment allows for both full-time and part-time employment, with flexible working hours and remote work options (hybrid work).

The working conditions, remuneration, benefits, and other terms of employment are designed to provide equal opportunities for all employees and facilitate the balance between work, private life, and parental duties. Complaints regarding working hours, remuneration, or absence violations that would constitute human rights violations were not received in 2023.

ALTUM's remuneration system ensures equal pay for work of equal value for both women and men, regardless of age. It is based solely on competency, market conditions, and the evaluation of required skills. To ensure competitive remuneration aligned with the company's financial capabilities, ALTUM utilizes qualitative data on remuneration in the labor market and conducts remuneration surveys. Every year, ALTUM participates in the Figure Baltic Advisory (formerly Fontes) remuneration survey to assess employee remuneration against the labor market.

ALTUM's remuneration system consists of wages, various additional benefits, and bonuses. The criteria and procedures for remuneration and the allocation of additional benefits are specified in the company's internal regulations in accordance with labor laws. All permanent ALTUM employees have a Collective Bargaining Agreement, which forms the basis for ALTUM's additional benefits and bonuses, designed to support and care for our employees.

ALTUM supports its employees in significant life events and offers additional days off that employees can use according to their discretion and needs—for family care, religious holidays, relaxation, health promotion, or other purposes. ALTUM continually works to reduce gender pay gaps. In 2023, ALTUM ranked 3rd in the category of small and medium-sized enterprises in the "Fair Pay Employers" list established by the human resources consulting and research company Figure Baltic Advisory, receiving recognition for its efforts in gender equality in the field of remuneration.

ALTUM's public information on remuneration policy principles, as well as the main principles of ALTUM's professional ethics, are available on the ALTUM website at www.ALTUM.lv, under the section "ABOUT ALTUM" in the subsection "Personnel/Vacancies."

In 2023, 7 (2022: 5) employees were on parental leave, all of whom were women. All female employees on parental leave returned to their professional duties at the company.

To attract new talent in the future and provide a methodological basis for students to acquire practical skills in various specialties, ALTUM offers internship opportunities. These internships provide valuable experience in finance, risk management, communication, energy efficiency, implementation of state support programs, information technology, marketing, and other fields.

In collaboration with the largest state-accredited universities, in 2023 ALTUM provided internship opportunities for 6 students from 5 higher education institutions: the BA School of Finance, the University of Latvia, Riga Technical University, Ventspils University, and Michigan State University (USA). Interns worked in various fields including information technology, energy efficiency, project management, risk management, and venture capital. Following the internship period, ormal employment relations were established with two interns.

Human resource management (cont'd)

Employee health, safety, and well-being

Ensuring the health and well-being of employees is one of ALTUM's priorities. ALTUM provides health insurance to all permanent employees immediately upon the end of the probationary period. It provides access to both - outpatient and a wide range of inpatient care services, partial reimbursement of medication costs, and the opportunity to receive consultations from various specialists, including psychologists and psychotherapists. All employees are insured against accidents from the first day of work.

In 2023, ALTUM continued to pay special attention to the mental health and well-being of its employees. Within the annual "Health Month" project, training sessions were organized on psychology, healthy lifestyle habits, and practices. In autumn, employees had access to the "Life Balance" forum, where 14 renowned experts in Latvia spoke on topics such as "Work-Life Balance," "Family Balance," and "Peace with Oneself." In support of employees with children, ALTUM offered lectures on the topic of "Children. Pedagogy. Upbringing," providing insights on how to help children grow into intelligent, independent, and positive individuals and offering quality support in their school years. To enhance employees' understanding of diversity issues and create an inclusive work environment, training sessions on "Diversity and Diversity Competencies. Why is it important in the workplace?" were organized.

To promote a healthy and active lifestyle in previous years and also in 2023, ALTUM employees had the opportunity to join the company team and participate in the Riga Marathon and the World Running Championship. By equipping ALTUM's main locations with secure bicycle racks and showers, ALTUM supports cycling as a means of daily transportation.

