

# **JSC DEVELOPMENT FINANCE INSTITUTION ALTUM**

Unaudited interim condensed financial report  
for the twelve months ended 31 December 2023

<b>TABLE OF CONTENTS</b>	<b>Page</b>
Altum	2
Management Report	3 - 12
Supervisory Council and Management Board	13
Statement of Management's Responsibility	14
Financial statements:	
Statement of Comprehensive Income	15
Statement of Financial Position	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19- 74
Other Notes to the Interim Condensed Report	75 – 79

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# Altum

**MISSION** We help Latvia grow!

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

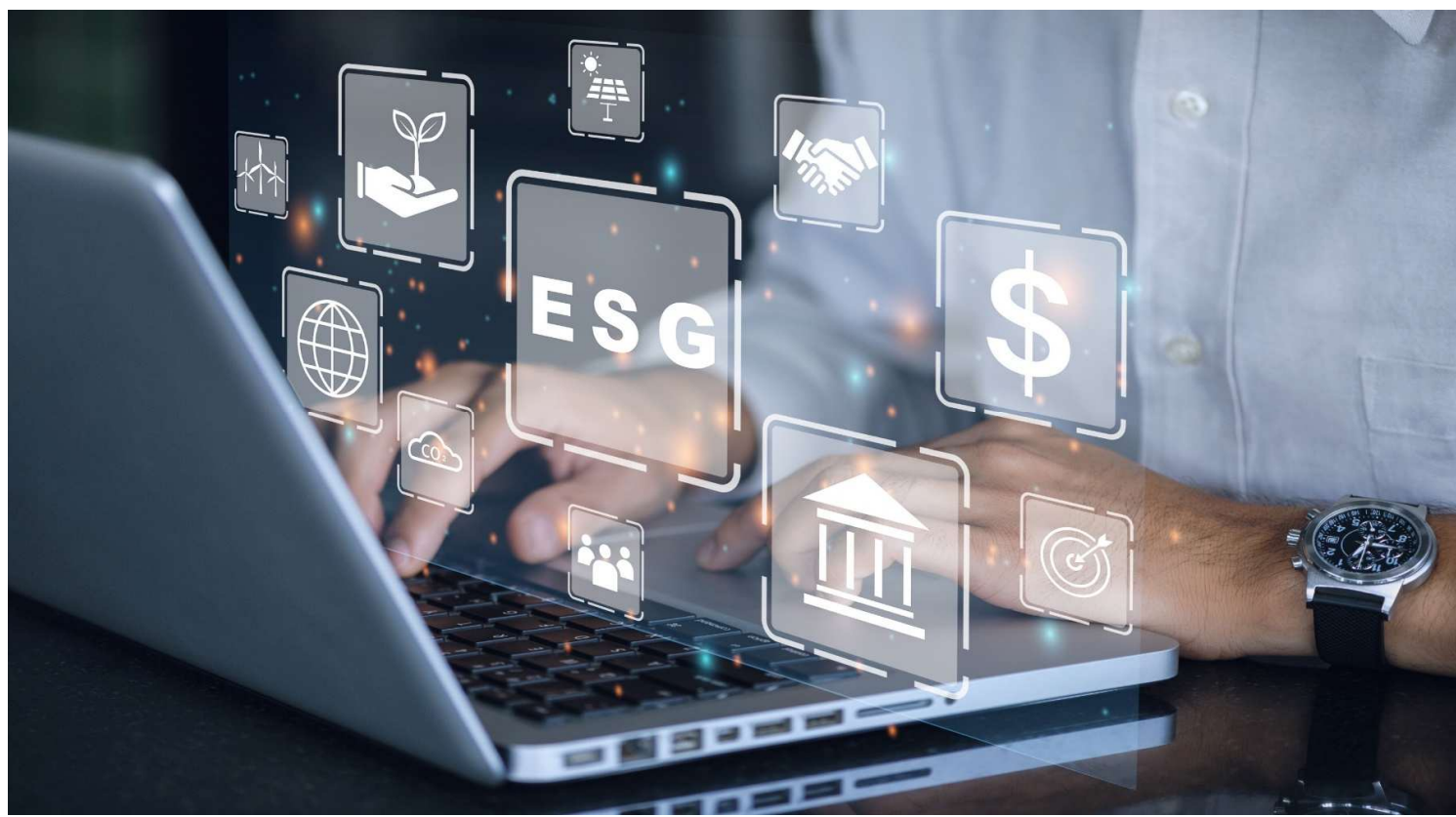
**VALUES** Excellence / Team / Responsibility

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

## Long-term objectives until 2024

Following strategic development directions and long-term objectives are set according to 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 business 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 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.



# Management Report

## Activity during the reporting period

In the 12 months of 2023, the Development Finance Institution Altum (hereinafter – the Company) have ensured stable financial results and earned a profit of EUR 18.2 million.

## Key financial and performance indicators

Based on data from audited financial statements for the respective years

	2023 12M (unaudited)	2022 12M (audited)
<b>Key financial data</b>		
Net interest income (EUR '000)	17 765	16 974
Operating profit (EUR '000)	18 189	11 484
Profit for the period (EUR '000)	18 189	11 484
Cos to income ratio (CIR)	26.01%	38.26%
Employees	255	234
Total assets (EUR '000)	1 316 456	1 099 588
Financial debt (EUR '000)	818 359	458 382
<b>Tangible common equity (TCE) / Total tangible managed assets (TMA) *</b>	<b>23.38%</b>	<b>27.01%</b>
Equity and reserves (EUR '000)	389 732	395 983
<b>Total risk coverage: (EUR '000)</b>	<b>370 211</b>	<b>297 218</b>
Risk coverage reserve	315 649	230 524
Risk coverage reserve used for provisions	(42 078)	(38 039)
Portfolio loss reserve (specific reserve capital)	96 587	109 979
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	53	(5 246)
Liquidity ratio for 180 days **	402%	366%
Net Cash flows from operating activities (EUR '000)	47 541	89 534
Net Cash flows from financing activities (EUR '000)	1 980	3 526
Net Cash flow from investing activities (EUR '000)	(23 255)	(8 437)
<b>Support instruments gross value (EUR '000), of which</b>	<b>1 101 797</b>	<b>1 064 821</b>
<b>Financial instruments gross value (EUR '000) ***</b>		
Loans (excluding sales and leaseback transactions)	359 246	311 844
Guarantees	480 025	481 013
Venture capital funds	97 456	90 277
Land Fund, of which:	96 938	80 542
- sales and leaseback transactions	28 692	27 089
- investment properties	68 246	53 453
<b>Total</b>	<b>1 033 665</b>	<b>963 676</b>
Number of transactions	35 260	33 976
<b>Volumes issued (EUR '000) (by financial instrument) ***</b>		
Loans (excluding sales and leaseback transactions)	141 993	95 820
Guarantees	99 440	153 067
Venture capital funds	23 920	18 526
Land Fund, of which:	17 676	7 414
- sales and leaseback transactions	7 916	3 105
- investment properties	9 760	4 309
<b>Total</b>	<b>283 029</b>	<b>274 827</b>
Number of transactions	4 846	6 539
Leverage for raised private funding	229%	123%
Volume of support programmes funding per employee (EUR '000)	4 054	4 118
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1

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

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

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

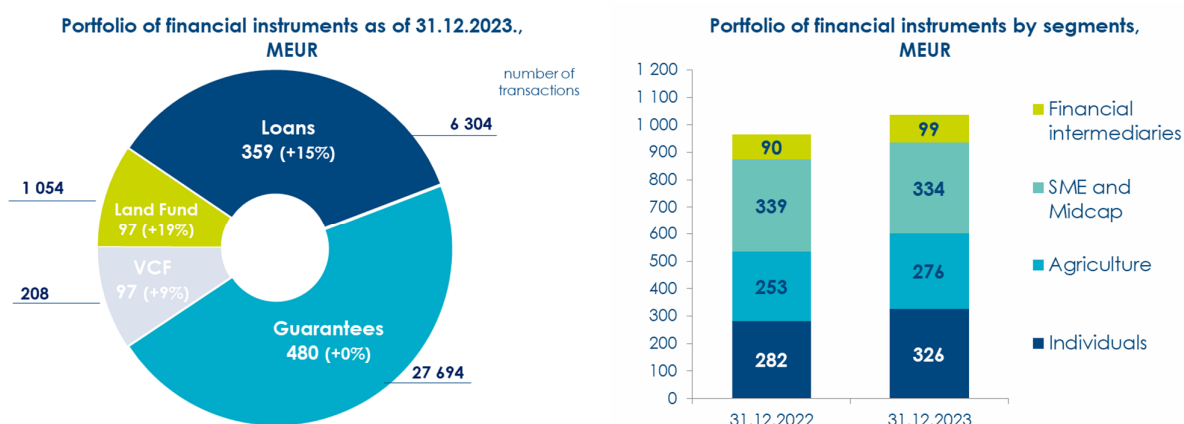
The figures are explained in the section 'Key Financial and Performance Indicators' under Other Notes to the Interim condensed report.

## Management Report (cont'd)

### Operational volumes

The core business lines of Altum include lending, issuing of guarantees, investments in capital instruments, transactions of the Latvian Land Fund (hereinafter - the Land Fund) and servicing of grants that form 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 the 12 months of 2023, Altum's gross portfolio of financial instrument increased by EUR 69.8 million (+7.2%) and by 1,335 projects (+3.9%). During this period, the portfolio increased in all financial instruments, except for guarantees. The loan portfolio increased by EUR 46.8 million (+15%), which several times exceeded the growth of the loan portfolio in the corresponding period in 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 the 12 months of 2023 (-0.02%), 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 increase in portfolio decreased from EUR 58.4 million in the 12 months of 2022 to EUR 16.2 million in the 12 months of 2023. The portfolio of the Land Fund increased by EUR 16.4 million in the 12 months of 2023 (+20.4%), which was, however, significantly higher than in the corresponding period 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 8 million (+8.4%) and it was higher than in the corresponding period 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 the 12 months of 2023, the largest increase in the volume of the portfolio was in the Individuals' segment – EUR 43.3 million (+15.4%), which is by EUR 27.6 million less than in the corresponding period in 2022, when the portfolio increased by EUR 70.9 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 portfolio of this segment and lower new volumes ensured a constant growth of the portfolio despite the high inflation, rising construction costs and high interest rates.

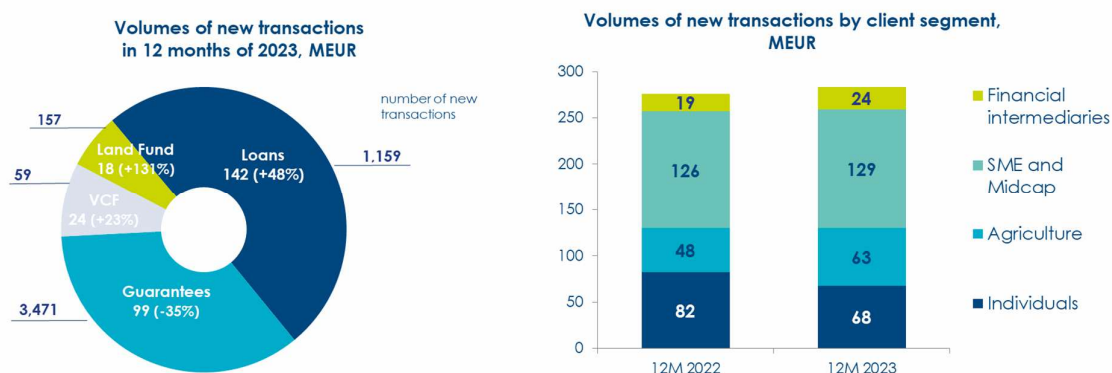
The portfolio of the Agriculture segment grew by EUR 23.6 million (+9.3%), which is by EUR 3.3 million less than in the 12 months of 2022, when the portfolio of this segment grew by EUR 26.9 million (+11.9%). The largest increase in the portfolio of the Agriculture segment in the 12 months of 2023 was 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 the 12 months of 2023, which can be explained by the fact that new transactions were twice as small compared to the corresponding period in 2022, not being able to compensate for the repayment of these loans.

