

# **JSC DEVELOPMENT FINANCE INSTITUTION ALTUM**

Unaudited interim condensed financial report  
for the three months ended 31 March 2023

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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 Q1 2023, the Development Finance Institution Altum (hereinafter – the Company) have ensured stable financial results and earned a profit of EUR 3.9 million.

## Key financial and performance indicators

Based on data from audited financial statements for the respective years

	2023 3M (unaudited)	2022 3M (unaudited)	2022 12M (audited)
<b>Key financial data</b>			
Net interest income (EUR '000)	4 257	4 243	16 974
Operating profit (EUR '000)	3 889	1 769	11 484
Profit for the period (EUR '000)	3 889	1 769	11 484
Cos to income ratio (CIR)	37.25%	43.10%	38.26%
Employees	244	231	234
Total assets (EUR '000)	1 183 718	1 032 989	1 099 588
Financial debt (EUR '000)	643 219	414 496	458 382
<b>Tangible common equity (TCE) / Total tangible managed assets (TMA) *</b>	<b>26.02%</b>	<b>28.90%</b>	<b>27.01%</b>
Equity and reserves (EUR '000)	400 519	442 050	395 983
<b>Total risk coverage: (EUR '000)</b>	<b>287 884</b>	<b>286 931</b>	<b>297 218</b>
Risk coverage reserve	200 651	161 011	230 524
Risk coverage reserve used for provisions	(38 475)	(30 480)	(38 039)
Portfolio loss reserve (specific reserve capital)	126 158	159 700	109 979
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	(450)	(3 300)	(5 246)
Liquidity ratio for 180 days **	378%	488%	366%
Net Cash flows from operating activities (EUR '000)	42 903	62 055	89 534
Net Cash flows from financing activities (EUR '000)	-	585	3 526
Net Cash flow from investing activities (EUR '000)	(5 261)	(4 881)	(8 437)
<b>Support instruments gross value (EUR '000), of which</b>	<b>1 030 503</b>	<b>997 052</b>	<b>1 064 821</b>
<b>Financial instruments gross value (EUR '000) ***</b>			
Loans (excluding sales and leaseback transactions)	311 719	313 889	311 844
Guarantees	477 154	422 992	481 013
Venture capital funds	92 495	90 395	90 277
Land Fund, of which:	82 679	84 815	80 542
- sales and leaseback transactions	27 228	35 219	27 089
- investment properties	55 451	49 596	53 453
<b>Total</b>	<b>964 047</b>	<b>912 091</b>	<b>963 676</b>
Number of transactions	34 558	31 933	33 976
<b>Volumes issued (EUR '000) (by financial instrument) ***</b>			
Loans (excluding sales and leaseback transactions)	27 850	23 467	95 820
Guarantees	26 973	30 853	153 067
Venture capital funds	4 470	5 205	18 526
Land Fund, of which:	2 911	5 751	7 414
- sales and leaseback transactions	830	2 339	3 105
- investment properties	2 081	3 412	4 309
<b>Total</b>	<b>62 204</b>	<b>65 276</b>	<b>274 827</b>
Number of transactions	1 566	1 506	6 539
Leverage for raised private funding	126%	129%	123%
Volume of support programmes funding per employee (EUR '000)	3 951	3 948	4 118
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1

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

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

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

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

## Management Report (cont'd)

### Impact of the Russian military invasion of Ukraine

The ongoing war in Ukraine and the related sanctions targeted against the Russian Federation and to a lesser extent to Belarus may have impact on the Company as well as the potential social and economic impact in Latvia and the region. This has led to an energy crisis, an increase in inflation and a sharp rise in interest rates, which indirectly affects the Company's portfolio and leads to significant adjustments to the carrying value of assets and liabilities.

The Company does not issue loans directly to businesses in Ukraine, the Russian Federation and Belarus. Contracts with counterparties for the execution of settlements with customers, as well as for the conclusion of financial transactions for the liquidity and asset and liability management of the Company, are concluded with financial institutions established in Latvia.

In the guarantee's portfolio, the direct impact is from the Company's export credit guarantees issued to offset political and buyer risk losses in trade transactions where the Company's clients' counterparties are residents of Ukraine. The Company has suspended the issuance of new export credit guarantees to Russian Federation and Belarus since February 25, 2022. As of 31 March 2023, the Company has no high-risk exposure where clients' counterparties are in Ukraine.

To assess the indirect impact of the Russian Federation's invasion of Ukraine, the Company analyzes quarterly and, in case of significant changes, reviews the forward-looking macroeconomic indicators used to calculate expected losses, putting forward several scenarios. Since the average changes in macroeconomic scenarios for the next three years are insignificant, in the 1st quarter of 2023, the impairment allowances for loans and guarantees were calculated using the revised scenarios used in the 4th quarter of 2022, resulting in no impact on impairment allowances from changes in macroeconomic scenarios.

In order to more fully assess the direct and indirect impact of the geopolitical situation, as well as to identify potential clients in difficulties and provide a further action plan, as well as apply appropriate risk mitigation methods, the Company closely monitors and analyzes the large exposures of loans and credit guarantees every quarter. It is assessed whether the increase in the price of energy resources, rising interest rates as well as the imposed sanctions against the Russian Federation and Belarus, has directly or indirectly affected or can significantly affect the solvency of customers.

In the 4<sup>th</sup> quarter of 2022, the Company carried out an assessment of the portfolio of loans and guarantees by sector, separately assessing how industries will be directly and indirectly affected by the increase in energy prices and the imposed sanctions against the Russian Federation and Belarus. As a result of this assessment, the Company has created an impairment overlay in amount of EUR 1,902 thousand for loans and EUR 856 thousand for guarantees and it has not changed since 31 December 2022.

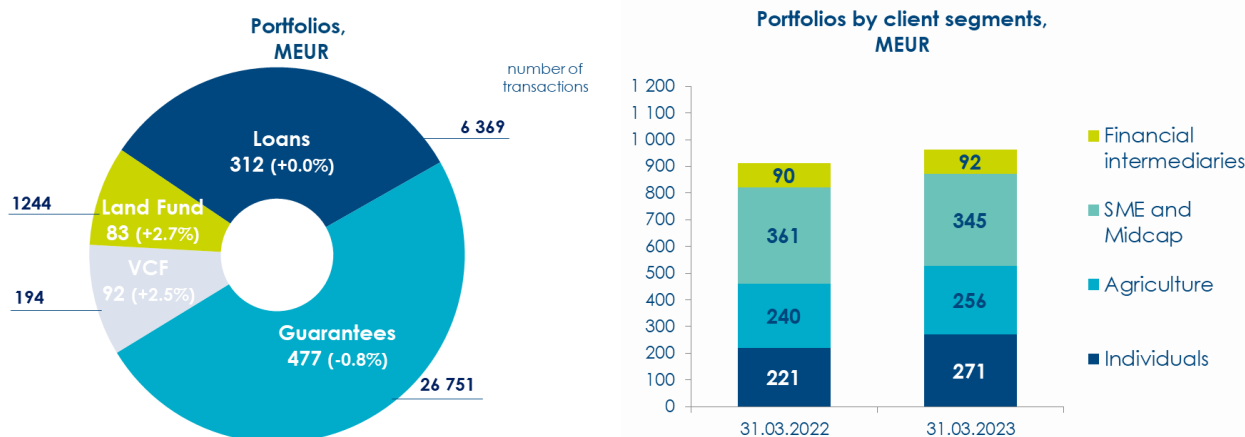
For more detailed information see Note 3 (4) to the Financial Statements.