Employees are regularly briefed on occupational safety requirements. In accordance with legal requirements, introductory training, initial on-the-job instructions, recurring unplanned instructions, as well as targeted and specific thematic training, are provided. Depending on the job, workplace risk assessments, and legal requirements, employees are sent for mandatory health check-ups. Every year, ALTUM assesses workplace risks and develops a plan for occupational safety measures, specifying the specific actions to be taken in the respective year. Regular workplace inspections are also conducted at ALTUM, during which discussions with employees take place to identify risk factors as quickly as possible and promote cooperation and employee involvement in improving the work environment. In 2023, a survey of employees was conducted on workplace organization issues, including almost-occurred accidents in the workplace.

ALTUM organizes vaccination promotion events and collective vaccinations in October (before the autumn virus season) and March (vaccination against tick-borne encephalitis). ALTUM provides employees with individual protective equipment and technical resources. COVID-19 antigen self-tests are available to employees, and hand sanitization and temperature measurement devices are provided.

All ALTUM employees have access to energy-efficient workspaces that support modern work practices, including digital capabilities. ALTUM continuously improves the work environment every year. In 2023, new modern and energy-efficient office spaces were acquired by the Liepaja Regional Center (Jelgavas Street 41, Liepaja), Valmiera Regional Center (Cesu Street 2, Valmiera), and Central Regional Center (Delu Street 2, Riga).

In 2023, ALTUM employees participated in voluntary work, donating their working hours to various public initiatives. In 2023, we shared our professional knowledge and experience by participating in the evaluation of students' scientific work projects, serving as members of evaluation commissions in community project competitions, actively donating blood, and supporting social enterprises' work with useful materials through charity initiatives.

Human resource management (cont'd)

Education and training

ALTUM's goal is to promote a culture of learning and knowledge exchange focused on employee growth, engagement, and collaboration, ensuring high performance and company competitiveness. Both internal and external training opportunities are provided within the company, offering training for individuals as well as teams. Employees can improve their skills and knowledge based on both managerial recommendations and their own initiatives.

In line with strategic objectives, ALTUM is committed to enhancing employee qualifications, continuous skill and knowledge development, and providing opportunities for diverse experiences within the company. The objective of personnel training is to improve work performance and efficiency, develop necessary job skills, provide additional skills for professional growth, and prepare employees for new roles and responsibilities.

In 2023, employees participated in more than 124 different training events, seminars, conferences, and knowledge-sharing sessions. On average, one employee devoted approximately 16 hours per year to knowledge enhancement.

The most appropriate solutions for professional development and competency enhancement are utilized in organizing the training process. A training hour on fridays has been introduced within the company, during which industry specialists, process owners, and employees themselves share their experiences in line with business needs. During training, employees are informed about current affairs, changes in regulatory documents are explained, and any unclear issues related to the respective work processes are addressed. This is an opportunity for document developers to receive feedback from users and apply it to process improvement.

All employees are required to participate in training on fire safety and occupational health, data protection and processing issues, and information technology security matters. In 2023, knowledge on corruption prevention and risk management basics, sustainable lending, and ESG topics, among others, was updated. Several training sessions concluded with employees having to demonstrate their acquired knowledge in a test.

One of the important priorities is the company's digital transformation and the development of employees' digital skills. In 2023, training sessions were organized on the safe use of digital tools, their functions, and the possibilities that employees can apply to enhance work processes. The MS Teams platform is used not only as a communication and news dissemination site but also as a learning repository. The "ALTUM Academy" section of MS Teams aggregates various format digital training materials, including webinar recordings, presentations, audio recordings, video training, etc. The interactive format promotes employee engagement in learning, thereby improving their ability to consolidate and apply newly acquired knowledge in practice. This platform is particularly important for employees who choose to work remotely, allowing them to acquire new knowledge at their convenience.