The rapid decline of the portfolio of the SME and Midcaps' segment, which was observed in the 12 months of 2022, has slowed down – in the 12 months of 2023, the portfolio of this segment decreased by EUR 4.7 million (-1.4%), which is several times less than in the 12 months of 2022, when the portfolio of this segment decreased by EUR 34.3 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, as well as the volumes of new transactions, which were slightly larger in the 12 months of 2023 compared to the corresponding period in 2022.

## Management Report (cont'd)

The volume of new transactions in the 12 months of 2023 was 16% (+EUR 11.8 million) higher than in the 12 months of 2022. In the 12 months of 2023, the funding provided for the implementation of support programmes was EUR 283 million, of which 50.2% (EUR 142 million) were 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 the 12 months of 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 the 12 months of 2023 (in 12 months of 2022: EUR 69.3 million).



In the 12 months of 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.

In the Individuals' segment, the volume of new transactions in the 12 months of 2023 decreased by 14.5% compared to the corresponding period in 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 the 12 months of 2023 was EUR 28.2 million which accounted for 76% of the volume of new transactions in the corresponding period in 2022, and was affected by high interest rates, a slowdown in bank lending and an increase in construction costs. By providing the state aid for housing acquisition for families with children, 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 the 12 months of 2023 was EUR 24.6 million (all loans), while in 12 months of 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 was 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 grant's 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 the 12 months of 2023 compared to EUR 1.1 million in the 12 months of 2022, and the offer of which is being expanded, allowing to predict the increase in demand.

## Management Report (cont'd)

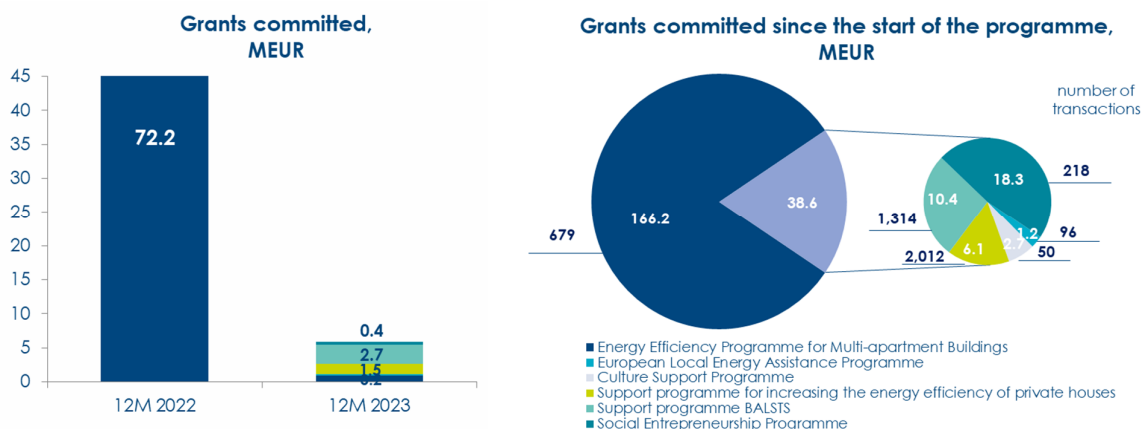
### Volume of new transactions (cont'd)

In the Agriculture segment, the volume of new transactions in the 12 months of 2023 was EUR 63 million, which was by EUR 14.3 million higher than in the 12 months of 2022. The increase in the volume of new transactions in the 12 months of 2023, especially in the second half of the year, can be explained by the increase in farmers' demand for additional financing, which was affected by the unfavourable season in agriculture - both the impact of the weather and the decrease in the 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 the 12 months of 2022, while the volume of new transactions in the working capital loan programme increased by 21%, in the programme of small loans in rural areas – by 9%, but transactions of the Land Fund increased by 130%.

In the SMEs and Midcaps' segment, the volume of new transactions in the 12 months of 2023 was slightly higher (+2%) compared to the same period in 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.

### Non-financial instrument portfolio

In order to make accessing to the support instruments more convenient for its clients, apart from the financial instruments, the 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 the 12 months of 2023, a total of 841 grants for the total amount of EUR 5.8 million were committed in all grant programs (in the 12 months of 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.

On 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 guarantee's 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 as Altum has suspended the issuance of new export credit guarantees to Russian Federation and Belarus since February 25, 2022. As of 31 December 2023, Altum has high-risk exposure in 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, review 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 on 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 4<sup>th</sup> 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 (3) 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 the 12 months of 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 the 12 months of 2023, including the third round of project selection started in December. 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 the 12 months of 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 the proceeding 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 obligations 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 the 12 months of 2023, 25% (in the 12 months of 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 the 12 months of 2022 to EUR 18.6 thousand in the 12 months of 2023, while the average loan amount in the regions increased from EUR 88.9 thousand in the 12 months of 2022 to EUR 98.1 thousand in the 12 months of 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 terms 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.

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

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

### Risk Management

To have an adequate risk management, 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 the 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 2<sup>nd</sup> 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.

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<sub>2</sub> 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<sub>2</sub> 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 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.

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.

## 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 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 assessment is planned to be completed in 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.



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Reinis Bērziņš  
Chairman of the Management Board

28 February 2024

## Supervisory Board and Management Board

### Supervisory Council

Name, Surname	Position	Appointment Date	Date of expiry of the term of the mandate
Līga Kļaviņa	Chairperson of the Council	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 Q1 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	18.03.2021.	17.03.2024.*
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 Juri Jansons as a member of the Board on 9 January 2023.

\* On 25 January 2024, the Supervisory Board re-appointed Ieva Jansoni-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 interim condensed financial statements and notes thereto set out on pages 16 to 79 are prepared in accordance with the source documents and present truly and fairly the financial position of the Company as of 31 December 2023 and 31 December 2022 and the results of their operations, changes in the shareholders' equity and cash flows for the twelve months periods ended 31 December 2023 and 31 December 2022.

The aforementioned financial statements are prepared on a going concern basis in conformity with International Financial Reporting 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.



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Reinis Bērziņš  
Chairman of the Management Board

28 February 2024



# Statement of Comprehensive Income

All amounts in thousands of euro

	Notes	01.01.2023.- 31.12.2023. (unaudited)	01.01.2022.- 31.12.2022. (unaudited)
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 for 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		(3)	97
Share of gains / (losses) of investment in associate and other investments	12 (3)	2 976	(1 780)
Remeasurement gain of investment in associate at fair value through profit or loss	12 (2)	459	48
Gains/(losses) of investment in associate and other investments less losses from liabilities at fair value through profit or loss	21 (3)	(882)	3 075
Other income	8	8 996	6 208
Other expense	9	(1 007)	(1 570)
Operating income before operating expenses		30 987	24 054
Staff costs		(5 765)	(6 511)
Administrative expense		(1 478)	(1 829)
Amortisation of intangible assets and depreciation of property, plant and equipment		(818)	(863)
Impairment adjustment	10	(4 737)	(3 367)
Profit before corporate income tax		18 189	11 484
<b>Profit for the period</b>		<b>18 189</b>	<b>11 484</b>
Other comprehensive income:		221	(1 197)
Items to be reclassified to profit or loss in subsequent periods		221	(1 197)
Net loss from financial assets measured at fair value through other comprehensive income			
<b>Total comprehensive income for the period</b>		<b>18 410</b>	<b>10 287</b>

The accompanying notes on pages 19 through 74 form an integral part of these financial statements.



Reinis Bērziņš  
Chairman of the Management Board



Olga Alksne  
Chief Accountant

28 February 2024

# Statement of Financial Position

All amounts in thousands of euro

	Notes	31.12.2023. (unaudited)	31.12.2022. (audited)
<b>Assets</b>			
Due from credit institutions and the State Treasury	11	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	14 (1)	349 360	317 859
Financial assets at fair value through profit or loss - loans with capital discount	14 (6)	13 088	-
Grants	15	67 196	58 280
Deferred expense		459	344
Accrued income	18	3 862	927
Other investments	13	25 769	15 741
Investments in associates			
Investments accounted for using the equity method	12 (1)	51 091	50 413
Investments accounted for using the FVTPL method	12 (1)	15 501	14 232
Investment property	16	68 246	53 453
Property, plant and equipment		4 377	4 448
Intangible assets		1 017	1 140
Other assets	17	3 921	1 530
<b>Total assets</b>		<b>1 316 456</b>	<b>1 099 588</b>
<b>Liabilities</b>			
Due to credit institutions	19	32 038	36 290
Due to general government entities	20	174 656	153 784
Financial liabilities at amortised cost - Issued debt securities		85 533	85 513
Deferred income		972	1 017
Accrued expense		856	661
Liabilities from financial guarantees	23	47 319	45 852
Provisions for off-balance sheet liabilities	22	344	1 453
Support programme funding	21 (1)	580 641	375 280
Other liabilities		4 365	3 755
<b>Total liabilities</b>		<b>926 724</b>	<b>703 605</b>
<b>Equity</b>			
Share capital		204 862	204 862
Reserves	24 (1)	166 959	180 136
Revaluation reserve of financial assets measured at fair value through other comprehensive income		(278)	(499)
Retained earnings		18 189	11 484
<b>Total equity</b>		<b>389 732</b>	<b>395 983</b>
<b>Total equity and liabilities</b>		<b>1 316 456</b>	<b>1 099 588</b>

The accompanying notes on pages 19 through 74 form an integral part of these financial statements.



Reinis Bērziņš  
Chairman of the Management Board

28 February 2024



Olga Alksne  
Chief Accountant

## 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			
<b>As at 1 January 2022 (audited)</b>	<b>204 862</b>	<b>200 193</b>	<b>37 089</b>	<b>(15 935)</b>	<b>698</b>	<b>13 829</b>	<b>440 736</b>
Profit for the period	-	-	-	-	-	11 484	11 484
Other comprehensive income	-	-	-	-	(1 197)	-	(1 197)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 197)</b>	<b>11 484</b>	<b>10 287</b>
Increase of reserve capital (Note 24)	-	3 525	-	-	-	-	3 525
Decrease of reserve capital by increasing financing of support programs	-	(58 565)	-	-	-	-	(58 565)
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2021	-	(3 446)	3 446	-	-	-	-
Distribution of 2021 profit	-	-	13 829	-	-	(13 829)	-
<b>As at 1 January 2023 (audited)</b>	<b>204 862</b>	<b>141 707</b>	<b>54 364</b>	<b>(15 935)</b>	<b>(499)</b>	<b>11 484</b>	<b>395 983</b>
Profit for the period	-	-	-	-	-	18 189	18 189
Other comprehensive income	-	-	-	-	221	-	221
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>221</b>	<b>18 189</b>	<b>18 410</b>
Increase of reserve capital (Note 24)	-	2 839	-	-	-	-	2 839
Decrease of reserve capital by increasing financing of support programs	-	(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)	-
<b>As at 31 December 2023 (unaudited)</b>	<b>204 862</b>	<b>125 629</b>	<b>57 265</b>	<b>(15 935)</b>	<b>(278)</b>	<b>18 189</b>	<b>389 732</b>

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 19 through 74 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. (unaudited)	01.01.2022.- 31.12.2022. (audited)
Cash and cash equivalents at the beginning of period		539 630	455 007
Cash flows from operating activities			
Profit before taxes		18 189	11 484
Amortisation of intangible assets and depreciation of property, plant and equipment		818	863
Interest income	4	(18 675)	(19 934)
Interest received		16 683	19 872
Interest expenses	5	7 906	2 960
Interests paid		(8 070)	(2 951)
(Decrease) / Increase in impairment allowances	10	4 737	3 367
<b>(Decrease) of cash and cash equivalents from operating activities before changes in assets and liabilities</b>		<b>21 588</b>	<b>15 661</b>
(Increase) / Decrease of loans		(53 892)	9 986
(Increase) of grants	15	(9 444)	(12 985)
Increase of due to credit institutions and general government entities		16 803	15 257
Term deposits (Increase)		(103 000)	(32 000)
Increase / (Decrease) in deferred income and accrued expense		150	(1 107)
(Increase) / Decrease in deferred expense and accrued income		(3 050)	795
Decrease / (Increase) of other assets		(2 899)	1 903
Increase in other liabilities		181 285	92 024
<b>Net cash flows from operating activities</b>		<b>47 541</b>	<b>89 534</b>
Cash flows from investment activities			
Sale of investment securities		140	3 603
Acquisition of property, plant and equipment and intangible assets		(529)	(650)
Purchase of investment properties	16	(8 879)	(5 758)
Sale of investment properties	16	202	954
Sale of available-for-sale assets		28	-
Other investments		(11 710)	(6 194)
Investments in associates, net		(2 507)	(392)
<b>Net cash flows from investing activities</b>		<b>(23 255)</b>	<b>(8 437)</b>
Cash flows from financing activities			
Issued debt securities		-	-
Increase of reserve capital		1 980	3 526
<b>Net cash flow from financing activities</b>		<b>1 980</b>	<b>3 526</b>
Increase in cash and cash equivalents		26 266	84 623
<b>Cash and cash equivalents at the end of period</b>		<b>565 896</b>	<b>539 630</b>

The accompanying notes on pages 19 through 74 form an integral part of these financial statements.