# Management Report (cont'd)

## Operational volumes

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

As at 31 March 2023, the Company's gross portfolio of support instruments amounted to EUR 1,031 million (31 December 2022: EUR 1,065 million), of which the gross portfolio of financial instruments totalled EUR 964 million and consisted of 34,558 projects (31 December 2022: EUR 963.6 million and 33,976 projects).



In the 3 months of 2023, the Company's gross portfolio of financial instrument increased by EUR 0.4 million and by 582 projects (+1.7%). From financial instruments, the guarantee portfolio decreased by EUR 3.9 million (-0.8%), which is in contrast to the growth in the 3 months of 2022, when the guarantee portfolio increased by EUR 8 million (+1.9%). The loan portfolio also continued to decrease (-EUR 0.1 million), but much slower than in the 3 months of 2022, when the loan portfolio decreased by EUR 1.8 million (-0.6%). On the other hand, the portfolio of investments in venture capital funds increased by EUR 2.2 million (+2.5%), which, however, was much less than in the 3 months of 2022, when the portfolio of investments in venture capital funds increased by EUR 4.4 million (+5.1%). The portfolio of the Land Fund also increased in a similar way – by EUR 2.1 million (+2.7%), which was also significantly less than in the 3 months of 2022, when the portfolio of the Land Fund increased by EUR 5.7 million (+7.1%). In general, the gross portfolio of financial instruments changed insignificantly and remained at the level of the end of 2022, which was affected on the one hand by the rapid amortization of the existing portfolio of Covid-19 support instruments (EUR 13 million in the 3 months of 2023 compared to EUR 6.7 million in the 3 months of 2022), but on the other hand, it was compensated by the volume of new transactions.

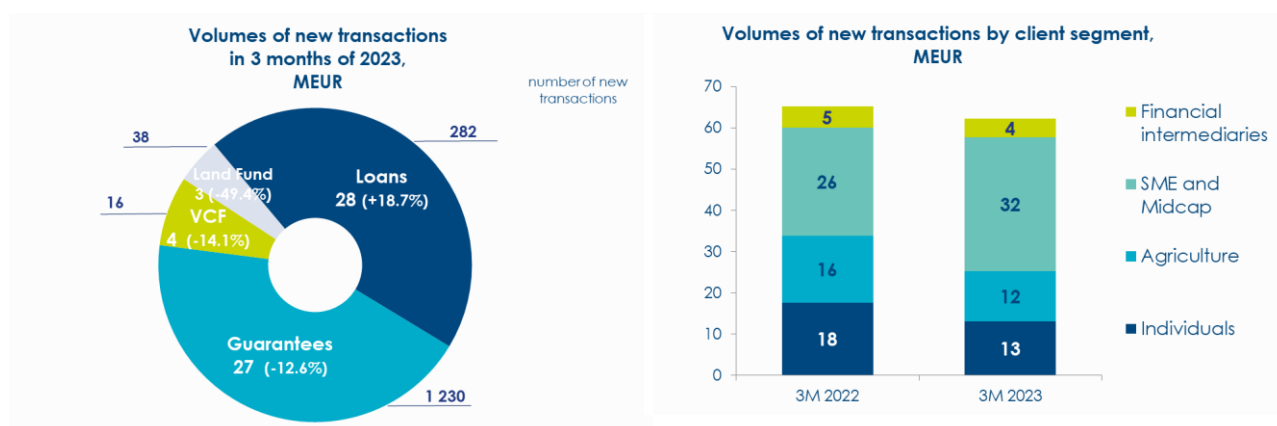
By segment the largest portfolio of the Company is formed in the SMEs and Midcaps segment – 35.8%, while the Agriculture segment accounts for – 26.5%, Individuals – 28.1% and Financial intermediaries – 9.6%. In the 3 months of 2023, the largest increase in the volume of the portfolio was in the Individual segment, where stable growth of the portfolio remained – EUR 3.3 million (+1.2%), although significantly lower than in the 3 months of 2022, when the portfolio increased by EUR 10 million (+4.7%). Growth in the portfolio of Individuals segment was ensured by stable demand for state support programmes for home purchase and improvement, despite high inflation and high interest rates. In the Agriculture segment, the portfolio grew by EUR 2.9 million (+1.1%), which is, however, significantly less than in the 3 months of 2022, when the portfolio of this segment grew by EUR 14 million (+6.2%), which in turn was influenced by much larger volumes of new transactions in loan programmes (+EUR 9.2 million, including EUR 1.8 million in the agricultural land purchase loan programme and EUR 1.9 million in the working capital loans programme for agricultural enterprises) and the Land Fund transactions (+EUR 5.6 million). There was a significant decrease in the portfolio in the SMEs and MidCaps segment, where the portfolio decreased by EUR 8 million in the 3 months of 2023. (-2.3%), which, however, was less than in the 3 months of 2022, when the portfolio of this segment decreased by EUR 12 million (-3.2%).

# Management Report (cont'd)

## Volume of new transactions

In the 3 months of 2023, the total funding disbursed for the implementation of the support programmes amounted to EUR 62.2 million, breaking down as follows: 43.4% (EUR 27 million) for guarantee programmes, 44.3% (EUR 27.9 million) in loan programmes, 4.7% (EUR 2.9 million) in the Land Fund transactions and 7.2% (EUR 4.5 million) in investments in the venture capital funds. Totally, 1,566 projects were supported.

In the 3 months of 2023, the largest volume of the new transactions was in the SMEs and MidCaps segment, accounting for 52.2% of all new transactions, in the Individuals' segment – 21%, in the Agriculture segment –19.6% and in the Financial Intermediaries' segment – 7.2%.



The volume of new transactions in the 3 months of 2023 was 4.7% (-EUR 3.1 million) less than in the 3 months of 2022 in all financial instruments, except for loans, and in all segments, except for the SMEs and MidCaps segment, in which the increase in the volume of new transactions (+EUR 7.3 million) provided by the new loan support programme for mitigating the consequences of the Russian Federation invasion of Ukraine. A lower volume of new transactions in the first months of the year has historically been associated with lower business activity and seasonality, the high interest rates have also had an impact, which encouraged the desire of companies to reduce existing credit obligations (working capital loans and bank issued guarantees were affected) from their own resources and wait with decision on taking on new credit obligations. Taking into account 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 23.3 million of guarantees extended in the 3 months of 2023 (in the 3 months of 2022: EUR 15.9 million).