The "Welcome to ALTUM!" section of MS Teams contains essential information for new ALTUM employees. This allows new employees to receive not only ongoing mentor consultations and a learning plan but also the opportunity to independently gain competence and new information to integrate successfully into the company.

Seminars, coaching sessions, discussions, and working groups for middle and senior-level managers are organized to develop leadership and management skills and to organize work effectively. For example, to improve the development and evaluation review process, training sessions were organized for managers before and after performance evaluation discussions, focusing on obtaining feedback.

Employees improve their knowledge and skills through public training groups, in-house training groups, and specially tailored training programs. Various training opportunities are organized for employees using public training platforms such as "Open." ALTUM financially supports the improvement of English language skills, the acquisition of additional specialties in professional continuing education programs organized by state-accredited educational institutions with co-financing from the European Union funds. ALTUM believes that acquiring such knowledge provides additional benefits for effective job performance in core areas of responsibility and is part of the employee benefits package.

Stakeholder evaluation

Bank employee satisfaction

ALTUM carried out its annual partner survey as a part of the engagement assessment of its cooperation partners, i.e., banks, in which very good results were once again achieved in 2023: 88% of bank employees in this year's online survey indicated that they had used ALTUM loan guarantees in 2022.

Highlights of the cooperation with ALTUM in the area of credit guarantees, where the following were highly rated:

- ease of communication with ALTUM;
- ALTUM's clear assessment criteria;
- Prompt decision making.

Following the conclusion drawn from the previous year that the importance of easy communication between banks and ALTUM is increasing, in 2023 ALTUM implemented several measures to promote employee accessibility and communication - more details are provided in the subsection "Client Satisfaction".

The same as last year, bank staff believes that ALTUM guarantees allow the execution of transactions otherwise (88%) not taking place. In 2023, 79% of bank representatives considered ALTUM's reputation to be excellent and very high, compared to 83% in 2022 and 82% in 2021.

Client satisfaction

For the second year running, client satisfaction was measured by their feedback to an on-line survey. All clients of our lending services were requested to complete it. The survey asked clients to comment on the simplicity and clarity of the processes, the competence and responsiveness of the staff, the performance of the client portal, the speed of decision-making and other important aspects of client service.

In 2023, client ratings remained high. The majority of clients (92%) highly appreciate their collaboration with ALTUM and are willing to recommend ALTUM to family, friends, and acquaintances.

However, significant criticism was received regarding the volume of necessary documents and the time required to prepare them. This can largely be explained by the implementation of programs funded by the EU Recovery Fund, which have a more complex implementation process. The increase in critical reviews is evident in responses to the question "Does the speed of processing transactions meet your expectations?" and the highest number of negative responses came from clients in the regions. In 2023, ALTUM implemented several measures to improve the loan application review process. For example, the process for reviewing loan applications up to 50,000 EUR was made more efficient, reducing the average processing time to 11 business days by the end of 2023. In 2023, 25% of the approved loans (compared to 24% in 2022) were evaluated remotely, without involving regional employees in the application review process, thus freeing up regional employee capacity to support more complex assistance programs.

Assessing the attitude and competence of ALTUM employees, the number of positive responses remained high in 2023.

Client service

Clients

ALTUM's client service network is subordinated to the Company's main non-financial objective to promote access to finance for business. This is achieved by maximising the availability of staff advice to all customer segments, both face-to-face and remotely.

Clients are offered face-to-face consultations in all regions of Latvia, and employees regularly visit clients to get to know their business better. There is also an efficient customer service system for clients who wish to communicate remotely. ALTUM offers fully remote customer service starting with a consultation and loan application to the decision-making. In order to improve remote servicing and reduce the need for paper, the staff encourages clients to increasingly use electronic signatures.