# Approval of the Financial Statements

The Management of the Company has approved these unaudited interim condensed financial statements on 28 February 2024.

## 1 General Information

### (1) Corporate Information

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

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 September 16, 2020, reaching EUR 100 million, of which the majority (EUR 51.1 million or 51.1%) were largest private pension funds and EUR 48.9 million consists of public funding invested by the Company. The Company is also the manager of the Fund registered with the Financial and Capital Market Commission on 26 May 2020. 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 on 31 December 2023 amounted to EUR 37.5 million (Company's share EUR 18.3 million).

## 1 General Information (cont'd)

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

Legal Title	Legal Address	Investment % in share capital
KS Overkill Ventures Fund I	Dzirnavu iela 105, Rīga, Latvija, LV-1011	100
KS Buildit Latvia Pre-Seed Fund	Elizabetes iela 20, Rīga, Latvija, LV-1050	100
KS Commercialization Reactor Pre-seed Fund	Brīvības gatve 300 -9, Rīga, Latvija, LV-1006	100
KS INEC 1	Vilandes iela 3 - 7, Rīga, Latvija, LV-1010	75
KS INEC 2	Vilandes iela 3 - 7, Rīga, Latvija, LV-1010	90
KS Overkill Ventures Fund II	Dzirnavu iela 105, Rīga, Latvija, LV-1011	80
KS Buildit Latvia Seed Fund	Elizabetes iela 20, Rīga, Latvija, LV-1050	80
KS Commercialization Reactor Seed Fund	Brīvības gatve 300 -9, Rīga, Latvija, LV-1006	80
KS ZGI-4	Roberta Hirša iela 1, Rīga, Latvija, LV-1045	60
FlyCap Mezzanine Fund II	Matrožu iela 15A, Rīga, Latvija, LV-1048	60
KS Baltcap Latvia Venture Capital Fund (fund is in the process of liquidation)	Jaunmoku iela 34, Rīga, Latvija, LV-1046	67
KS Imprimatur Capital Technology Venture Fund **	Ščecinas iela 4, Rīga, Latvija, LV-1014	67
KS Imprimatur Capital Seed Fund (fund is in the process of liquidation)	Ščecinas iela 4, Rīga, Latvija, LV-1014	100
KS ZGI-3 *	Roberta Hirša iela 1, Rīga, Latvija, LV-1045	95
KS FlyCap investment Fund *	Matrožu iela 15A, Rīga, Latvija, LV-1048	95
KS Expansion Capital fund *	Vilandes iela 3 - 7, Rīga, Latvija, LV-1010	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 on 10 June 2024.

## 2 Accounting Policies

### **(1) Basis of presentation**

These unaudited interim condensed financial statements for the 12 months ended 31 December 2023 were prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted in the European Union. These financial statements are to be used together with the complete financial statements for the year 2022 prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union.

Company's financial statements are prepared under the historical cost convention as modified by the fair valuation of financial assets measured at fair value through other comprehensive income, derivative financial instruments and investment properties and support programme financing.

The preparation of financial statements in accordance with International Financial Reporting Standards as adopted by European Union requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

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

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

The adoption of new or amended IFRSs or Interpretations implemented in 2023 had no impact on the disclosures or amounts presented in these financial statements.

Other new or amended IFRSs or interpretations issued and not yet endorsed for use in the EU as at 31 December 2023 are not expected to have an impact on the Company's financial position, performance, cash flows or disclosures.



### 3 Risk Management

The major risks that the Company is exposed to are credit, liquidity and operational risks. These unaudited interim condensed financial statements do not include all information on risk management and disclosures required in the annual financial statements. They are to be viewed together with the complete financial statements for the year 2022.

#### (1) Credit Risk

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.
<b>Financial assets at AC</b>										
Due from credit institutions and the Treasury	702 885	571 682	-	-	-	-	-	-	702 885	571 682
Impairment allowances	(97)	(15)	-	-	-	-	-	-	(97)	(15)
<b>Total net due from credit institutions and the Treasury</b>	<b>702 788</b>	<b>571 667</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>702 788</b>	<b>571 667</b>
Investment securities	-	-	-	-	3 788	3 927	-	-	3 788	3 927
Impairment allowances	-	-	-	-	(3 750)	(3 888)	-	-	(3 750)	(3 888)
<b>Total net investment securities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>38</b>	<b>39</b>
Loans and receivables	300 035	250 575	43 965	56 895	30 779	31 061	71	402	374 850	338 933
Impairment allowances*	(8 644)	(4 106)	(5 559)	(4 751)	(11 217)	(11 815)	(70)	(402)	(25 490)	(21 074)
<b>Total net loans and receivables</b>	<b>291 391</b>	<b>246 469</b>	<b>38 406</b>	<b>52 144</b>	<b>19 562</b>	<b>19 246</b>	<b>1</b>	<b>-</b>	<b>349 360</b>	<b>317 859</b>
Other financial assets	3 956	1 393	-	-	1 128	2 138	-	-	5 084	3 531
Impairment allowances	(22)	-	-	-	(1 141)	(2 029)	-	-	(1 163)	(2 029)
<b>Total net other financial assets</b>	<b>3 934</b>	<b>1 393</b>	<b>-</b>	<b>-</b>	<b>(13)</b>	<b>109</b>	<b>-</b>	<b>-</b>	<b>3 921</b>	<b>1 502</b>
<b>Total financial assets at AC</b>	<b>1 006 876</b>	<b>823 650</b>	<b>43 965</b>	<b>56 895</b>	<b>35 695</b>	<b>37 126</b>	<b>71</b>	<b>402</b>	<b>1 086 607</b>	<b>918 073</b>
Impairment allowances	(8 763)	(4 121)	(5 559)	(4 751)	(16 108)	(17 732)	(70)	(402)	(30 500)	(27 006)
<b>Total net financial assets at AC</b>	<b>998 113</b>	<b>819 529</b>	<b>38 406</b>	<b>52 144</b>	<b>19 587</b>	<b>19 394</b>	<b>1</b>	<b>-</b>	<b>1 056 107</b>	<b>891 067</b>

## 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
Impairment allowances	-	-	-	-	-	-	-	-	-	-
<b>Total net investment securities</b>	<b>9 743</b>	<b>9 515</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 743</b>	<b>9 515</b>
<b>Total financial assets at FVOCI</b>	<b>9 743</b>	<b>9 515</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 743</b>	<b>9 515</b>
Impairment allowances	-	-	-	-	-	-	-	-	-	-
<b>Total net financial assets at FVOCI</b>	<b>9 743</b>	<b>9 515</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 743</b>	<b>9 515</b>
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
Impairment allowances *	(37 076)	(32 768)	(3 006)	(4 046)	(3 478)	(5 004)	-	-	(43 560)	(41 818)
<b>Total net outstanding guarantees</b>	<b>418 552</b>	<b>410 509</b>	<b>16 009</b>	<b>25 765</b>	<b>1 904</b>	<b>2 921</b>	<b>-</b>	<b>-</b>	<b>436 465</b>	<b>439 195</b>
Loan commitments	88 730	60 106	88	1 125	28	2	-	-	88 846	61 233
Impairment allowances *	(309)	(1 015)	(4)	(61)	(6)	(1)	-	-	(319)	(1 077)
<b>Total net loan commitments</b>	<b>88 421</b>	<b>59 091</b>	<b>84</b>	<b>1 064</b>	<b>22</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>88 527</b>	<b>60 156</b>
<b>Total off-balance items and contingent liabilities</b>	<b>544 358</b>	<b>503 383</b>	<b>19 103</b>	<b>30 936</b>	<b>5 410</b>	<b>7 927</b>	<b>-</b>	<b>-</b>	<b>568 871</b>	<b>542 246</b>
Impairment allowances	(37 385)	(33 783)	(3 010)	(4 107)	(3 484)	(5 005)	-	-	(43 879)	(42 895)
<b>Total net off-balance items and contingent liabilities</b>	<b>506 973</b>	<b>469 600</b>	<b>16 093</b>	<b>26 829</b>	<b>1 926</b>	<b>2 922</b>	<b>-</b>	<b>-</b>	<b>524 992</b>	<b>499 351</b>

\* 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 24.

## 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
<b>As at 31 December 2022</b>	<b>4 106</b>	<b>4 751</b>	<b>11 815</b>	<b>402</b>	<b>21 074</b>	<b>250 575</b>	<b>56 895</b>	<b>31 061</b>	<b>402</b>	<b>338 933</b>
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 provisions	42	1 795	10	-	1 847	-	-	-	-	-
Provisions 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
<b>As at 31 December 2023</b>	<b>8 644</b>	<b>5 559</b>	<b>11 217</b>	<b>70</b>	<b>25 490*</b>	<b>300 035</b>	<b>43 965</b>	<b>30 779</b>	<b>71</b>	<b>374 850</b>

\* Includes the 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 a provision of EUR 3,877 thousand for 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
<b>As at 31 December 2022</b>	<b>32 768</b>	<b>4 046</b>	<b>5 004</b>	<b>41 818</b>	<b>443 277</b>	<b>29 811</b>	<b>7 925</b>	<b>481 013</b>
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 provisions	-	(856)	-	(856)	-	-	-	-
Provisions 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)
<b>As at 31 December 2023</b>	<b>37 076</b>	<b>3 006</b>	<b>3 478</b>	<b>43 560 *</b>	<b>455 628</b>	<b>19 015</b>	<b>5 382</b>	<b>480 025</b>

\* Includes provision for interest rate discount of EUR 681 thousand

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

## 3 Risk Management (cont'd)

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

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
<b>Total gross loans, without interest accrued on the loans</b>	<b>374 850</b>	<b>338 933</b>
Impairment allowances	(25 490)	(21 074)
<b>Total net loans</b>	<b>349 360</b>	<b>317 859</b>

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

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

	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
<b>Total collateral</b>	<b>291 869</b>	<b>274 211</b>
Loan portfolio, gross	374 849	338 933
Impairment allowances	(25 490)	(21 074)
Loan portfolio, net *	349 359	317 859
<b>Exposed</b>	<b>16.46%</b>	<b>13.73%</b>

\* 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.
<b>Assets exposed to credit risk</b>		
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 discount	13 088	-
Grants	67 196	58 280
Other investments	25 769	15 741
Investments in associates	66 592	64 645
Other assets	3 921	1 530
<b>Total</b>	<b>1 238 495</b>	<b>1 039 276</b>
<b>Off-balance sheet items exposed to credit risk</b>		
Contingent liabilities	480 025	481 013
Financial commitments	174 677	214 255
<b>Total</b>	<b>654 702</b>	<b>695 268</b>

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 19 and Note 20.

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).

## 3 Risk Management (cont'd)

### (2) Liquidity Risk

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	37 343	100 712	122 544	242 246	580 641
Other liabilities	3 645	720	-	-	-	4 365
<b>Total financial liabilities</b>	<b>137 066</b>	<b>193 839</b>	<b>165 279</b>	<b>163 232</b>	<b>295 053</b>	<b>954 469</b>
Off-balance sheet items and contingent liabilities	416 889	89 329	148 484	-	-	654 702
<b>Total financial liabilities, off-balance items and contingent liabilities ***</b>	<b>553 955</b>	<b>283 168</b>	<b>313 763</b>	<b>163 232</b>	<b>295 053</b>	<b>1 609 171</b>
Due from credit institutions and the Treasury	702 788	-	-	-	-	702 788
Investment securities	75	9 706	-	-	-	9 781
<b>Liquid assets</b>	<b>702 863</b>	<b>9 706</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>712 569</b>

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

Maturity profile of the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 31 December 2023 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 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	7 245	2 805	-	67 746	77 796
Other liabilities	3 604	32	-	9	3 645
<b>Total financial liabilities</b>	<b>15 435</b>	<b>6 236</b>	<b>9 763</b>	<b>105 632</b>	<b>137 066</b>
Off-balance sheet items and contingent liabilities *	386 736	11 361	8 540	10 252	416 889
<b>Total financial liabilities, off-balance items and contingent liabilities</b>	<b>402 171</b>	<b>17 597</b>	<b>18 303</b>	<b>115 884</b>	<b>553 955</b>
Due from credit institutions and the Treasury	565 798	34 835	11 250	90 905	702 788
Investment securities	38	37	-	-	75
<b>Liquid assets</b>	<b>565 836</b>	<b>34 872</b>	<b>11 250</b>	<b>90 905</b>	<b>702 863</b>

\* Split of off-balance sheet items and contingent liabilities by type of financial instrument – outstanding financial guarantees, loan commitments and grant commitments as well as commitments to AIF "Altum capital fund", investments in associates and other investments, are presented in Note 25.