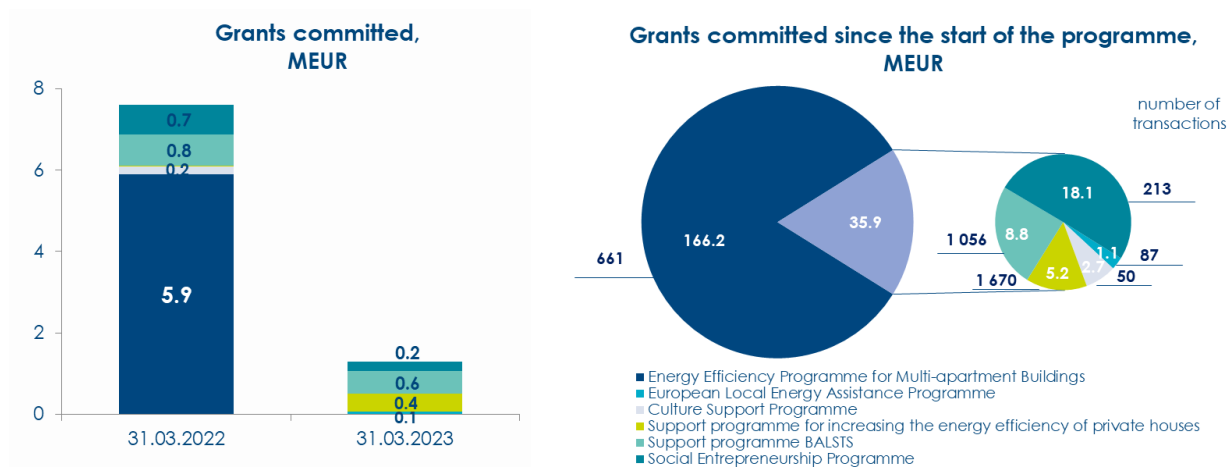
In the Agriculture segment, there is a lower demand for support instruments which affected working capital loans and leaseback transactions, where early repayment of loaned funds was observed. Lower demand was influenced by the good harvest results of 2022 and the increase in food prices, which allowed to reduce existing credit obligations and, similarly to the SMEs and MidCaps segment, to wait with a decision on taking on new credit obligations.

In the Individuals segment, there was also a lower demand for support instruments, mainly housing guarantees, which was influenced by several factors – historically, at the beginning of the year and at the end of the year, there is a lower demand for support instruments, households are waiting to make a decision on the purchase of a new home or the improvement of the existing one, taking into account the overall economic situation, as well as expanding the framework of the existing housing programme (housing guarantees for soldiers of the National Armed Forces) and adapting the relevant processes on the banks' side. By providing the state aid for housing acquisition for families with children, a total of 23,221 guarantees of EUR 184.2 million have been issued up until 31 March 2023 within the framework of the Programme for Housing Guarantees for Families with Children. Under the Energy Efficiency Programme for Multi-apartment Building, the volume of new transactions remained unchanged – EUR 1 million (in the 3 months of 2022: EUR 1.1 million).

## Management Report (cont'd)

### Non-financial instrument portfolio

In order to make accessing to the support instruments more convenient for its clients, apart from the financial instruments, the Company services the grant programmes as well, namely, the grants issued under the Energy Efficiency Programme for Multi-apartment Buildings (EEPMB), Social Entrepreneurship Programme, the support programme BALSTS for the purchase or construction of housing for families with three or more children and the Culture Industry Support Programme, providing support in the form of loans and grants (combined financial instrument) where the grant does not exceed 40% of the total aid amount as well as grants under the support programme for increasing the energy efficiency of private houses. Considering the individual's interest in the support provided under this programme, proposals were developed and, on 8 March 2022, the Cabinet of Ministers approved respective amendments granting additional funding of EUR 3.3 million for continuing the programme as well as extending the range of potential beneficiaries and including support for the installation of solar panels in private houses, which is currently attracting a lot of interest.



In the 3 months of 2023, a total of 389 grants for the total amount of EUR 3.2 million were committed in all grant programs (in the 3 months of 2022: 137 grants for the total amount of EUR 8.3 million). Since the end of 2022, new grants are no longer committed in the EEPMB programme, the approved projects are currently being implemented.

On 31 March 2023, the total portfolio of grants in the service of the Company was EUR 66.5 million (31 December 2022: EUR 101.1 million), of which EUR 62.5 million consists of the EEPMB programme's grant portfolio (31 December 2022: EUR 971 million).



## Management Report (cont'd)

### New products and increasing operational efficiency

In order to find solutions at EU level to the current crisis situation and to support businesses in continuing their economic activity while adapting to new market conditions, including supply chain disruptions, on 23 March 2022 the European Commission approved the Temporary Crisis Framework for State aid measures. On 2 June 2022, the Saeima adopted the "Law on Support for Overcoming the Economic Consequences of Sanctions and Countermeasures Applied Due to Russian Federation's Military Aggression Against Ukraine". Funding is available for viable companies for adapting their business model, improving export capacity, conquering new markets, new technologies and process optimization, product development in the context of the crisis of Russian Federation military aggression against Ukraine:

- On June 14, 2022, the Cabinet of Ministers approved the loan program, within the framework of which it is planned to issue approximately 500 loans, the maximum loan amount will be up to EUR 3 million, maturity for working capital loan will be up to 3 years, for investment loans - up to 5 years. At the same time, the Cabinet of Ministers approved changes in the export credit guarantee programme, clarifying the conditions for receiving export credit guarantees, including that in the future the possibilities of providing export credit guarantees will not be limited, except that guarantees will not be provided for transactions with Russian Federation, Belarus and Ukraine. Programme's funding – EUR 21.5 million.
- On 21 June 2022, the Cabinet of Ministers approved the guarantee support programme, within the framework of which approximately 300-400 guarantees can be issued, the maximum amount of guarantee for one customer will be up to EUR 10 million, the term of the guarantees - up to 6 years, taking into account the business operations and working capital cycle. Programme's funding – EUR 12.5 million.

Funding for the loan and guarantee programmes will be available for companies until 31 December 2023. Acceptance of applications for loans and guarantees began in November 2022. Until 31 March 2023, as part of the loan programme, the Company has committed new loans for a total amount of EUR 6.7 million.