Complaints

Client complaints or dissatisfaction about issues within ALTUM's remit or the actions of its employees open an opportunity to improve the services provided, enhance cooperation with clients and develop the Company's internal processes.

In 2023, there were no complaints related to breaches of client privacy and the processing of personal data, nor were there any cases related to the loss, leakage or theft of client data.

Client service (cont'd)

Client education

ALTUM regularly organises informational and educational events for different client groups and other stakeholders. For all programmes, ALTUM organised informative, well-attended online, face-to-face and hybrid events independently or together with various partners.

Twenty partners from the public, private and non-governmental sectors, including ALTUM, have signed a Memorandum of Cooperation to implement the Financial Literacy Strategy 2021-2027. The partners commit to work together to increase the financial literacy of the Latvian people by improving their competencies, creating a sustainable culture of financial literacy, ensuring a quality financial environment and developing a strategic and collaborative institutional approach to improving financial literacy.

The employees of ALTUM client service network carry out several educational activities on a daily basis with the aim of increasing the financial literacy of the Latvian population, in particular would-be entrepreneurs. ALTUM staff participates in seminars/webinars organised by ALTUM and its partners, improving entrepreneurs' financial literacy and their ability to use finance to build their/Company's financial well-being for the future.

Lectures on these topics are given in many Latvian educational institutions, such as the University of Latvia, Trība University, Riga Technical College, Riga Stradiņš University among others.

In 2023, ALTUM informed clients and potential clients about the latest developments in all support programs, with particular emphasis on the new EU Recovery Fund programs to clarify the opportunities and conditions for receiving support. For instance, there was a significant number of activities for the Digitalization Loan Program - in collaboration with the Ministry of Economics and the European Digital Innovation Center, an opening event was held for the program, and throughout the year, a series of regional events were organized by both ALTUM and partner organizations (in Rēzekne, Liepāja, Smiltene, Saldus among others.). Additionally, online webinars dedicated to the digitalization program were conducted. Extensive information activities also took place for the EU Recovery Fund program for business energy efficiency, where ALTUM continued to inform clients about opportunities for improving energy efficiency, available support for renewable energy, and support for electric vehicle purchases, including organizing opening events for the next rounds of projects. Furthermore, throughout the year, ALTUM experts participated in various seminars and conferences related to business energy efficiency, continuing to work on ensuring the availability and promotion of sustainable financing. ALTUM representatives also participated in conferences related to sustainability and ESG aspects, furthering the efforts to make sustainable financing more accessible.

In 2023, the information campaign continued to inform potential clients about the multi-apartment building energy efficiency program. ALTUM organized events to inform clients about the availability of financing, project preparation, and participated in the "Māja" exhibition. ALTUM representatives also took part in informational events organized by partner organizations (such as the "Mājoklis" conference or an event organized by Rīgas Namu Pārvaldnieks on house insulation, among others). Informational events also took place in the venture capital field, notably highlighted by ALTUM's informational seminar "Selection of 5th Generation Pre-Seed and Seed Capital Fund Managers," which garnered significant participant interest. In terms of venture capital opportunities in 2023, ALTUM representatives shared the latest information at various public events, including the Latvia Fintech Forum 2023, Baltic Capital Markets Conference, as well as in various online webinars and podcasts.

More about events organized by ALTUM and those organized by partner organizations can be found in the subsection "**Public Support, Investment in Local Community Development**".

Accessibility

Digital accesibility

ALTUM works to promote digital accessibility. ALTUM's website was migrated to a platform that ensures accessibility requirements in line with Cabinet Regulation No 455 "Procedures for Publishing Information on the Internet by Institutions", dated 14 July 2020. The new functionality allows for the four basic principles of accessibility, which require digital content to be:

- perceivable - accessibility to alternative display of images, multimedia content and other digital content;
- operable - the ability to access and use digital content freely - not only with a computer mouse, but also with the so-called assistive technologies such as the TAB key;
- understandable - presenting digital content in plain language so that it can be understood by all users, including people with different perceptual limitations, including the ability to change text size, contrast;
- robust - the ability to align digital content with different types of devices such as screen readers, virtual voice assistants for smartphones, etc.)