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 21) and Specific reserve capital (see Note 24). 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 19 and 20) and respective loan support programme funding (see Note 21).

Grant commitments in amount of EUR 1,575 thousand (up to 1 year) – from respective grant support programme funding (see Note 21).

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 21).

Commitments to AIF "Altum capital fund" in amount of EUR 3,343 thousand (up to 1 year) – from specific reserve capital (see Note 24).

Commitments to other investments in amount of EUR 3,992 thousand (up to 1 year) – for Baltic Innovation Fund 2 from support programme funding and repayments on different support programmes (see Note 21) 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 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
<b>Total financial liabilities</b>	<b>98 739</b>	<b>176 036</b>	<b>264 834</b>	<b>77 947</b>	<b>68 349</b>	<b>685 905</b>
Off-balance sheet items and contingent liabilities	453 774	87 645	153 849	-	-	695 268
<b>Total financial liabilities, off-balance items and contingent liabilities ***</b>	<b>552 513</b>	<b>263 681</b>	<b>418 683</b>	<b>77 947</b>	<b>68 349</b>	<b>1 381 173</b>
Due from credit institutions and the Treasury	571 667	-	-	-	-	571 667
Investment securities	76	9 478	-	-	-	9 554
<b>Liquid assets</b>	<b>571 743</b>	<b>9 478</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>581 221</b>

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

Maturity profile of the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 31 December 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 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
<b>Total financial liabilities</b>	<b>7 126</b>	<b>7 231</b>	<b>8 693</b>	<b>75 689</b>	<b>98 739</b>
Off-balance sheet items and contingent liabilities *	417 734	6 970	10 015	19 055	453 774
<b>Total financial liabilities, off-balance items and contingent liabilities</b>	<b>424 860</b>	<b>14 201</b>	<b>18 708</b>	<b>94 744</b>	<b>552 513</b>
Due from credit institutions and the Treasury	539 667	-	-	32 000	571 667
Investment securities	39	-	-	37	76
<b>Liquid assets</b>	<b>539 706</b>	<b>-</b>	<b>-</b>	<b>32 037</b>	<b>571 743</b>

\* Split of off-balance sheet items and contingent liabilities by type of financial instrument – outstanding financial guarantees, loan commitments and grant commitments as well as commitments to AIF "Altum capital fund", investments in associates and other investments, are presented in Note 25.

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 21) and Specific reserve capital (see Note 24). 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 19 and 20) and respective loan support programme funding (see Note 21).

Grant commitments in amount of EUR 47,824 thousand (up to 1 year) – from respective grant support programme funding (see Note 21).

Commitments to investments in subsidiaries in amount of EUR 29,228 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 21).

Commitments to AIF "Altum capital fund" in amount of EUR 3,121 thousand (up to 1 year) – from specific reserve capital (see Note 24).

Commitments to other investments in amount of EUR 6,900 thousand (up to 1 year) – for Baltic Innovation Fund 2 from support programme funding and repayments on different support programmes (see Note 20) and the Company's own funding for Three Seas Initiatives Investment Fund.

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

## 3 Risk Management (cont'd)

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

Breakdown of 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
<b>Assets</b>							
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	-	-	-	-	-	25 769	25 769
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	1 218	79	111	17	2 481	15	3 921
<b>Total assets</b>	<b>583 540</b>	<b>111 303</b>	<b>28 291</b>	<b>124 773</b>	<b>198 975</b>	<b>269 574</b>	<b>1 316 456</b>
<b>Liabilities</b>							
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	7 245	2 805	-	67 746	37 343	465 502	580 641
Other liabilities	3 604	32	-	9	720	-	4 365
<b>Total liabilities</b>	<b>57 022</b>	<b>7 281</b>	<b>8 736</b>	<b>103 223</b>	<b>169 554</b>	<b>580 908</b>	<b>926 724</b>
<b>Net liquidity</b>	<b>526 518</b>	<b>104 022</b>	<b>19 555</b>	<b>21 550</b>	<b>29 421</b>	<b>(311 334)</b>	<b>389 732</b>

\* 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 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
<b>Assets</b>							
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
<b>Total assets</b>	<b>558 366</b>	<b>16 525</b>	<b>28 667</b>	<b>77 363</b>	<b>201 558</b>	<b>217 109</b>	<b>1 099 588</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>49 298</b>	<b>8 217</b>	<b>8 202</b>	<b>73 662</b>	<b>181 369</b>	<b>382 857</b>	<b>703 605</b>
<b>Net liquidity</b>	<b>509 068</b>	<b>8 308</b>	<b>20 465</b>	<b>3 701</b>	<b>20 189</b>	<b>(165 748)</b>	<b>395 983</b>

\* 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)

### (3) Russian military incursion into Ukraine and the impact of related sanctions

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).

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.

## 3 Risk Management (cont'd)

### (3) Russian military incursion into Ukraine and the impact of related sanctions (cont'd)

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
<b>Weighted average **</b>	<b>0.2</b>	<b>2.0</b>	<b>3.1</b>	<b>3.1</b>

\* 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
<b>Weighted average *</b>	<b>1.9</b>	<b>-0.6</b>	<b>3.6</b>	<b>3.3</b>

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

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.

## 3 Risk Management (cont'd)

### (3) Russian military incursion into Ukraine and the impact of related sanctions (cont'd)

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 provision reserve of EUR 2,063 thousand. The provision reserve 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.

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 4<sup>th</sup> quarter 2023.



## 3 Risk Management (cont'd)

### (3) Russian military incursion into Ukraine and the impact of related sanctions (cont'd)

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).

### (4) 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)

### (4) 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.

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 LVÇMC Climate Change Analyses Tool and the Flood maps (in GIS format) developed by LVÇMC 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

### 4.1. 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
<b>Total interest income</b>	<b>18 675</b>	<b>14 944</b>

\* The Company's sub-item *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, stipulates that the funding allocated by the Ministry of Economics (recognized in balance sheet item Support Programs Funding) must be increased by the respective program income. Accordingly, this type of income is not recognized as interest income, but is recognized as an increase in Support Programs Funding which in 12 months of 2023 amounts to EUR 2,966 thousand (12 months of 2022: EUR 799 thousand).

### 4.2. Other interest and similar income, in thousands of euro

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

\* The Company's sub-item *Interest income on loans* 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". The interest rate difference compensated by the Ministry of Agriculture in 12 months of 2023 amounted to EUR 423 thousand (12 months of 2022: EUR 177 thousand euro).

\*\* The Company's sub-item *Interest income on 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 balance sheet item Support Programs Funding) must be increased by the respective program income. Accordingly, this type of income is not recognized as interest income, but is recognized as an increase in Support Programs Funding which in 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 commission expense	13	57
<b>Total interest expense</b>	<b>7 906</b>	<b>2 960</b>

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

## 6 Income for implementation of state support programmes

All amounts in thousands of euro

	01.01.2023.- 31.12.2023.	01.01.2022.- 31.12.2022.
Compensation of expenses for management of state support programmes *	5 154	2 458
Compensation of venture capital fund management fees	2 019	2 629
Compensation of expenses for management of state support programmes of the previous years *	1 910	582
Compensation of expenses of capital congestion	741	424
<b>Total income from implementation of state support programmes</b>	<b>9 824</b>	<b>6 093</b>

\* 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.

\*\* Item *Compensation of expenses for management of state support programmes of the previous years* includes the compensable support programmes' management expenses approved in the reporting year, which were recognized in the previous year, but for which approval was received in the reporting year, so the revenue was recognized in the reporting year.

## 7 Expenses to be compensated for implementation of state support 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
<b>Total compensated expense for implementation of state support programmes</b>	<b>7 141</b>	<b>5 091</b>

## 8 Other income

All amounts in thousands of euro

	01.01.2023.- 31.12.2023.	01.01.2022.- 31.12.2022.
Income from lease payments for land operating leases	2 195	1 853
Income from payments for financial leases	100	3
Profit 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	90	1 061
<b>Total other income</b>	<b>8 996</b>	<b>6 208</b>

## 9 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	142	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	6	3
Changes in fair value of support programme funding	-	142
<b>Total other expense</b>	<b>1 007</b>	<b>1 570</b>

## 10 Impairment losses, net

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)
<b>Total impairment losses and (income) from recovery of loans written-off</b>	<b>4 737</b>	<b>3 367</b>

Additional information Including on impairment allowances used to increase / decrease Portfolio Loss Reserve (Special Reserve Capital) available in Note 3 (1).

## 11 Due from credit institutions and the 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 equivalent	565 896	539 630
term deposits	135 000	32 000
Impairment allowances	(98)	(15)
<b>Net due from credit institutions and State Treasury</b>	<b>702 788</b>	<b>571 667</b>

The increase in the Company's Due from credit institutions and the Treasury is due to the financing received by the Company from the Ministry of Economy for the implementation of new state aid programmes (from the European Union Recovery and Resilience Facility), as well as for the implementation of active state aid programmes of the Central Finance and Contracting Agency (CFCA).

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

Ratings	Aaa	Aa1-Aa3	A1-A3	Baa1-Baa3	Ba1-Ba3	B1-B3	Caa-C	Withdrawn rating (WR)	Total
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	-	559 156	12 511	-	-	-	-	571 667
<b>Total gross as at 31 December 2022</b>	-	-	<b>559 156</b>	<b>12 511</b>	-	-	-	-	<b>571 667</b>
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	33 706	654 307	14 775	-	-	-	-	702 788
<b>Total gross as at 31 December 2023</b>	-	<b>33 706</b>	<b>654 307</b>	<b>14 775</b>	-	-	-	-	<b>702 788</b>

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%).

## 12 Investments in Associates

(1) Investments in associates, in thousands of euro:

Company or venture capital fund generation	Country of incorporation	Equity of venture capital fund		Carrying Amount	
		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	32 513	30 313	24 562	19 017
AlF "Altum capital fund"	LV	33 381	34 529	16 327	16 888
Baltic Innovation Fund *	LU	92 455	88 534	15 501	14 232
<b>Total investments in associates</b>		<b>172 700</b>	<b>172 384</b>	<b>66 592</b>	<b>64 645</b>

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

## 12 Investments in Associates (cont'd)

As at 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	(8 764)	(9 293)	(1 605)	(945)	(980)	(1 799)	(11 349)	(12 037)
Mezzanine interest received and realised gain on exit	736	1 675	1 063	945	-	-	1 799	2 620
Realised gain from refunded	-	-	-	-	409	61	409	61
Share of net gain / (loss) of investment in associate *	882	(3 075)	(650)	(350)	-	-	232	(3 425)
Gain from investment in associate at fair value through profit or loss	-	-	-	-	459	48	459	48
<b>Net carrying amount at the period ended at 31 December</b>	<b>34 764</b>	<b>33 525</b>	<b>16 327</b>	<b>16 888</b>	<b>15 501</b>	<b>14 232</b>	<b>66 592</b>	<b>64 645</b>

\* includes changes in revaluation of investment.