The Company continues to strengthen its role as the main government partner for the implementation of financial instrument programmes co-financed by the European Union (hereinafter - the EU). In total, at least EUR 650 million will be available as financial instruments under the Recovery and Resilience Facility (RRF) and the EU Cohesion Policy for the programming period 2021-2027, of which EUR 223.8 million was allocated to the new RRF support programmes. In cooperation with the Ministry of Economics, the four new support programmes were developed and approved by the Cabinet of Ministers:

- On June 7, 2022, the Cabinet of Ministers approved the energy efficiency programme for companies, within the framework of which EUR 80.5 million of the RRF funding is available to companies for increasing energy efficiency and wider use of renewable energy technologies. Funding to companies is available in a form of the Company's loan or a parallel loan with a capital rebate for principal repayment, the maximum loan amount is EUR 5 million, loan term – up to 20 years. The capital rebate will be 30%, but no more than EUR 1.5 million and will be awarded when the project has been implemented and the target indicators have been achieved. In September 2022, the program was supplemented with guarantees for the purchase of electric cars for companies, with funding of EUR 5 million for this purpose. The call for applications for the 1<sup>st</sup> selection round opened on October 4, 2022 and ended on January 4, 2023. Until the reporting date, a total of 32 applications were submitted, of which 1 was approved (attributable amount of capital rebate EUR 0.2 million).
- On July 5, 2022, the Cabinet of Ministers approved the digitization programme for companies, within the framework of which EUR 45.1 million of the RRF funding is available to companies for digital transformations of companies, i.e. for promotion of digitization, automation and robotization. Funding to companies is available in a form of the Company's loan or a parallel loan with a capital rebate for repayment of the principal amount, the maximum loan amount is EUR 7 million, loan term – up to 10 years. Capital rebate will be up to 35%, but no more than EUR 1.0 million and it will be applied if the preconditions of the digital development roadmap issued by the European Digital Innovation Center (EDIC) are fulfilled and a positive EDIC post-assessment is received no later than 6 months after the completion of the project. The call for applications opened on February 22, 2023, no applications have been received until the reporting date.

## Management Report (cont'd)

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

- On July 14, 2022, the Cabinet of Ministers approved the energy efficiency program for multi-apartment buildings, within the framework of which EUR 57.3 million of the RRF funding is available to improve the energy efficiency of multi-apartment buildings and transition to the use of renewable energy technologies. The programme is intended for apartment owners of multi-apartment residential buildings and its purpose is to make investments in the sector of multi-apartment residential buildings in order to promote the resolution of the housing issue in Latvia, help to achieve the set climate goals in reducing gas emissions and reduce the level of energy poverty. Funding is available in a form of loan or guarantee with a capital rebate for repayment of the principal amount of the loan, the maximum loan amount is EUR 3.75 million, loan term – up to 20 years, maximum guarantee amount – up to 80% of the loan, guarantee term – up to 20 years. Capital rebate will be up to 49% and it will be applied if the project results in at least 30% of primary energy savings. The call for applications opened on November 22, 2022, until the reporting date, 18 applications were submitted, of which 1 was approved (attributable amount of capital rebate EUR 0.3 million).
- On July 14, 2022, the Cabinet of Ministers approved the low-rent housing construction program, within the framework of which EUR 42.9 million of the RRF funding is available for the construction of residential rental houses in the regions, in order to promote the availability of low-rent housing that meets construction standards and energy efficiency requirements. Funding to companies is available in a form of the Company's loan or a parallel loan with a capital rebate for repayment of the principal amount, the term of the loan is up to 30 years. The capital rebate will be up to 30% and will be applied when the building has been put into operation and at least 90% of the apartments have been rented. The call for applications opened on December 8, 2022, until the reporting date, applications were received from 6 interested parties, of which 1 was rejected.

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

- the Large Investment Loan Programme offering a capital rebate for medium-sized and large enterprises: under the programme, entrepreneurs have access to a loan with a capital rebate of up to EUR 10 million. The Company provides project funding with a loan amounting to the potential capital rebate, the remainder to be raised from other funders. The new programme differs from previous business support programmes to the effect that it includes a capital rebate or a complete or partial reduction (discharge) of the loan principal. A company can qualify for a loan with a capital rebate by achieving the project's objectives and meeting certain criteria. The capital rebate is planned to be applied gradually over three years after the end of the project implementation and monitoring period. The call for applications opened on 19 January 2022, the first loan in this programme was committed in December 2022. Until the reporting date, the Company is still evaluating 14 projects (attributable amount of capital rebate EUR 80.5 million), a positive decision has been made on 9 applications (attributable amount of capital rebate EUR 60.4 million), 5 project applicants have withdrawn their applications (attributable amount of capital rebate EUR 45.5 million), while a negative decision on refusal has been made on 7 applications to finance an investment project (attributable amount of capital rebate EUR 44 million). On October 18, 2022, the Cabinet of Ministers decided to increase the funding of the programme from EUR 99.6 million to EUR 152.1 million, redistributing additional funding EUR 52.5 million from the allocated, but unused funding for Covid-19 support measures.
- In 2023, the Company, in cooperation with the Ministry of Economy and the Ministry of Finance, plan to finalize work started in previous years on the creation of the Baltic Small and Medium Enterprises Initial Public Offering Fund (SME IPO Fund) with the aim of starting the operation of the SME IPO fund in 2023. 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.

## Management Report (cont'd)

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

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

In the 3 months of 2023, proceeding with the centralised reviewing of the applications for micro loans (up to EUR 25 thousand) introduced within the framework of automation and increasing of the Company's operational efficiency, 20% (in the 3 months of 2022: 26%) of the total number of the granted loans (excl. Covid-19 crisis related loans) were reviewed remotely without involving the regional employees in the application reviewing process. The decrease in the number of applications in the centralised reviewing can be explained by the significant increase in the costs of the applied projects, as a result of which the amount of loan applications exceeds the limit set for the centralised reviewing by EUR 25 thousand. The total amount of committed loans in the regions in the 3 months of 2023 has increased by EUR 4.3 million. (+23%) and the number of committed loans has increased by 14%, while the total amount of committed loans in the 3 months of 2023 has decreased by EUR 481 thousand (-31%) in the centralized remote evaluation (in the amount of up to EUR 25 thousand), but the number of committed loans has decreased by 24%, which in this segment is due to a 23% decrease in the total number of loan applications compared to the 3 months of 2022. The average loan amount in the regions increased from EUR 80 thousand in the 2 months of 2022 to EUR 89 thousand in the 3 months of 2023, while the average loan amount reviewed remotely on a centralised basis in the 3 months of 2023 was EUR 15.1 thousand (in the 3 months of 2022: EUR 14.2 thousand). The Company plans to review the limit of EUR 25,000 set for the centralized remote evaluation, by increasing it.

## Management Report (cont'd)

### Rating

On 16 December 2022 Moody's Investors Service (Moody's) affirmed the Company's Baa1 long-term issuer rating, with outlook stable, same as affirmed in March 25, 2019. The baseline credit assessment (BCA) is also affirmed at Baa3, together with the short-term issuer rating at P-2. Soon after on 21 December 2022 Moody's published an updated credit opinion on the Company.

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

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

### Risk Management

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

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

In view of the Company's activities in high-risk areas when implementing the state aid programmes, as at 31 March 2023 the Company has the risk coverage of EUR 288 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, the Company 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, the Company imposed additional control measures both during the issuance of financial instruments and the monitoring of business relationships, in addition, changes have been made to the Company's policy of legalization of proceeds of crime and the prevention of terrorist financing and proliferation and compliance with sanctions by determining that the Company refrains from cooperation with companies, where the owners, beneficial owners or officers are citizens of the Russian Federation or Belarus.