Physical accessibility

To promote accessibility and sustainability, in 2023, three regional centers of ALTUM (in Liepāja, Valmiera, and Riga) began operating in new premises. The main criteria for choosing premises were physical accessibility, energy efficiency of the premises, and individually adjustable and controllable utilities indicators. Consultation accessibility for people with mobility impairments is ensured in the regional centers.

In 2023, the Central Region office in Riga was relocated to the ZEISS OFFICE complex, which has a BREEAM "Excellent" certification, confirming the building's construction according to the highest sustainability standards. The rooftops of the office buildings host the largest solar panel power station in Riga, providing green energy to the tenants of the center, as well as lower heating costs. The office features individually adjustable underfloor ventilation and cooling systems, a CO2-responsive ventilation system, sound-absorbing full-glass partitions, and water taps with low water consumption per minute. Meanwhile, in ALTUM's central employee building, an open-plan office was introduced in 2023, work began on the implementation of a specialized passenger elevator project, and insulation work on the roof and upper floor cabinet exteriors was completed in the ALTUM central office building on Doma Square, ensuring higher long-term energy efficiency.

Services accesibility

In 2023, the Finance Latvia Association published the developed GUIDELINES ON ACCESSIBILITY OF FINANCIAL SERVICES (DEVELOPMENT, TECHNOLOGIES, RESPONSIBILITY). ALTUM experts also participated in the Accessibility Working Group and the development of guidelines. These guidelines will provide support to participants in the financial industry to ensure compliance with client needs, regardless of disability or functional limitations.

On 17 April 2019, Directive (EU) 2019/882 of the European Parliament and of the Council on the accessibility requirements for products and services was adopted. In order to transpose the requirements of the Directive, the Ministry of Welfare, in cooperation with other ministries, drafted a new law, the Accessibility of Goods and Services Law. The draft law was adopted by the Cabinet at its meeting on 14 July 2022 and is still to be discussed and voted on by the Saeima. The law will enter into force on 28 June 2025. Consequently, from that date, in the internal market of the European Union, including Latvia, only goods and services that are accessible (i.e., usable through more than one sensory channel) can be distributed and provided in certain areas).

Membership in professional associations and partnerships

ALTUM internationally:

ALTUM is an investor in the Three Seas Initiative Investment Fund. The fund was established to support transport, energy and digital infrastructure projects in the Central and Eastern Europe, boosting the region's economic development and bringing infrastructure up to high standards. Reinis Bērziņš, Chairman of the Management Board, is a member of the Supervisory Board.

In June 2022, the Company successfully co-organised the Three Seas Summit and Business Forum as well as holding the meeting of the Supervisory Board of the Three Seas Initiative Investment Fund at ALTUM.ALTUM is a member of the following bodies:

ELTI - European Long Term Investors Association. It brings together development finance institutions from Central and Eastern Europe. ELTI aims to develop a common position in order to participate in EU institutions and, in cooperation with them, to act as a single interlocutor, mainly by acting as a negotiator on behalf of its members in their dealings with EU institutions and organisations.

NEFI - Network of European Financial Institutions for SMEs. The network brings together European financial institutions that share a common government mandate to facilitate SMEs access to finance by offering financial services and expertise.

AECM - European Association of Guarantee Institutions. The aim of the Association is to represent its members in EU institutions, to promote the exchange of knowledge between AECM members and to develop the guarantee instrument. Jēkabs Krieviņš, Board Member of ALTUM Management Board, is an AECM Board Member.

Invest Europe - European Venture Capital Association. It represents the European private equity, venture capital and infrastructure sector

Issuance of green bonds ensured ALTUM to become the first company from Latvia to join the Nasdaq Sustainable Bond Network globally in September 2021.