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

	Investments in VCF		Investments in AIF "Altum capital fund"		Investments in Three Seas Initiative Investment Fund		Total	
	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.
Net share of gain / (loss) of investment in associates	882	(3 075)	(650)	(350)	-	-	232	(3 425)
Net income / (expense), excluding revaluation gain / (loss)	-	-	1 063	945	-	-	1 063	945
Share of net gain / (loss) of investment in Three Seas Initiatives Investment Fund	-	-	-	-	1 681	700	1 681	700
<b>Share of net gain / (loss) of investment in associate</b>	<b>882</b>	<b>(3 075)</b>	<b>413</b>	<b>595</b>	<b>1 681</b>	<b>700</b>	<b>2 976</b>	<b>(1 780)</b>



## 12 Investments in Associates (cont'd)

(4) Venture capital funds management fees in the 12 months of 2023, expenses included:

- Management fees for the 2nd and 3rd generation venture capital funds: contributions for fund management are not made (12 months of 2022: EUR 425 thousand) which were compensated from the risk coverage reserve (see Note 21 (2));
- Management fees for the 4th generation venture capital funds amounted EUR 1,659 thousand (12 months of 2022: EUR 1,820 thousand) which were compensated from the risk coverage reserve (see Note 21 (2));
- Management fees for the Baltic Innovation Fund (BIF) amounted EUR 138 thousand (12 months of 2022: EUR 141 thousand), which were compensated from the risk coverage reserve (see Note 21 (2));
- Management fees for the AIF "Altum capital fund" amounted EUR 206 thousand (12 months of 2022: EUR 485 thousand) (see Note 9).

## 13 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, and thus is not included in the investment's book value at the end of the reporting period.

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Baltic Innovation Fund 2	7 739	4 478
Three Seas Initiatives Investment Fund	18 030	11 263
<b>Total other investments</b>	<b>25 769</b>	<b>15 741</b>

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 agreement on BIF 2 on 16 August 2019. The total capital committed by the Company to the BIF2 is EUR 26.5 million thus arriving at the ownership rate 16.99% of the total committed capital of the BIF 2 (EUR 156 million).

The Three Seas Initiative Investment Fund is a new financial instrument for financing and developing infrastructure projects in 12 countries, including Latvia, aimed at reducing infrastructure development gaps between different European regions. The Three Seas Initiative Investment Fund is a new financial instrument to support transport, energy and digitalization infrastructure projects in Central and Eastern Europe. The Company signed the subscription agreement on 16 September 2020. The total capital committed by the Company to the Three Seas Initiative Investment Fund is EUR 20 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).

## 14 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
<b>Total gross loans</b>	<b>374 850</b>	<b>338 933</b>
Impairment allowances	(25 490)	(21 074)
<b>Total net loans</b>	<b>349 360</b>	<b>317 859</b>

(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
<b>Total gross loans</b>	<b>374 850</b>	<b>338 933</b>
Impairment allowances	(25 490)	(21 074)
<b>Total net loans</b>	<b>349 360</b>	<b>317 859</b>

(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%

## 14 Loans (cont'd)

(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)
<b>Total segments, gross</b>	<b>300 035</b>	<b>(3 251)</b>	<b>43 965</b>	<b>(3 068)</b>	<b>30 779</b>	<b>(11 207)</b>	<b>71</b>	<b>(70)</b>	<b>374 850</b>	<b>(17 596)</b>
Impairment overlay	-	(1 516)	-	(2 491)	-	(10)	-	-	-	(4 017)
Additional provision for increased interest rates	-	(3 877)	-	-	-	-	-	-	-	(3 877)
<b>Total segments, net</b>	<b>300 035</b>	<b>(8 644)</b>	<b>43 965</b>	<b>(5 559)</b>	<b>30 779</b>	<b>(11 217)</b>	<b>71</b>	<b>(70)</b>	<b>374 850</b>	<b>(25 490)</b>

(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 10: the sum of impairment losses and impairment losses covered by Portfolio Loss Reserve)	15 156	10 144
Decrease in impairment allowances (Note 10: 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
Reclassification (increase of impairment allowances due to changes in off-balance sheet and balance sheet)	939	1 196
<b>Impairment allowances at the end of the period ended 31 December</b>	<b>25 490</b>	<b>21 074</b>
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 discount, in thousands of euro:

	31.12.2023.	31.12.2022
Investment loans with capital discount	7 447	-
RRF energy efficiency loans	3 015	-
RRF digitization loans	2 626	-
<b>Total loans with capital discount</b>	<b>13 088</b>	<b>-</b>

## 15 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
<b>Total grants, gross</b>	<b>68 132</b>	<b>58 716</b>
Impairment allowances	(936)	(436)
<b>Total grants, net</b>	<b>67 196</b>	<b>58 280</b>

\* The grant component of the combined financial instrument.

## 15 Grants (cont'd)

Movement in net book value of grants in 12 months of 2023, in thousands of euro:

	31.12.2023.	31.12.2022.
<b>Carrying amount</b>		
Carrying amount at the beginning of period	58 716	45 729
Grants paid to clients	47 932	43 025
Repayment of approved grants from the funding	(38 516)	(30 038)
Carrying amount at the end of period	68 132	58 716
<b>Impairment allowances</b>		
At the beginning of period	(332)	(332)
Changes	(365)	(102)
Reclassification (increase of impairment allowances due to changes in off-balance sheet and balance sheet)	(239)	(2)
Carrying amount at the end of period	(936)	(436)
<b>Grants net book at the beginning of the period</b>	<b>58 384</b>	<b>45 397</b>
<b>Grants net book value at the end of the period ended 31 December</b>	<b>67 196</b>	<b>58 280</b>

## 16 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 leases	-	164
Disposals during the reporting period	(202)	(954)
Net gain from fair value adjustment	6 487	2 345
Net (loss) from fair value adjustment	(371)	(24)
<b>Carrying amount at the end of the period</b>	<b>68 246</b>	<b>53 453</b>

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

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

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 a procurement.

## 17 Other Assets

All amounts in thousands of euro

	31.12.2023.	31.12.2022.
Other financial assets	5 084	3 531
Other assets (repossessed collateral)	-	28
<b>Total other assets, gross</b>	<b>5 084</b>	<b>3 559</b>
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)
<b>Total financial assets, net</b>	<b>3 921</b>	<b>1 502</b>
<b>Total other assets, net</b>	<b>3 921</b>	<b>1 530</b>

Item *Other assets (repossessed collateral)* includes assets that have been taken over in the debt collection process and are held to be sold in the ordinary course of business.

Movement in the net book value of other financial assets in 12 months of 2023, in thousands of euro:

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
<b>Financial assets</b>				
At the beginning of period	1 869	248	1 414	3 531
Changes	(846)	(58)	2 457	1 553
As at 31 December	1 023	190	3 871	5 084
<b>Impairment provision</b>				
At the beginning of period	(1 869)	(151)	(9)	(2 029)
Changes in impairment allowances	846	35	(15)	866
As at 31 December	(1 023)	(116)	(24)	(1 163)
<b>Net book value at the beginning of period</b>	<b>-</b>	<b>97</b>	<b>1 405</b>	<b>1 502</b>
<b>Net book value as the end of period</b>	<b>-</b>	<b>74</b>	<b>3 847</b>	<b>3 921</b>

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

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
<b>Financial assets</b>				
At the beginning of period	1 590	870	2 705	5 165
Changes	279	(622)	(1 291)	(1 634)
As at 31 December	1 869	248	1 414	3 531
<b>Impairment provision</b>				
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)
<b>Net book value at the beginning of period</b>	<b>-</b>	<b>540</b>	<b>2 674</b>	<b>3 214</b>
<b>Net book value as at 31 December</b>	<b>-</b>	<b>97</b>	<b>1 405</b>	<b>1 502</b>

## 18 Due to Credit Institutions

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

## 19 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
<b>Total due to credit institutions</b>	<b>32 038</b>	<b>36 290</b>

Balances due to credit institutions registered in the OECD countries include loan received by the Company from the European Investment Bank (EIB) of EUR 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), the final repayment date 3 April 2028. As at 31 December 2023, according to the loan agreement, the Company is available the financing for working capital and investment loans in the amount of EUR 25,000 thousand, final availability date 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 absorption of which had not been started until 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%).

## 20 Due to General Governments

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
<b>Total due to general governments</b>	<b>174 656</b>	<b>153 784</b>

Item *Loans from Rural Support Service* includes the financing to the Loan Fund, which was established in 2010 for the purpose to issue the loans to the agricultural and fisheries beneficiaries via financial intermediaries. As 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 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 the Company is available the 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).

## 20 Due to General Governments (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 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 absorption of which has not been started until 31 December 2023:

- Micro Loans and Star-up Loans programme: the amount of the loan agreement EUR 23,000 thousand, the final repayment date 20 January 2039, commercial pledge on the Company's claims for the loans under the programme. The size and pace of the drawdown the loan relates to the further volume of new loan transactions. The maximum amount of the secured claim is EUR 27,600 thousand.
- Working capital loan programme for farmers: the amount of the loan agreement EUR 25,612 thousand, the final repayment date 30 June 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.

## 21 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
<b>Loans</b>					
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	(104)	(75)	2 453
Fund of Funds programme – Microcredits	291	14	(2)	(1)	288
Fund of Funds programme – Parallel loans	4 012	3 590	(117)	(931)	2 964
Energy Efficiency Loans for Multi-apartment Buildings (I)	19 401	-	(77)	(206)	19 118
Start-up State Aid Cumulation Lending Programme	1 840	1 840	(443)	(272)	1 125
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	(1 196)	-	3 091
SME energy efficiency loans	3 723	3 723	(142)	(1 351)	2 230
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	(119)	(200)	1 681
Parallel loans 2	3 553	1 315	-	(538)	3 015
Loans for enterprises in rural territories	7 803	7 803	(413)	(128)	7 262
Start-up loans to innovative entrepreneurs	8 017	1 603	-	(258)	7 759
Multi-apartment building improvement loans	1 000	1 000	(7)	(49)	944
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	11 976	2 874	-	(84)	11 892
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 discount *	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
<b>Total loans</b>	<b>363 532</b>	<b>188 422</b>	<b>(2 620)</b>	<b>(6 388)</b>	<b>354 524</b>



## 21 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
<b>Guarantees</b>					
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	(2 532)	(18 017)	5 585
Housing Guarantee Programme for NAF soldiers	512	512	-	(315)	197
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	8 753	8 753	(2 567)	(794)	5 392
Mezzanine Programme – Guarantees	1 034	1 014	-	(200)	834
Portfolio Guarantee Fund	9 721	9 145	(2 196)	(3 403)	4 122
Export credit guarantees	5 474	5 168	(635)	(452)	4 387
Study and student portfolio guarantees ***	729	-	-	-	729
Agricultural Guarantees	1 388	1 500	(374)	(938)	76
ELFLA Agricultural and rural development guarantees	2 997	669	-	(165)	2 832
RRM energy car guarantees	1 500	182	-	-	1 500
PF1 Individual guarantees for digitalisation and automation	1 480	1 339	-	-	1 480
PF1 Guarantees for full-cycle business	402	2 997	-	-	402
PF1 Portfolio guarantees for full-cycle business	2 961	1 388	-	-	2 961
Advance payment 2021-2027 in the Participation Fund No 1 guarantee segment	9 961	-	-	-	9 961
<b>Total guarantees</b>	<b>129 636</b>	<b>114 703</b>	<b>(8 304)</b>	<b>(35 644)</b>	<b>85 688</b>
<b>Grants</b>					
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
<b>Total grants</b>	<b>73 658</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73 658</b>
<b>Venture Capital Funds</b>					
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	(511)	-	1 489
Baltic Innovation Fund II	1 629	489	(548)	-	1 081
Advance payment 2021-2027 in the Participation fund No 1 venture capital funds segment	15 654	6 013	-	-	15 654
<b>Total venture capital funds</b>	<b>58 862</b>	<b>12 524</b>	<b>(1 059)</b>	<b>(46)</b>	<b>57 757</b>
<b>Other Activities</b>					
Energy Efficiency Fund	38	-	-	-	38
Regional Creative Industries Alliance	-	-	-	-	-
<b>Total other activities</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38</b>
Funding allocated to increase reserve capital	8 976	-	-	-	8 976
<b>Total support programme funding</b>	<b>634 702 ****</b>	<b>315 649</b>	<b>(11 983)</b>	<b>(42 078)</b>	<b>580 641</b>

\* 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 24 (24.2))

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

## 21 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
<b>Loans</b>					
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 discount *	99 565	50 778	-	-	99 565
<b>Total loans</b>	<b>203 989</b>	<b>91 695</b>	<b>(2 620)</b>	<b>(4 857)</b>	<b>196 512</b>

## 21 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
<b>Guarantees</b>					
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
<b>Total guarantees</b>	<b>105 114</b>	<b>104 085</b>	<b>(8 304)</b>	<b>(32 828)</b>	<b>63 982</b>
<b>Grants</b>					
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
<b>Total grants</b>	<b>71 543</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71 543</b>
<b>Venture Capital Funds</b>					
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
<b>Total venture capital funds</b>	<b>43 393</b>	<b>34 744</b>	<b>(1 059)</b>	<b>(354)</b>	<b>41 980</b>
<b>Other Activities</b>					
Energy Efficiency Fund	580	-	-	-	580
Regional Creative Industries Alliance	-	-	-	-	-
<b>Total other activities</b>	<b>580</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>580</b>
Funding allocated to increase reserve capital	683 ****	-	-	-	683
<b>Total support programme funding</b>	<b>425 302 *****</b>	<b>230 524</b>	<b>(11 983)</b>	<b>(38 039)</b>	<b>375 280</b>

\* 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 24 (24.2)).