The Company continuously monitors changes in sanctions and keeps a close eye on developments in Ukraine. The Company takes measures to minimise the potential direct or indirect impact on the Company'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, the Company has taken the necessary measures during 2022 to identify potential clients in difficulties and to assess whether the increase in the price of energy resources, as well as the imposed sanctions against the Russian Federation and the Republic of Belarus, has directly or indirectly affected or may significantly affect the solvency of clients, as well as to ensure the quantification of direct and indirect impacts and the establishment of appropriate impairment allowances.

## Management Report (cont'd)

### Contribution to Sustainability

The financial sector has a crucial role to play in achieving the European Green Deal objectives, including the transition to a climate-neutral, climate-resilient, resource-efficient and fair economy. Sustainability is a key part of Altum's business and strategy and has become an important strategic driver for the banking sector as well as for development finance institutions in Europe. Sustainability is a key part of Altum's business and strategy and is becoming an important strategic driver for the banking industry as well as for development finance institutions in Europe. Altum takes responsibility for the long-term impact of its daily economic, environmental and social activities and continuously works to reduce it on the environment and with its sustainable strategy contributes positively to such a development and its business is responsible. Moreover, Altum intends to facilitate and support its clients' transition to a sustainable economy.

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

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

Guided by the compiled ESG road map, in the second half of 2022 work was started on the steps of the road map, which continued also in the 1st quarter of 2023, which touch on the integration of ESG aspects in credit risk management for the Company's loan and guarantee portfolios in the SME, Midcap and Agriculture segments – both for creating an ESG risk assessment matrix and scoring model, and for creating customized customer development of a questionnaire to obtain information for ESG risk assessment and regarding planned/actual customer sustainability KPI's. Work has also been started on identifying current green/sustainable projects in the SME and Agriculture segments.

In order to improve employees' competencies in the integration of sustainable financing and ESG aspects in risk management, the work has started on an educational program for sustainable entrepreneurship and Green Deal areas. This will improve employees' ability to promote and explain the essential role of sustainability and ESG aspects in the development of customers' businesses and the ability to operate successfully in supply chains.

Altum is committed to follow the best industry practice in Europe with its strong stance in defining the targets to be achieved and the sectors and projects not to be supported regardless of the source of funding and those that already now do not finance fossil fuel power generation projects. An ambition level will be set later this year, where the Green Asset Ratio for new loans and the existing loan portfolio will be defined for both a 3-year period and up to 2030. 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

At the beginning of 2023, the Company, in cooperation with the Ministry of Economy, will start the development of programmes in order to start the implementation of financial instrument support programmes under the new EU Cohesion Policy programming period 2021-2027. 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.

In order to prepare for the implementation of the new InvestEU program of the European Union, in the 1st quarter of 2023, in cooperation with the selected independent auditor, the Company compliance assessment (Pillar Assessment) has been started. Pillar assessment is a prerequisite for the Company 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 is planned to be completed in the 3rd quarter of 2023, by submitting a draft report to the European Commission. After coordinating the draft report with the European Commission, the essential recommendations that the Company 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 the Company 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

30 May 2023

## 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.	26.12.2025.
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.

## 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 75 are prepared in accordance with the source documents and present truly and fairly the financial position of the Company as of 31 March 2023 and 31 December 2022 and the results of their operations, changes in the shareholders' equity and cash flows for the three months periods ended 31 March 2023 and 31 March 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 Group's assets, and prevention and detection of fraud and other irregularities in the Group. The Management are also responsible for operating the Group and 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

30 May 2023



## Statement of Comprehensive Income

All amounts in thousands of euro

	Notes	01.01.2023.- 31.03.2023. (unaudited)	01.01.2022.- 31.03.2022. (unaudited)
Interest income	4	5 691	4 814
Interest expense	5	(1 434)	(571)
Net interest income		4 257	4 243
Income for implementation of state aid programmes	6	2 344	1 206
Expenses to be compensated for implementation of state aid programmes	7	(988)	(1 100)
Net income for implementation of state aid programmes		1 356	106
Gains / (losses) from trading securities and foreign exchange translation		(2)	14
Share of gains / (losses) of investment in associate and other investments	12	254	(1 562)
Remeasurement gain of investment in associate at fair value through profit or loss	12	-	48
Gains/(losses) of investment in associate and other investments less losses from liabilities at fair value through profit or loss	20	(246)	1 647
Other income	8	744	619
Other expense	9	(229)	(414)
Operating income before operating expenses		6 134	4 701
Staff costs		(1 600)	(1 436)
Administrative expense		(481)	(357)
Amortisation of intangible assets and depreciation of property, plant and equipment		(204)	(233)
Impairment adjustment	10	40	(906)
Profit before corporate income tax		3 889	1 769
<b>Profit for the period</b>		<b>3 889</b>	<b>1 769</b>
Other comprehensive income:		(36)	(455)
Items to be reclassified to profit or loss in subsequent periods			
Net loss from financial assets measured at fair value through other comprehensive income		(36)	(455)
<b>Total comprehensive income for the period</b>		<b>3 853</b>	<b>1 314</b>

The accompanying notes on pages 20 through 70 form an integral part of these financial statements.



Reinis Bērziņš  
 Chairman of the Management Board



Olga Alksne  
 Chief Accountant

30 May 2023

## Statement of Financial Position

All amounts in thousands of euro

	Notes	31.03.2023. (unaudited)	31.12.2022. (audited)
<b>Assets</b>			
Due from credit institutions and the State Treasury	11	643 466	571 667
Financial assets at fair value through other comprehensive income - investment securities		9 515	9 515
Financial assets at amortised cost:			
Investment securities		39	39
Loans and receivables	14	316 752	317 859
Financial assets measured at fair value:			
Loans with capital discount		722	-
Grants	15	66 020	58 280
Deferred expense		454	344
Accrued income		1 059	927
Other investments	13	15 741	15 741
Investments in associates			
Investments accounted for using the equity method	12	53 866	50 413
Investments accounted for using the FVTPL method	12	14 232	14 232
Investment property	16	55 451	53 453
Property, plant and equipment		4 314	4 448
Intangible assets		1 132	1 140
Other assets	17	955	1 530
<b>Total assets</b>		<b>1 183 718</b>	<b>1 099 588</b>
<b>Liabilities</b>			
Due to credit institutions	18	34 708	36 290
Due to general government entities	19	153 328	153 784
Financial liabilities at amortised cost - Issued debt securities		85 160	85 513
Deferred income		1 010	1 017
Accrued expense		733	661
Liabilities from financial guarantees	22	45 596	45 852
Provisions for off-balance sheet liabilities	21	1 103	1 453
Support programme funding	20	457 706	375 280
Other liabilities		3 855	3 755
<b>Total liabilities</b>		<b>783 199</b>	<b>703 605</b>
<b>Equity</b>			
Share capital		204 862	204 862
Reserves	23	180 819	180 136
Revaluation reserve of financial assets measured at fair value through other comprehensive income		(535)	(499)
Retained earnings		15 373	11 484
<b>Total equity</b>		<b>400 519</b>	<b>395 983</b>
<b>Total equity and liabilities</b>		<b>1 183 718</b>	<b>1 099 588</b>

The accompanying notes on pages 20 through 70 form an integral part of these financial statements.