ALTUM partners:

- EIB –European Investment Bank
- EIF - European Investment Fund

ALTUM maintains close cooperation with financial institutions worldwide

- European Bank of Reconstruction and Development (EBRD)
- NIB - (Nordic Investment Bank).
- Poland Development Bank (BGK)
- Estonian Business and Innovation Agency (KREDEX)
- Lithuanian state established financial institution (INVEGA)
- Public Investment Bank of France (BPI France)
- RCIA Interreg Europe
- KfW Development Bank (KFW)
- Stock Exchange NASDAQ

Expert Organisations

- Credit Rating Agency Moody's
- Shades of Green (CICERO, Center for International Climate and Environmental Research Oslo, since 2022. a part of credit rating agency S&P Global)

Associations and non-governmental institutions

ALTUM is a member of the Finance Latvia Association, where, in cooperation with public, non-governmental and other cross-sectoral partners, it targets improvement of business and financial services environment in Latvia and enhances the international reputation and competitiveness of Latvian financial sector. The Association's objectives in the priority areas are pursued through committees, sub-committees and working groups, together with the participation of ALTUM. The committees are tasked with promoting the strategic development of the area and implementing concrete measures.

- LTRK – Latvian Chamber of Commerce and Industry;
- LVCA – Latvian Private Equity and Venture Capital Association.
- LLKA – Association of Agricultural Cooperatives
- Farmers' Parliament
- The Latvian Association of Local and Regional Governments

Other ALTUM's collaboration partners include various representatives from the public sector (Ministry of Finance, Ministry of Economics, Ministry of Agriculture, Ministry of Defense, Ministry of Welfare, Ministry of Culture, Ministry of Justice, Investment and Development Agency of Latvia, and the Latvian Chamber of Commerce and Industry (LCCI)). Additionally, ALTUM collaborates with representatives from the financial sector (SEB, Swedbank, Citadele, Luminor, BluOr Bank, BigBank, Rietumu Bank, PayRay, SIGNET Bank, INDUSTRA Bank, Regional Investment Bank, Latvijas Pasta Banka, OP Bank, ZGI Capital, FlyCap, BaltCap, Imprimatur Capital, Buildit, Overkill Ventures, Commercialization Reactor, and Expansion Capital).

Public support, investment in local community development

ALTUM's management and employees actively engage in public education activities throughout the year, focusing on various initiatives aimed at business development, promoting societal well-being, contributing to climate change mitigation efforts, and fostering long-term economic growth. The leadership and staff of ALTUM primarily share their expertise in the following areas: sustainable financing, corporate governance, capital market development, meaningful utilization of financial instruments, including funding for green projects and digitization, as well as energy efficiency projects in both corporate and private segments. In total, ALTUM's management and employees dedicated 738 hours to public education activities in 2023, participating in over 170 different conferences, expert discussions, and seminars aimed at both professional and general entrepreneurial audiences, and in some cases, private individuals.

Initiatives implemented in 2023:

Innovations, infrastructure	Three Seas Initiative Investment Fund (3SIIF)	Promoting a new financing initiative to support transport, energy and digital infrastructure projects in Central and Eastern Europe, boosting the region's economic development and fostering infrastructure compliance with high standards. In June 2022, ALTUM co-organised the Three Seas Initiative Summit and Business Forum in Riga, attended by leaders from 12 countries.
	Investor of the Year Award	Investor of the Year 2023 Award for the most significant investments in Latvia last year. Popularization of venture capital investments and their positive effect on the national economy of Latvia, highlighting the most successful private and corporate investment deals.
Development of business environment	*Venture capital: 5th generation program*	On August 15, 2023, the Cabinet of Ministers approved a new European Union Structural Funds support program for venture capital investments in entrepreneurship, with a total available public funding of EUR 93 million, aimed at promoting the establishment and development of new, innovative businesses with high growth and productivity potential in Latvia. To ensure the successful implementation and uptake of the program, ALTUM announced a procurement for the selection of pre-seed and seed fund managers in 2023, allocating a total of EUR 55.8 million in public funding to three fund managers. Additionally, in December 2023, ALTUM announced a procurement for the selection of managers for the startup growth fund, with available public funding of EUR 12.4 million, and the growth fund, with available public funding of EUR 24.8 million, with the aim of selecting one fund manager for each. The selection of fund managers is planned to be completed by May 2024. **To inform about the criteria of the fund manager selection**, ALTUM organized an educational seminar in 2023, where ALTUM representatives explained the rules, selection criteria, and answered questions.
	Seminars about digitalisation programme	In 2023, in collaboration with the Ministry of Economy and the European Center for Digitalization and Innovation, ALTUM organized an event to unveil the RRF Digitalization Program. Several webinars were held on the Recovery Fund programs, support availability for digitalization in businesses, and loans with capital discounts for digitalization. Educational events in 2023 were conducted both online and in-person in regions such as Rezekne and Liepaja. ALTUM representatives also shared

		information on digitalization funding availability in partnership events held in Smiltene, Ungurpils, and Saldus.
	Seminars about loans with capital discount	ALTUM organized a webinar on large investment loans with capital discounts. The loan is intended for medium and large enterprises planning to make at least 10 million EUR investments in the company's growth.
	Competition "Laukiem būt!" (Countryside to Be!)	Promotion of entrepreneurial activity in rural areas by involving young people, fostering the development of their competencies and involvement in rural entrepreneurship in cooperation with the Latvian Rural Advisory and Training Centre, while promoting a more balanced regional development in Latvia.
	"Business Pride" award of the year	In 2023, ALTUM supported the "Business Pride 2023" award. The competition honored the most successful and innovative companies that, in 2022, were able to create innovative products and found their true business idea and niche, which they successfully developed in both local and foreign markets.
	III Risk Management Conference	Participation in the panel discussion "Management of Business Continuity Risks"
	Latvian Capital Market Forum 2022	Latvian Capital Market Forum – Participation in expert panel discussion "The Role of Capital Markets in Financing Sustainable Economies".
Environmental impact, green thinking, sustainability	*Seminars on energy efficiency loans with capital discount*	Event "30 Years of the Single Market - Future Opportunities for Entrepreneurs in Latvia" held in collaboration with the EU House. Seminar on European and national support programs for residents and entrepreneurs in regions. Organized in cooperation with members of the Latvian Association of Municipal Executives. Sharing opportunities for fund utilization that can promote growth in each municipality.
	Recovery and Resilience Facility	RRF Funding Program: 2nd Round Launch Event/Webinar
	Informational events on the insulation of apartment buildings and improving energy efficiency.	Seminar "How to Successfully Prepare a Project for the RRF Apartment Building Energy Efficiency Program" ALTUM's participation in the "Home 2023" conference on the topic "What state support is available for improving and renovating #energyefficiency in apartment buildings?" Participation in the "Home" exhibition on house insulation with EU support. Participation in on-site events and webinars organized by partner organizations on the renovation of apartment buildings with EU support, the necessary steps, and funding availability. Participation in events on house insulation in regions - in Jūrmala, Valmiera, Limbaži, and Dobele.
	Nordic Investment Bank stakeholder discussions	ALTUM representatives' participation in the expert panel discussion "Future Financing: Unlocking Green Opportunities in Latvia."