\*\*\* Risk coverage (Portfolio Loss Reserve) of EUR 3,308 thousand has been included in the reserve for non-Covid-19 programmes, which is part of the specific reserves attributable to support programs (see Note 24 (24.2))

\*\*\*\* 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.

## 21 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 12 months of 2023, in thousands of euro:

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.
<b>Loans</b>										
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	-	-	-	-	-	-	(66)	112	2 453
Fund of Funds programme – Microcredits	282	-	-	-	-	-	-	-	6	288
Fund of Funds programme – Parallel loans	2 690	-	-	-	-	-	-	-	274	2 964
Energy Efficiency Loans for Multi-apartment Buildings (I)	7 088	21 377	(9 632)	-	(25)	-	436	-	(126)	19 118
Start-up State Aid Cumulation Lending Programme	1 038	-	-	-	-	-	-	(48)	135	1 125
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	-	-	-	-	-	-	-	-	3 091
SME energy efficiency loans	3 216	-	-	-	-	-	-	-	(986)	2 230
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	-	-	-	-	-	-	-	97	1 681
Parallel loans 2	2 862	-	267	-	-	-	-	-	(114)	3 015
Loans for enterprises in rural territories	7 241	-	-	-	-	-	-	-	21	7 262
Start-up loans to innovative entrepreneurs	5 845	-	2 028	-	-	-	-	(11)	(103)	7 759
Multi-apartment building improvement loans	735	-	250	-	-	-	-	-	(41)	944

## 21 Support programme funding (cont'd)

(2) Movement in the Company's support programme funding in 12 months of 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.
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)	-	265	-	(53)	11 892
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 discount *****	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	-	15 424	-	-	-	-	-	-	-	15 424
<b>Kopā aizdevumi</b>	<b>196 512 **</b>	<b>137 075</b>	<b>24 834</b>	<b>(1 281)</b>	<b>(539)</b>	<b>589</b>	<b>1 139</b>	<b>(2 274)</b>	<b>(1 531)</b>	<b>354 524</b>
<b>Guarantees</b>										
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	-	-	-	-	-	-	(1 984)	5 585
Housing Guarantee Programme for NAF soldiers	160	352	-	-	-	-	-	-	(315)	197
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	-	-	-	-	-	-	-	255	5 392
Mezzanine Programme - Guarantees	587	-	160	-	(17)	-	26	-	78	834
Portfolio Guarantee Fund	4 399	-	-	-	(152)	-	-	(121)	(4)	4 122
Export credit guarantees	2 058	2 190	-	-	-	-	-	(106)	245	4 387
Study and student portfolio guarantees	658	120	-	-	(49)	-	-	-	-	729
Agricultural Guarantees	866	-	-	-	-	-	-	(1 353)	563	76
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
<b>Total guarantees</b>	<b>63 982</b>	<b>23 986</b>	<b>2 358</b>	<b>-</b>	<b>(447)</b>	<b>-</b>	<b>241</b>	<b>(1 616)</b>	<b>(2 816)</b>	<b>85 688</b>

## 21 Support programme funding (cont'd)

(2) Movement in the Company's support programme funding in 12 months of 2023, in thousands of euro: (cont'd)

Financial Instrument / Programme	Financing, net	Financing received	Reallo- cated funding between program- mes	Compen- sated grants/ capital rebate	Compen- sated income and expense	Revalua- tion of liabilities	Program- mes income / profit distri- bution	Other changes	Changes in provi- sions covered by risk coverage	Financing, net
	31.12.2022.									31.12.2023.
<b>Grants</b>										
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
<b>Total grants</b>	<b>71 543</b>	<b>42 421</b>	<b>1 039</b>	<b>(38 516)</b>	<b>(2 702)</b>	<b>-</b>	<b>-</b>	<b>(127)</b>	<b>-</b>	<b>73 658</b>
<b>Venture Capital Funds</b>										
Fund of Funds and venture capital funds	35 488	18 962	(22 995)	-	(2 469)***	(961)	5 572 ****	-	-	33 576
Investment Fund Activity	3 855	-	-	-	(131)	1 085	(1 131)*****	1 950	308	5 936
Baltic Innovation Fund	1 283	-	-	-	(203)	-	409 *****	-	-	1 489
Baltic Innovation Fund II	1 354	-	-	-	(273)	-	-	-	-	1 081
Advance payment 2021-2027 in the Participation fund No 1 venture capital funds segment	-	15 654	-	-	-	-	-	-	-	15 654
<b>Total venture capital funds</b>	<b>41 980</b>	<b>34 616</b>	<b>(22 995)</b>	<b>-</b>	<b>(3 076)</b>	<b>124</b>	<b>4 850</b>	<b>1 950</b>	<b>308</b>	<b>57 757</b>
<b>Other Activities</b>										
Energy Efficiency Fund	580	40	(537)	-	(45)	-	-	-	-	38
Regional Creative Industries Alliance	-	-	-	-	-	-	-	-	-	-
<b>Total other activities</b>	<b>580</b>	<b>40</b>	<b>(537)</b>	<b>-</b>	<b>(45)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38</b>
Funding allocated to increase reserve capital	683	9 152	-	-	-	-	-	(859)	-	8 976
<b>Total support programme funding</b>	<b>375 280</b>	<b>251 989</b>	<b>0</b>	<b>(39 797)</b>	<b>(6 809)</b>	<b>713</b>	<b>6 209</b>	<b>(2 926)</b>	<b>(4 039)</b>	<b>580 641</b>

\* 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 24 (2))

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

## 21 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
<b>Gains/(losses) of investment in associate and other investments less losses from liabilities at fair value through profit or loss</b>	<b>882</b>	<b>(3 075)</b>

## 22 Provisions for off-balance sheet 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
<i>Company's share of provisions</i>	<i>432</i>	<i>432</i>
<i>Provisions covered by Portfolio Loss Reserve</i>	<i>(360)</i>	<i>12</i>
<i>Provisions covered by Risk Coverage Reserve</i>	<i>247</i>	<i>633</i>
Provisions for grant commitments	25	376
<i>Company's share of provisions</i>	<i>25</i>	<i>376</i>
<b>Total provisions</b>	<b>344</b>	<b>1 453</b>
<i>Company's share of provisions</i>	<i>457</i>	<i>808</i>
<i>Provisions covered by Portfolio Loss Reserve</i>	<i>(360)</i>	<i>12</i>
<i>Provisions covered by Risk Coverage Reserve</i>	<i>247</i>	<i>633</i>

## 23 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 10: the sum of impairment losses and impairment losses covered by Portfolio Loss Reserve)	18 530	24 064
Decrease in provisions (Note 10: 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
<b>Provisions at the end of the period ended 31 December</b>	<b>47 319</b>	<b>45 852</b>
<i>Fair value component - guarantee premiums</i>	<i>3 759</i>	<i>4 034</i>
<i>Company's share of provisions</i>	<i>1 649</i>	<i>2 683</i>
<i>Provisions covered by Portfolio Loss Reserve</i>	<i>6 907</i>	<i>7 481</i>
<i>Provisions covered by Risk Coverage Reserve</i>	<i>35 004</i>	<i>31 654</i>

## 24 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
<b>Reserves as of 1 January 2022</b>	<b>200 193</b>	<b>(15 935)</b>	<b>37 089</b>	<b>221 347</b>
Decrease of Specific Reserves to General reserve capital at allocation of the profit for year 2021	(3 446)	-	3 446	-
Distribution of 2021 year profit of the Company	-	-	13 829	13 829
Increase of reserve capital	3 525	-	-	3 525
Decrease of reserve capital	(58 565)	-	-	(58 565)
<b>Reserves as of 1 January 2023</b>	<b>141 707</b>	<b>(15 935)</b>	<b>54 364</b>	<b>180 136</b>
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	-
Distribution of 2022 year 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)
<b>Reserves as of 31 December 2023</b>	<b>125 629</b>	<b>(15 935)</b>	<b>57 265</b>	<b>166 959</b>



## 24 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		
<b>Specific reserves as of 1 January 2022</b>	<b>17 686</b>	<b>2 375</b>	<b>5 788</b>	<b>4 500</b>	-	-	-	<b>22 565</b>	<b>20 000</b>	<b>58 148</b>	<b>44 316</b>	<b>24 815</b>	<b>200 193</b>
of which:													
Portfolio Loss Reserve (Specific Reserves)	17 686	2 375	5 788	4 500	-	-	-	13 800	20 000	42 385	44 316	8 850	159 700
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2021 annual report	-	(1 140)	-	-	-	-	-	-	-	(1 683)	(186)	(437)	(3 446)
Portfolio Loss Reserve (Specific Reserves) 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 discount	-	-	-	-	-	-	-	(22 565)	(20 000)	-	(16 000)	-	(58 565)
<b>Specific reserves as of 31 December 2022</b>	<b>19 138</b>	<b>3 308</b>	<b>5 788</b>	<b>4 500</b>	-	-	-	-	-	<b>56 465</b>	<b>28 130</b>	<b>24 378</b>	<b>141 707</b>
of which:													
Portfolio Loss Reserve (Specific Reserves)	19 138	3 308	5 788	4 500	-	-	-	-	-	40 702	28 130	8 413	109 979
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2022 annual report	-	(1 906)	-	(482)	-	-	-	-	-	(1 914)	(473)	(471)	(5 246)

## 24 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)
<b>Specific reserves as of 31 December 2023</b>	<b>21 977</b>	<b>1 402</b>	<b>5 788</b>	<b>4 018</b>	<b>21 500</b>	<b>12 500</b>	<b>13 829</b>	<b>-</b>	<b>-</b>	<b>15 551</b>	<b>5 157</b>	<b>23 907</b>	<b>125 629</b>
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

\* 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.

## 24 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 Discount 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 Discount 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 discount 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 discount 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

## 24 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 Discount 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 discount 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".