Reinis Bērziņš  
Chairman of the Management Board



Olga Alksne  
Chief Accountant

30 May 2023

## Statement of Changes in Equity

All amounts in thousands of euro

	Share capital	Reserves	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Retained earnings	Total equity
<b>As at 1 January 2022 (audited)</b>	<b>204 862</b>	<b>221 347</b>	<b>698</b>	<b>13 829</b>	<b>440 736</b>
Profit for the period	-	-	-	1 769	1 769
Other comprehensive income	-	-	(455)	-	(455)
Total comprehensive income	-	-	(455)	1 769	1 314
<b>As at 31 March 2022 (unaudited)</b>	<b>204 862</b>	<b>221 347</b>	<b>243</b>	<b>15 598</b>	<b>442 050</b>
Profit for the period	-	-	-	9 715	9 715
Other comprehensive income	-	-	(742)	-	(742)
Total comprehensive income	-	-	(742)	9 715	8 973
Increase of reserve capital (Note 23)	-	3 525	-	-	3 525
Decrease of reserve capital by increasing financing of support programs	-	(58 565)	-	-	(58 565)
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2021	-	3 446	-	-	3 446
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2021	-	(3 446)	-	-	(3 446)
Distribution of 2021 profit	-	13 829	-	(13 829)	-
<b>As at 1 January 2023 (audited)</b>	<b>204 862</b>	<b>180 136</b>	<b>(499)</b>	<b>11 484</b>	<b>395 983</b>
Profit for the period	-	-	-	3 889	3 889
Other comprehensive income	-	-	(36)	-	(36)
Total comprehensive income	-	-	(36)	3 889	3 853
Increase of reserve capital (Note 23)	-	683	-	-	683
<b>As at 31 March 2023 (unaudited)</b>	<b>204 862</b>	<b>180 819</b>	<b>(535)</b>	<b>15 373</b>	<b>400 519</b>

The accompanying notes on pages 20 through 70 form an integral part of these financial statements.

## Statement of Cash Flows

All amounts in thousands of euro

	Notes	01.01.2023.- 31.03.2023. (unaudited)	01.01.2022.- 31.03.2022. (audited)
Cash and cash equivalents at the beginning of period		539 630	455 007
<b>Cash flows from operating activities</b>			
Profit before taxes		3 889	1 769
Amortisation of intangible assets and depreciation of property, plant and equipment		204	233
Interest income	4	(5 691)	(4 814)
Interest received		5 916	4 341
Interest expenses	5	1 434	571
Interests paid		(1 867)	(571)
(Decrease) / Increase in impairment allowances	10	(40)	906
<b>(Decrease) of cash and cash equivalents from operating activities before changes in assets and liabilities</b>		<b>3 845</b>	<b>2 435</b>
(Increase) / Decrease of loans	14	2 893	435
(Increase) / Decrease of grants	15	(7 739)	3 133
Increase / (Decrease) of due to credit institutions and general government entities	18,19	(1 958)	12 158
Demand deposits with credit institutions (increase)		(34 000)	-
Increase / (Decrease) in deferred income and accrued expense		64	160
(Increase) / Decrease in deferred expense and accrued income		(242)	586
Decrease of other assets	17	568	819
Increase in other liabilities		79 472	42 329
<b>Net cash flows from operating activities</b>		<b>42 903</b>	<b>62 055</b>
<b>Cash flows from investment activities</b>			
Sale of investment securities		-	1 517
Acquisition of property, plant and equipment and intangible assets		(83)	(63)
Purchase of investment properties	16	(2 048)	(3 376)
Sale of investment properties	16	50	32
Sale of available-for-sale assets		19	-
Other investments	13	-	(573)
Investments in associates, net		(3 199)	(2 418)
<b>Net cash flows from investing activities</b>		<b>(5 261)</b>	<b>(4 881)</b>
<b>Cash flows from financing activities</b>			
Issued debt securities		-	585
Increase of reserve capital	23	-	-
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>585</b>
Increase in cash and cash equivalents		37 642	57 759
<b>Cash and cash equivalents at the end of period</b>		<b>577 272</b>	<b>512 766</b>

The accompanying notes on pages 20 through 70 form an integral part of these financial statements.

# Approval of the Financial Statements

The Management of the Company has approved these unaudited interim condensed financial statements on 30 May 2023.

## 1 General Information

### (1) Corporate Information

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

Comparatives on the Group's financial performance for the 3 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 16 December 2022, the international credit rating agency Moody's Investors Service reaffirmed the Company's long-term credit rating of Baa1 with a stable outlook, which is at the same level as it was approved on 25 March 2019. The baseline credit assessment (BCA) has also been approved at Baa3, along with a short-term rating of P-2. 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 March 2023 amounted to 36.3 million, while the total amount of the Fund's investments will reach EUR 41.8 million after making all the investments.

## 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	Robertā 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	Robertā 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

## 2 Accounting Policies

### (1) Basis of presentation

These unaudited interim condensed financial statements for the 3 months ended 31 March 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 following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- **Amendments to IFRS 3 "Business Combinations"** — Reference to the Conceptual Framework with amendments to IFRS 3 issued by IASB on 14 May 2020;
- **Amendments to IAS 16 "Property, Plant and Equipment"** — Proceeds before Intended Use issued by IASB on 14 May 2020;
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** — Onerous Contracts — Cost of Fulfilling a Contract issued by IASB on 14 May 2020;
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"**, issued by IASB on 14 May 2020. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording;
- **IFRS 17 "Insurance Contracts"** — IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied, issued by IASB on 18 May 2017;
- **Amendments to IAS 12 "Income Taxes"** — Deferred Tax related to Assets and Liabilities arising from a Single Transaction issued by IASB on 6 May 2021;
- **Amendments to IAS 1 "Presentation of Financial Statements"** — Classification of Liabilities as Current or Non-Current issued by IASB on 23 January 2020.

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued and adopted by the EU but are not yet effective:

- **Amendments to IAS 1 "Presentation of Financial Statements"** — Disclosure of Accounting Policies adopted by the EU on 2 March 2022;
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** — Definition of Accounting Estimates issued by IASB on 12 February 2021.