	Latvia 2030 High-Level Expert Conference on "Sustainable Urban Development"	ALTUM representatives' participation in the Latvia 2030 High-Level Expert Conference on "Sustainable Urban Development: Creating a Green Investment-Based Modern and Smart Living Environment." The focus was on attracting "green" investments for innovative urban environments (utilizing new technologies, sustainable materials, implementing digital transformations, etc.).
	The third national roundtable discussion	ALTUM representatives' participation in a roundtable discussion. Next steps in attracting private funding for energy efficiency financing, "SME sustainability and development - if funding for energy efficiency is available, what else can we improve?"
	Forum "Longevity"	Participation in the Sustainability Forum, which aims to ensure a sustainable future. In the midst of climate change, which significantly impacts human well-being, the economy, and security, and puts pressure on business operations, solutions are sought to achieve economic benefits through sustainable and environmentally friendly practices. In 2023, ALTUM's Chairman of the Board, Reinis Bērziņš, delivered a presentation titled "Adapting Step by Step to the New Decarbonization Requirements in Supply Chains" at the forum.
	Participation in webinars related to energy efficiency.	Participation of ALTUM representatives in Elektrum webinars "Power up your business with solar energy" and "Energy Efficiency Guide for Business", as well as in the "Solar Solutions Conference" organized by the ELKO group on AER financing. Participation in the European Investment Bank (EIB) organized meeting "Elena contractors meeting 2023".
	Expert discussion organized by Latvijas Banka, Nasdaq, and the Corporate Governance Advisory Board: "Sustainability - a contemporary component of corporate governance and growth".	Participation of ALTUM representatives in the panel discussion "ESG affects all company processes, from risk management to new products and investor relations. How to integrate it into the company with vertical management processes?"
	Training series organized by LTRK on ALTUM programs	Apmācību cikls par programmām energoefektivitātei un ilgtspējai, t.sk., pieredzes apmaiņas vizītes divos uzņēmumos, kas saņēmuši ALTUM finansējumu
Education	*Education and Science Ministry's conference on university governance exchange of experience*	ALTUM representatives' participation in an expert panel discussion on corporate governance and university boards.
	Latvian Student Company Festival #CitsBazārs	Educating a new generation of entrepreneurs and industry experts by linking theoretical knowledge with practice through the Junior Achievement Latvia programme "Skolēnu mācību uzņēmums" (SMU) (Student Company).

	Lectures for university students	ALTUM representatives gave lectures in environmental engineering to students at Riga Technical University. Lectures on business plan development were delivered at RISEBA, Riga Technical College, Turība University, and Rīga Stradiņš University. Lectures on current issues in building insulation were given at Riga Construction College. In 2023, ALTUM employees also participated as volunteer trainers in the MOT program.
Public welfare, demography	*The opening of the "Rūre" Care and Health Center.*	With ALTUM support, a modern social care and health center "Rūre" has been established in Liepāja. The event marked the conclusion of the project, unveiling a significant social care, rehabilitation, and palliative care center for the residents of the Kurzeme region, which is the first of its kind in Latvia.
	Competition "Tam labam būs augt" (What is good will grow)	The aim is to promote the development of the existing social enterprises and new social entrepreneurship ideas as well as to tell about these ideas and show them to the people of Latvia. The competition is organized by the Social Entrepreneurship Association of Latvia in cooperation with the British Council in Latvia together with Luminor Bank.
Financial sector development	*Finance Latvia Association*	Promoting the sustainable development of the financial sector by developing in-depth group work with commercial banks on credit development, human resources, communication, legal and other issues and to facilitate exchange of views and decision-making in the interests of the people of Latvia.
Export	*Export and Innovation Award*	Promoting the production of new and exportable products, promoting the performance of Latvian entrepreneurs and expressing appreciation for providing the market with high-quality domestic products, introducing innovations and developing industrial design. ALTUM special award in the Safe Exporter category.

Corporate Governance Report 2022 is publicly available in Latvian and English at ALTUM's premises at Doma laukums 4, Riga and in electronic form – on the website www.ALTUM.lv , in the section ABOUT ALTUM/SUSTAINABILITY AND GOVERNANCE under Corporate Governance sub-section.

Reinis Bērziņš
Chairman of the Board

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