## 24 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		
<b>Portfolio Loss Reserve as of 1 January 2022</b>	<b>17 686</b>	<b>2 375</b>	<b>5 788</b>	<b>4 500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22 565</b>	<b>20 000</b>	<b>58 148</b>	<b>44 316</b>	<b>24 815</b>	<b>200 193</b>
of which:													
Portfolio Loss Reserve (Specific Reserves)	17 686	2 375	5 788	4 500	-	-	-	13 800	20 000	42 385	44 316	8 850	159 700
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2021 annual report	-	(1 140)	-	-	-	-	-	-	-	(1 683)	(186)	(437)	(3 446)
Portfolio Loss Reserve (Specific Reserves) used to cover credit loss upon approval of the 2021 annual report	-	(1 140)	-	-	-	-	-	-	-	(1 683)	(186)	(437)	(3 446)
Increase of reserve capital	1 452	2 073	-	-	-	-	-	-	-	-	-	-	3 525
Decrease of reserve capital, directing funds to risk coverage of program Loans with capital discount	-	-	-	-	-	-	-	(22 565)	(20 000)	-	(16 000)	-	(58 565)
<b>Portfolio Loss Reserve as of 1 January 2023</b>	<b>19 138</b>	<b>3 308</b>	<b>5 788</b>	<b>4 500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56 465</b>	<b>28 130</b>	<b>24 378</b>	<b>141 707</b>
of which:													
Portfolio Loss Reserve (Specific Reserves)	19 138	3 308	5 788	4 500	-	-	-	-	-	40 702	28 130	8 413	109 979
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2022 annual report	-	(1 906)	-	(482)	-	-	-	-	-	(1 914)	(473)	(471)	(5 246)

## 24 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 discount for capital discount	-	-	-	-	-	-	-	-	-	(17 500)	(10 000)	-	(27 500)
<b>Portfolio Loss Reserve as of 31 December 2023</b>	<b>21 977</b>	<b>1 402</b>	<b>5 788</b>	<b>4 018</b>	<b>21 500</b>	<b>12 500</b>	<b>13 829</b>	<b>-</b>	<b>-</b>	<b>15 551</b>	<b>5 157</b>	<b>23 907</b>	<b>125 629</b>
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

## 25 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
Grant commitments	1 575	47 824
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
<b>Total contingent liabilities and financial commitments</b>	<b>654 702</b>	<b>695 268</b>

\* 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)
<b>Total unutilized loan facilities, net</b>	<b>88 527</b>	<b>60 157</b>

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)
<b>Total grant commitments, net</b>	<b>1 550</b>	<b>47 448</b>

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)
<b>Total segments, gross</b>	<b>455 628</b>	<b>(36 395)</b>	<b>19 015</b>	<b>(3 006)</b>	<b>5 382</b>	<b>(3 478)</b>	<b>480 025</b>	<b>(42 879)</b>
Additional provision for increased interest rates	-	(681)	-	-	-	-	-	(681)
<b>Total segments, net</b>	<b>455 628</b>	<b>(37 076)</b>	<b>19 015</b>	<b>(3 006)</b>	<b>5 382</b>	<b>(3 478)</b>	<b>480 025</b>	<b>(43 560)</b>

## 25 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
<b>Contingent liabilities</b>							
Outstanding guarantees	293 468 *	-	-	3	45 121	141 433	480 025
<b>Financial commitments</b>							
Loan commitments	88 846	-	-	-	-	-	88 846
Grant commitments	1 575	-	-	-	-	-	1 575
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
<b>Total financial commitments</b>	<b>93 268</b>	<b>11 361</b>	<b>8 540</b>	<b>10 249</b>	<b>44 208</b>	<b>7 051</b>	<b>174 677</b>
<b>Total contingent liabilities and financial commitments</b>	<b>386 736</b>	<b>11 361</b>	<b>8 540</b>	<b>10 252</b>	<b>89 329</b>	<b>148 484</b>	<b>654 702</b>

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

\*\* 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
<b>Contingent liabilities</b>							
Outstanding guarantees	305 461 *	-	-	7	30 835	144 710	481 013
<b>Financial commitments</b>							
Loan commitments	61 233	-	-	-	-	-	61 233
Grant commitments	47 824	-	-	-	-	-	47 824
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
<b>Total financial commitments</b>	<b>112 273</b>	<b>6 970</b>	<b>10 015</b>	<b>19 048</b>	<b>56 810</b>	<b>9 139</b>	<b>214 255</b>
<b>Total contingent liabilities and financial commitments</b>	<b>417 734</b>	<b>6 970</b>	<b>10 015</b>	<b>19 055</b>	<b>87 645</b>	<b>153 849</b>	<b>695 268</b>

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

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

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



## 26 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 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	421 502	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	-	-

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.
<b>Transactions with shareholders</b>				
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	-	-
<b>Associates</b>				
Venture capital funds	10 397	12 429	(11 349)	(12 037)
<b>Other companies owned by the shareholders</b>				
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 the 12 months of 2023 amounted to EUR 802 thousand (12 months of 2022: EUR 776 thousand), incl. social insurance contributions.

## 27 Fair values of assets and liabilities

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

	Carrying Amount		Fair Value	
	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.
<b>Assets</b>				
Due from credit institutions and the Treasury	702 788	571 667	702 990	571 724
Financial assets at fair value through other comprehensive income - investment securities	9 743	9 515	9 743	9 515
Financial assets at amortised cost:				
Investment securities	38	39	90	90
Loans	349 360	317 859	342 883	325 250
Individuals	27 693	30 735	28 438	31 227
Companies	321 667	287 124	314 445	294 023
Financial assets at fair value through profit or loss - loans with capital discount	13 088	-	13 088	-
Grants	67 196	58 280	67 196	58 280
Investments in associates (investments in Baltic Innovation Fund)	15 501	14 232	15 501	14 232
Investment properties	68 246	53 453	68 246	53 453
Financial assets	3 921	1 502	3 921	1 502
<b>Total assets</b>	<b>1 229 881</b>	<b>1 026 547</b>	<b>1 223 658</b>	<b>1 034 046</b>
<b>Liabilities</b>				
Due to credit institutions	32 038	36 290	32 038	36 290
Due to general governments	174 656	153 784	169 800	153 784
Financial liabilities at amortised cost - Issued debt securities	85 533	85 513	85 533	85 513
Support programme funding	580 641	375 280	580 641	375 280
<b>Total liabilities</b>	<b>872 868</b>	<b>650 867</b>	<b>868 012</b>	<b>650 867</b>

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

	Level 1		Level 2		Level 3		Total	
	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.	31.12.2023.	31.12.2022.
<b>Assets measured at fair value</b>								
Financial assets at fair value through other comprehensive income - investment securities	-	-	9 743	9 515	-	-	9 743	9 515
Investments in venture capital funds – associates (investments in BIF)	-	-	-	-	15 501	14 232	15 501	14 232
Investment properties	-	-	-	-	68 246	53 453	68 246	53 453
<b>Assets with fair values disclosed</b>								
Due from credit institutions and the Treasury	-	-	653 139	571 724	49 851	-	702 990	571 724
Financial assets at amortised cost:								
Investment securities	-	-	90	90	-	-	90	90
Loans	-	-	-	-	355 971	325 250	355 971	325 250
Grants	-	-	-	-	67 196	58 280	67 196	58 280
Financial assets at fair value:								
Loans with capital discount	-	-	-	-	13 088	-	13 088	-
Financial assets	-	-	-	-	3 921	1 502	3 921	1 502
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>662 972</b>	<b>581 329</b>	<b>573 774</b>	<b>452 717</b>	<b>1 236 746</b>	<b>1 034 046</b>
<b>Liabilities measured at fair value</b>								
Support programme funding	-	-	-	-	580 641	375 280	580 641	375 280
<b>Liabilities with fair value disclosed</b>								
Due to credit institutions	-	-	-	-	32 038	36 290	32 038	36 290
Due to general governments	-	-	-	-	169 800	153 784	169 800	153 784
Financial liabilities at amortised cost - Issued debt securities	-	-	-	-	85 533	85 513	85 533	85 513
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>868 012</b>	<b>650 867</b>	<b>868 012</b>	<b>650 867</b>

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

### Assets

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

### Liabilities

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

### Fair value hierarchy of financial assets and liabilities

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

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

### 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.

### Investments in venture capital funds

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

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

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

### Investment properties

The fair value of the Company's investment property is determined based on reports of independent appraisers, who hold a recognised and relevant professional qualification, and who have had recent experience of the valuation of property in similar locations and of similar category. Investment properties are measured at fair value applying one or complex of the following three methods: (a) market approach, (b) income approach and (c) cost approach.

### 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 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.

## 28 Segment Information

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

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

Other services include transactions with repossessed collaterals taken over in the debt collection process and development of new support programmes as well as transactions, which cannot be attributed to support programmes.

Segment information is prepared in a manner consistent with the internal management information provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Management board of the Company is the chief operating decision maker. The Company doesn't provide detailed information on the type of transaction since all the transactions are external.

## 28 Segment Information (cont'd)

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

	Loan service *	Guarantee service *	Venture capital fund service	Grant service	Land Fund service	Management of AIF "Altum capital fund"	Other services	Total
Interest income at effective interest rate	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)	1 485	-	-	-	17	-	3	1 505
of which, interest on guarantees (Note 4)	-	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	(1)	(2)	-	-	-	-	-	(3)
Share of (losses) of investment in associates	-	-	2 976	-	-	-	-	2 976
Share of gain of investment in associates at fair value through profit or loss	-	-	459	-	-	-	-	459
Gains less losses from liabilities at fair value through profit or loss	-	-	(882)	-	-	-	-	(882)
Other income	-	-	-	14	8 503	210	269	8 996
Other expense	(215)	(40)	(43)	(40)	(448)	(210)	(11)	(1 007)
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)
(Impairment) gain, net	(5 581)	1 031	-	(177)	(10)	-	-	(4 737)
Profit or (loss) from assets held for sale revaluation	-	-	-	-	-	-	-	-
<b>Total segment profit/(loss)</b>	<b>2 891</b>	<b>4 930</b>	<b>1 972</b>	<b>(150)</b>	<b>8 825</b>	<b>-</b>	<b>(279)</b>	<b>18 189</b>
Financial assets at fair value through profit or loss	-	-	51 091	-	-	-	-	51 091
Other investments	-	-	15 501	-	-	-	-	15 501
Investments in associates	-	-	25 769	-	-	-	-	25 769
Additions of property and equipment, intangible assets and investment property	313	94	25	121	8 898	-	22	9 473
<b>Total segment assets</b>	<b>742 941</b>	<b>171 153</b>	<b>172 417</b>	<b>79 217</b>	<b>97 551</b>	<b>-</b>	<b>53 177</b>	<b>1 316 456</b>
<b>Total segment liabilities</b>	<b>507 350</b>	<b>192 709</b>	<b>38 072</b>	<b>71 919</b>	<b>81 361</b>	<b>-</b>	<b>35 313</b>	<b>926 724</b>
<b>Total off-balance</b>	<b>88 682</b>	<b>480 025</b>	<b>53 678</b>	<b>1 575</b>	<b>164</b>	<b>30 578</b>	<b>-</b>	<b>654 702</b>
<b>Assets under management (AUM)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33 381</b>	<b>-</b>	<b>33 381</b>

\* 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.

## 28 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 service	Guarantee service	Venture capital fund service	Grant service	Land Fund service	Management of AIF "Altum capital fund"	Other services	Total
Interest income at effective interest rate	12 100	-	-	-	2 844	-	-	14 944
Other interest and similar income:	1 680	3 218	12	1	7	-	72	4 990
<i>of which, interest on loans (Note 4)</i>	1 539	-	-	1	7	-	72	1 619
<i>of which, interest on guarantees (Note 4)</i>	-	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	-	-	(1 780)	-	-	-	-	(1 780)
Share of gain of investment in associates at fair value through profit or loss	-	-	48	-	-	-	-	48
Gains less losses from liabilities at fair value through profit or loss	-	-	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)
(Impairment) gain, net	(3 230)	92	-	(407)	13	-	165	(3 367)
Profit or (loss) from assets held for sale revaluation	-	-	-	-	-	-	-	-
<b>Total segment profit/(loss)</b>	<b>3 218</b>	<b>2 471</b>	<b>2 363</b>	<b>(2 333)</b>	<b>5 911</b>	<b>-</b>	<b>(146)</b>	<b>11 484</b>
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
<b>Total segment assets</b>	<b>555 335</b>	<b>151 112</b>	<b>162 433</b>	<b>74 252</b>	<b>89 970</b>	<b>-</b>	<b>66 486</b>	<b>1 099 588</b>
<b>Total segment liabilities</b>	<b>404 004</b>	<b>112 089</b>	<b>38 780</b>	<b>73 835</b>	<b>74 088</b>	<b>-</b>	<b>809</b>	<b>703 605</b>
<b>Total off-balance</b>	<b>61 060</b>	<b>481 013</b>	<b>73 989</b>	<b>47 824</b>	<b>173</b>	<b>31 209</b>	<b>-</b>	<b>695 268</b>
<b>Assets under management (AUM)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34 629</b>	<b>-</b>	<b>34 629</b>

## 29 Events after the reporting date

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

## OTHER NOTES TO Unaudited interim condensed report

Key financial and performance indicators	76 - 77
Definitions of indicators	78 - 79