The Company do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

## 2 Accounting Policies (cont'd)

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

At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not adopted by the EU as at the date of authorisation of these financial statements:

- **Amendments to IAS 1 “Presentation of Financial Statements”** — Non-current Liabilities with Covenants issued by IASB on 31 October 2022, amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability;
- **Amendments to IFRS 16 “Leases”** — Lease Liability in a Sale and Leaseback issued by IASB on 22 September 2022;
- **IFRS 14 “Regulatory Deferral Accounts”** — the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

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



## 3 Risk Management

The major risks that the Company is exposed to are credit, liquidity and operational risks. These unaudited interim condensed financial statements do not include all information on risk management and disclosures required in the annual financial statements. They are to be viewed together with the complete financial statements for the year 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	
	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.
<b>Financial assets at AC</b>										
Due from credit institutions and the Treasury	643 481	571 682	-	-	-	-	-	-	643 481	571 682
Impairment allowances	(15)	(15)	-	-	-	-	-	-	(15)	(15)
<b>Total net due from credit institutions and the Treasury</b>	<b>643 466</b>	<b>571 667</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>643 466</b>	<b>571 667</b>
Investment securities	-	-	-	-	3 851	3 927	-	-	3 851	3 927
Impairment allowances	-	-	-	-	(3 812)	(3 888)	-	-	(3 812)	(3 888)
<b>Total net investment securities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>39</b>	<b>39</b>
Loans and receivables	254 840	250 575	51 068	56 895	32 675	31 061	364	402	338 947	338 933
Impairment allowances*	(4 503)	(4 106)	(4 266)	(4 751)	(13 080)	(11 815)	(346)	(402)	(22 195)	(21 074)
<b>Total net loans and receivables</b>	<b>250 337</b>	<b>246 469</b>	<b>46 802</b>	<b>52 144</b>	<b>19 595</b>	<b>19 246</b>	<b>18</b>	<b>-</b>	<b>316 752</b>	<b>317 859</b>
Grants	66 456	58 716	-	-	-	-	-	-	66 456	58 716
Impairment allowances	(436)	(436)	-	-	-	-	-	-	(436)	(436)
<b>Total net grants</b>	<b>66 020</b>	<b>58 280</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66 020</b>	<b>58 280</b>
Other financial assets	824	1 393	-	-	2 104	2 138	-	-	2 928	3 531
Impairment allowances	-	-	-	-	(1 982)	(2 029)	-	-	(1 982)	(2 029)
<b>Total net other financial assets</b>	<b>824</b>	<b>1 393</b>	<b>-</b>	<b>-</b>	<b>122</b>	<b>109</b>	<b>-</b>	<b>-</b>	<b>946</b>	<b>1 502</b>
<b>Total financial assets at AC</b>	<b>965 601</b>	<b>882 366</b>	<b>51 068</b>	<b>56 895</b>	<b>38 630</b>	<b>37 126</b>	<b>364</b>	<b>402</b>	<b>1 055 663</b>	<b>976 789</b>
Impairment allowances	(4 954)	(4 557)	(4 266)	(4 751)	(18 874)	(17 732)	(346)	(402)	(28 440)	(27 442)
<b>Total net financial assets at AC</b>	<b>960 647</b>	<b>877 809</b>	<b>46 802</b>	<b>52 144</b>	<b>19 756</b>	<b>19 394</b>	<b>18</b>	<b>-</b>	<b>1 027 223</b>	<b>949 347</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	
	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.
<b>Financial assets at FVOCI</b>										
Investment securities	9 515	9 515	-	-	-	-	-	-	9 515	9 515
Impairment allowances	-	-	-	-	-	-	-	-	-	-
<b>Total net investment securities</b>	<b>9 515</b>	<b>9 515</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 515</b>	<b>9 515</b>
<b>Total financial assets at FVOCI</b>										
Impairment allowances	-	-	-	-	-	-	-	-	-	-
<b>Total net financial assets at FVOCI</b>	<b>9 515</b>	<b>9 515</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 515</b>	<b>9 515</b>
<b>Off-balance sheet items and contingent liabilities</b>										
Outstanding guarantees	441 403	443 277	27 774	29 811	7 977	7 925	-	-	477 154	481 013
Impairment allowances*	(32 461)	(32 768)	(4 276)	(4 046)	(4 934)	(5 004)	-	-	(41 671)	(41 818)
<b>Total net outstanding guarantees</b>	<b>408 942</b>	<b>410 509</b>	<b>23 498</b>	<b>25 765</b>	<b>3 043</b>	<b>2 921</b>	<b>-</b>	<b>-</b>	<b>435 483</b>	<b>439 195</b>
Loan commitments	66 303	60 106	725	1 125	2	2	-	-	67 030	61 233
Impairment allowances*	(690)	(1 015)	(36)	(61)	(1)	(1)	-	-	(727)	(1 077)
<b>Total net loan commitments</b>	<b>65 613</b>	<b>59 091</b>	<b>689</b>	<b>1 064</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>66 303</b>	<b>60 156</b>
Grant commitments	29 666	47 824	-	-	-	-	-	-	29 666	47 824
Impairment allowances	(376)	(376)	-	-	-	-	-	-	(376)	(376)
<b>Total net grant commitments</b>	<b>29 290</b>	<b>47 448</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29 290</b>	<b>47 448</b>
<b>Total off-balance items and contingent liabilities</b>	<b>537 372</b>	<b>551 207</b>	<b>28 499</b>	<b>30 936</b>	<b>7 979</b>	<b>7 927</b>	<b>-</b>	<b>-</b>	<b>573 850</b>	<b>590 070</b>
Impairment allowances	(33 527)	(34 159)	(4 312)	(4 107)	(4 935)	(5 005)	-	-	(42 774)	(43 271)
<b>Total net off-balance items and contingent liabilities</b>	<b>503 845</b>	<b>517 048</b>	<b>24 187</b>	<b>26 829</b>	<b>3 044</b>	<b>2 922</b>	<b>-</b>	<b>-</b>	<b>531 076</b>	<b>546 799</b>

\* Includes net impairment allowances of EUR 425 thousand covered by Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2023 annual report. In the distribution of the 2022 profit, it will be directly attributed to the Portfolio Loss Reserve, thus the 2023 result which will be allocated to Reserves will improve. Additional information available in Note 23.

## 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	(70)	120	-	-	50	(2 749)	2 675	-	-	(74)
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(24)	(59)	1 280	-	1 197	(2 107)	(1 187)	3 174	-	(120)
from Stage 3 to Stage 2	-	26	(71)	-	(45)	-	82	(95)	-	(13)
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	8	(19)	-	-	(11)	969	(997)	-	-	(28)
New originated or purchased	672	6	1	5	684	13 521	62	2	23	13 608
Derecognised during the period	(58)	(182)	(78)	(44)	(362)	(7 596)	(2 978)	(539)	(44)	(11 157)
Changes to ECL measurement model assumptions (PD, LGD)	-	-	-	-	-	-	-	-	-	-
Changes to ECL measurement model assumptions (macroeconomic factors)	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-
Change of outstanding balance **	(131)	(377)	133	(17)	(392)	2 227	(3 484)	(928)	(17)	(2 202)
<b>As at 31 March 2023</b>	<b>4 503 *</b>	<b>4 266</b>	<b>13 080</b>	<b>346</b>	<b>22 195</b>	<b>254 840</b>	<b>51 068</b>	<b>32 675</b>	<b>364</b>	<b>338 947</b>

\* Includes the impairment overlay EUR 2,170 thousand that represents an additional loss reserve for SME and Midcaps portfolio