## OTHER NOTES TO THE INTERIM CONDENSED REPORT

### KEY FINANCIAL AND PERFORMANCE INDICATORS

Based on data from financial statements for the respective reporting period

	2023 12M (unaudited)	2023 9M (unaudited)	2023 6M (unaudited)
<b>Key financial data</b>			
Net interest income (EUR '000)	17 765	12 894	8 499
Operating profit (EUR '000)	18 189	13 806	7 940
Profit for the period (EUR '000)	18 189	13 806	7 940
Cos to income ratio (CIR)	26.01%	33.15%	35.25%
Employees	255	254	253
Total assets (EUR '000)	1 316 456	1 246 138	1 227 324
Financial debt (EUR '000)	818 359	756 959	687 981
<b>Tangible common equity (TCE) / Total tangible managed assets (TMA) *</b>	<b>23.38%</b>	<b>23.92%</b>	<b>25.74%</b>
Equity and reserves (EUR '000)	389 732	382 939	404 569
<b>Total risk coverage: (EUR '000)</b>	<b>370 211</b>	<b>358 834</b>	<b>318 860</b>
Risk coverage reserve	315 649	306 615	237 638
Risk coverage reserve used for provisions	(42 078)	(40 943)	(38 803)
Portfolio loss reserve (specific reserve capital)	96 587	93 413	120 913
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	53	(251)	(888)
Liquidity ratio for 180 days **	402%	484%	354%
Net Cash flows from operating activities (EUR '000)	47 541	43 574	50 951
Net Cash flows from financing activities (EUR '000)	1 980	-	-
Net Cash flow from investing activities (EUR '000)	(23 255)	(6 440)	(4 807)
<b>Support instruments gross value (EUR '000), of which</b>	<b>1 101 797</b>	<b>1 069 303</b>	<b>1 055 017</b>
<b>Financial instruments gross value (EUR '000) ***</b>			
Loans (excluding sales and leaseback transactions)	359 246	338 374	318 909
Guarantees	480 025	486 464	481 962
Venture capital funds	97 456	90 403	90 403
Land Fund, of which:	96 938	83 442	83 330
- sales and leaseback transactions	28 692	26 060	26 740
- investment properties	68 246	57 382	56 590
<b>Total</b>	<b>1 033 665</b>	<b>998 683</b>	<b>974 604</b>
Number of transactions	35 260	36 198	34 558
<b>Volumes issued (EUR '000) (by financial instrument) ***</b>			
Loans (excluding sales and leaseback transactions)	141 993	93 361	54 900
Guarantees	99 440	82 199	48 139
Venture capital funds	23 920	14 676	8 952
Land Fund, of which:	17 676	7 580	5 928
- sales and leaseback transactions	7 916	3 405	2 907
- investment properties	9 760	4 175	3 021
<b>Total</b>	<b>283 029</b>	<b>197 816</b>	<b>117 919</b>
Number of transactions	4 846	3 709	2 369
Leverage for raised private funding	229%	122%	126%
Volume of support programmes funding per employee (EUR '000)	4 054	3 932	3 852
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1

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

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

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



## OTHER NOTES TO THE INTERIM CONDENSED REPORT

(cont'd)

### KEY FINANCIAL AND PERFORMANCE INDICATORS (cont'd)

Based on data from audited financial statements for the respective years

	2022	2021	2020	2019	2018	2017 (corrected) *
<b>Key financial data</b>						
Net interest income (EUR '000) **	16 974	16 717	14 572	11 569	11 302	11 602
Operating profit (EUR '000)	11 484	13 829	5 539	8 131	4 092	8 709
Profit for the period (EUR '000)	11 484	13 829	5 539	8 131	4 092	8 709
Cos to income ratio (CIR) ***	38.26%	39.46%	47.51%	52.58%	74.84%	50.30%
Employees	234	226	211	203	222	230
Total assets (EUR '000)	1 099 588	976 204	850 704	560 061	495 939	453 668
Financial debt (EUR '000)	458 382	360 909	342 490	217 943	177 249	146 157
<b>Tangible common equity (TCE) / Total tangible managed assets (TMA) ****</b>	<b>27.01%</b>	<b>33.82%</b>	<b>33.56%</b>	<b>29.40%</b>	<b>31.70%</b>	<b>35.10%</b>
Equity and reserves (EUR '000)	395 983	440 736	382 594	232 738	221 590	222 848
<b>Total risk coverage: (EUR '000)</b>	<b>297 218</b>	<b>285 954</b>	<b>180 205</b>	<b>87 456</b>	<b>77 815</b>	<b>67 593</b>
Risk coverage reserve	230 524	159 196	112 567	99 778	85 276	62 651
Risk coverage reserve used for provisions	(38 039)	(29 496)	(28 197)	(27 829)	(19 268)	(4 753)
Portfolio loss reserve (specific reserve capital)	109 979	159 700	102 264	15 507	11 807	9 695
Portfolio loss reserve used to compensate provisions upon approval of the annual report	(5 246)	(3 446)	(6 429)	-	-	-
Liquidity ratio for 180 days *****	366%	518%	464%	582%	227%	482%
Net Cash flows from operating activities (EUR '000)	89 534	49 555	21 966	39 813	7 997	(10 146)
Net Cash flows from financing activities (EUR '000)	3 526	43 768	165 800	18 700	12 013	22 299
Net Cash flow from investing activities (EUR '000)	(8 437)	4 553	(4 016)	(11 230)	8 307	3 891
<b>Support instruments gross value (EUR '000), of which</b>	<b>1 064 821</b>	<b>979 130</b>	<b>872 302</b>	<b>667 649</b>	<b>553 628</b>	<b>465 724</b>
<b>Financial instruments gross value (EUR '000) ***</b>						
Loans (excluding sales and leaseback transactions)	311 844	315 674	302 481	225 144	210 208	207 065
Guarantees	481 013	414 978	359 605	284 232	236 895	182 376
Venture capital funds	90 277	85 973	73 165	68 331	59 698	62 299
Land Fund, of which:	80 542	79 163	68 258	39 634	21 717	11 328
- sales and leaseback transactions	27 089	32 999	31 500	15 268	6 923	520
- investment properties	53 453	46 164	36 758	24 366	14 794	10 808
<b>Total</b>	<b>963 676</b>	<b>895 788</b>	<b>803 509</b>	<b>617 341</b>	<b>528 518</b>	<b>463 068</b>
Number of transactions	33 976	30 978	26 578	22 437	18 603	14 655
<b>Volumes issued (EUR '000) (by financial instrument) *****</b>						
Loans (excluding sales and leaseback transactions)	95 820	100 966	138 238	64 320	59 608	51 349
Guarantees	153 067	126 997	137 425	98 240	88 765	68 615
Venture capital funds	18 526	29 158	14 014	9 022	4 149	2 638
Land Fund, of which	7 414	10 595	28 191	16 384	10 823	6 359
- sales and leaseback transactions	3 105	3 254	16 796	7 239	6 835	520
- investment properties	4 309	7 341	11 395	9 145	3 988	5 839
<b>Total</b>	<b>274 827</b>	<b>267 716</b>	<b>317 868</b>	<b>187 966</b>	<b>163 345</b>	<b>128 961</b>
Number of transactions	6 539	6 579	6 147	5 559	5 590	4 839
Leverage for raised private funding	123%	177%	114%	142%	162%	185%
Volume of support programmes funding per employee (EUR '000)	4 118	3 964	3 808	3 041	2 381	2 013
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1

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

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

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

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

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

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

## Definitions of ratios

<i>Net income from interest</i>	<p>"Net income from interest, fees and commission" is equal to the item "Net interest income" in the Statement of Comprehensive Income. Until 2018 this ratio included the following items of the Statement of Comprehensive Income: "Net interest income" and "Net income from fees and commissions". In 2019 following the industry practise Fee and commission income from lending activities is reclassified to Interest income from "Net income from fees and commissions". Subsequently the fee and commission income not related to lending activities is reclassified within Other income and as such is not included in this ratio. The item "Net income from fees and commissions" is not applicable in The Statement of Comprehensive Income anymore. The comparatives have been reclassified accordingly. Altum uses this indicator as the key financial metric for profitability by evaluating Altum 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.</p>
<i>Operating profit</i>	<p>"Operating profit" is calculated by deducting "Operating expenses" from "Operating income before operating expenses" included in the Statement of Comprehensive Income. "Operating expenses" is calculated as the sum of "Staff costs", "Administrative expense", "Amortisation of intangible assets and depreciation of property, plant and equipment" and "Impairment gain / (loss), net" included in the Statement of Comprehensive Income.</p>
<i>Cost to income ratio (CIR)</i>	<p>"Cost to income ratio" (CIR) is calculated by dividing the amount of "Staff costs", "Administrative expense", "Amortisation of intangible assets and depreciation of property, plant and equipment" by "Operating income before operating expenses" included in the Statement of Comprehensive Income. Altum uses CIR to evaluate the operational efficiency. This is one of the measures of operational efficiency which Altum management assesses on a quarterly basis in the management reports to evaluate the outputs from different operational activities and efficiency improving measures.</p>
<i>Financial debt</i>	<p>"Financial debt" is calculated as the sum of "Due to credit institutions", "Due to general government entities", "Financial liabilities at amortised cost – issued debt securities" and "Support programme funding" included in the Statement of Financial Position less difference between "Risk Coverage Reserve" and "Risk Coverage Reserve Used for Provisions".</p> <p>"Risk Coverage Reserve" is disclosed in the Note on Support Programme Funding to the Financial statements of Altum. "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.</p>
<i>Tangible common equity (TCE) / Tangible managed assets (TMA)</i>	<p>"Tangible Common Equity" (TCE) is calculated by subtracting the revaluation reserve of available for sale investments from total equity.</p> <p>The amount of "Total managed assets" (TMA) is calculated by adding the guarantees shown as off-balance sheet items to the total assets of Altum taking into account provisions for these guarantees and subtracting "Deferred expense", "Accrued income", "Property, plant and equipment", "Intangible assets", "Other assets" and "Assets held for sale".</p> <p>Data for the calculation of both indicators (TCE, TMA) are obtained from Altum Financial statements: Statement of Financial Position and Consolidated Statement of Changes in Equity, notes - Off balance sheet items and contingent liabilities and Provisions. ALTUM uses the ratio "TCE/TMA" to evaluate Altum capital position adequacy and to measure Altum tangible common equity in terms of Altum tangible managed assets including the off-balance sheet item Guarantee portfolio. The Risk and Liquidity Management Committee of Altum monitors its level on a quarterly basis.</p>
<i>Total risk coverage</i>	<p>"Total Risk Coverage" is the net funding available for covering the expected credit losses of the State aid programmes implemented by Altum. "Total Risk Coverage" is calculated as the total of "Risk Coverage Reserve" and "Portfolio Loss Reserve" (Specific Capital Reserves) less "Risk Coverage Reserve Used for Provisions" and "Portfolio loss reserve used to compensate provisions upon approval of the annual report". The expected losses are estimated before implementation of the respective State aid programme and part of the public funding received under respective State aid programme for coverage of expected losses on credit risk is transferred either to "Portfolio Loss Reserve" as Altum 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.</p> <p>"Total Risk Coverage" is key indicator to be used for assessment of Altum risk coverage on implemented programmes and long-term financial stability.</p>

## Definition of ratios (cont'd)

180-day liquidity ratio	<p>"180-days-liquidity ratio" is calculated by dividing the amount of the balances "Due from other credit institutions and the Treasury" with a maturity of up to 1 month and "Financial assets at fair value through other comprehensive income and Investment securities" by the amount of the total liabilities maturing within 6 months and total financial commitments maturing within 6 months (off-balance sheet items). The data required for the calculation of the "180-days liquidity ratio" is disclosed in the following Altum 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 ability to fulfil Altum 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 funding management objectives and risk framework. Risk and Liquidity Management Committee of Altum monitors its level on a quarterly basis.</p>
Support instruments gross value	<p>"Support instruments gross value" is calculated as the sum of the gross values of the portfolios of grants, loans, guarantees, venture capital funds and Land Fund</p>
Total contribution to the economy, including the participation of the final recipients, by volumes issued in the period	<p>The 'Total contribution to the economy, including the participation of the final recipients, by volumes issued in the period' is calculated by adding to the volumes issued by Altum the financing provided by the private co-financier and the project promoter.</p>
Leverage for raised private funding	<p>"Leverage for raised private funding" indicates the amount of additional private funds invested in a project in addition to Altum 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 funding.</p>
Employees	<p>Average number of employees in the report period excluding members of the Council and the Audit Committee.</p>
Volume of support programmes funding per employee	<p>"Support programmes funding per employee" is calculated by dividing the gross value of the Financial Instruments Portfolio by the average number of employees during the period, excluding members of the Supervisory Council and the Audit Committee.</p>
Venture capital	<p>The Venture Capital Funds presented at their gross value.</p>