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

Changes in 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	(482)	524	-	42	(2 309)	2 384	-	75
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(17)	(57)	206	132	(83)	(240)	323	-
from Stage 3 to Stage 2	-	-	(5)	(5)	-	6	(6)	-
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	24	(31)	-	(7)	321	(330)	-	(9)
New originated or purchased	1 986	11	-	1 997	17 515	67	-	17 582
Derecognised during the period	(630)	(322)	(88)	(1 040)	(15 991)	(4 097)	(127)	(20 215)
Changes to ECL measurement model assumptions (PD, LGD)	-	-	-	-	-	-	-	-
Changes to ECL measurement model assumptions (macroeconomic factors)	-	-	-	-	-	-	-	-
Other movements	-	1	-	1	-	-	-	-
Paid-out guarantees	(1)	-	-	(1)	(1)	-	-	(1)
Write-offs	-	-	-	-	-	-	-	-
Change of outstanding balance **	(1 187)	104	(183)	(1 266)	(1 326)	173	(138)	(1 291)
<b>As at 31 March 2023</b>	<b>32 461 *</b>	<b>4 276</b>	<b>4 934</b>	<b>41 671</b>	<b>441 403</b>	<b>27 774</b>	<b>7 977</b>	<b>477 154</b>

\* includes the impairment overlay EUR 856 thousand that represents an additional loss reserve for SME and Midcaps portfolio

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

## 3 Risk Management (cont'd)

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

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

	31.03.2023.	31.12.2022.
Performing	312 354	314 185
Past due up to 30 days	12 871	11 577
Past due from 31 to 60 days	2 071	2 136
Past due from 61 to 90 days	606	503
Past due over 90 days	11 045	10 532
<b>Total gross loans, without interest accrued on the loans</b>	<b>338 947</b>	<b>338 933</b>
Impairment allowances	(22 195)	(21 074)
<b>Total net loans</b>	<b>316 752</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:

	31.03.2023.	31.12.2022.
Real estate (loans)	197 546	196 417
Real estate (leaseback)	27 228	27 089
Movable property	46 407	47 171
Guarantees	3 551	3 534
<b>Total collateral</b>	<b>274 732</b>	<b>274 211</b>
Loan portfolio, gross *	338 947	338 933
Impairment allowances	(22 195)	(21 074)
Loan portfolio, net	316 752	317 859
<b>Exposed</b>	<b>13.27%</b>	<b>13.73%</b>

\* includes loans in amount of EUR 24,370 thousand to mitigate the impact of Covid-19 for which no real estate or movable property is required as collateral while credit risk is covered by risk coverage (Portfolio Loss Reserve).

## 3 Risk Management (cont'd)

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

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

	31.03.2023.	31.12.2022.
<i>Assets exposed to credit risk</i>		
Due from credit institutions and the Treasury	643 466	571 667
Financial assets at fair value through other comprehensive income - investment securities	9 515	9 515
Financial assets at amortised cost:		
Investment securities	39	39
Loans and receivables	316 752	317 859
Grants	66 020	58 280
Other investments	15 741	15 741
Investments in associates	68 098	64 645
Other assets	955	1 530
<b>Total</b>	<b>1 120 586</b>	<b>1 039 276</b>
<i>Off-balance sheet items exposed to credit risk</i>		
Contingent liabilities	477 154	481 013
Financial commitments	197 664	214 255
<b>Total</b>	<b>674 818</b>	<b>695 268</b>

As at 31 March 2023, part of the Company's assets in amount of EUR 184,205 thousand (31 December 2022: EUR 187,053 thousand) were pledged. Detailed information on the Company's outstanding loan agreement as at 31 March 2023 is provided in Note 18 and Note 19.

Article 52 of the Law on State Budget 2023 provides that guarantees issued by Altum in amount of EUR 250 000 thousand is backed by the state according to Agriculture and Rural Development Law and Development Finance Institution Law. Actual amount of issued guarantees issued under these conditions as at 31 March 2023 was EUR 234,012 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 March 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	14 413	20 315	-	-	-	34 728
Due to general governments	13 773	59 600	52 405	31 315	48 173	205 266
Issued debt securities	1 605	85 424	-	-	-	87 029
Support programme funding **	78 917	28 647	350 142	-	-	457 706
Other liabilities	3 234	621	-	-	-	3 855
<b>Total financial liabilities</b>	<b>111 942</b>	<b>194 607</b>	<b>402 547</b>	<b>31 315</b>	<b>48 173</b>	<b>788 584</b>
Off-balance sheet items and contingent liabilities	432 994	89 880	151 944	-	-	674 818
<b>Total financial liabilities, off-balance items and contingent liabilities ***</b>	<b>544 936</b>	<b>284 487</b>	<b>554 491</b>	<b>31 315</b>	<b>48 173</b>	<b>1 463 402</b>
Due from credit institutions and the Treasury	643 466	-	-	-	-	643 466
Investment securities	110	9 444	-	-	-	9 554
<b>Liquid assets</b>	<b>643 576</b>	<b>9 444</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>653 020</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 March 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 125,539 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 March 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	4	5 646	1 568	7 195	14 413
Due to general governments	976	1 830	3 684	7 283	13 773
Issued debt securities	721	161	241	482	1 605
Support programme funding	1 404	5 497	-	72 016	78 917
Other liabilities	3 143	10	-	81	3 234
<b>Total financial liabilities</b>	<b>6 248</b>	<b>13 144</b>	<b>5 493</b>	<b>87 057</b>	<b>111 942</b>
Off-balance sheet items and contingent liabilities *	399 130	8 318	10 556	14 990	432 994
<b>Total financial liabilities, off-balance items and contingent liabilities</b>	<b>405 378</b>	<b>21 462</b>	<b>16 049</b>	<b>102 047</b>	<b>544 936</b>
Due from credit institutions and the Treasury	577 256	-	-	66 210	643 466
Investment securities	39	-	71	-	110
<b>Liquid assets</b>	<b>577 295</b>	<b>-</b>	<b>71</b>	<b>66 210</b>	<b>643 576</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 24.

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

Outstanding financial guarantees in amount of EUR 298,344 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 20) and Specific reserve capital (see Note 23). 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 67,030 thousand (up to 1 year) – from financial facilities (either received by the Company or available to the Company upon request) concluded with financial institutions and the Treasury (see Notes 18 and 19) and respective loan support programme funding (see Note 20).

Grant commitments in amount of EUR 29,666 thousand (up to 1 year) – from respective grant support programme funding (see Note 20).

Commitments to investments in associates in amount of EUR 27,191 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 20).

Commitments to AIF "Altum capital fund" in amount of EUR 3,126 thousand (up to 1 year) – from specific reserve capital (see Note 23) and additional funding from shareholders expected in 2023.

Commitments to other investments in amount of EUR 7,547 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)

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 24.

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 20) and Specific reserve capital (see Note 23). 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 18 and 19) and respective loan support programme funding (see Note 20).

Grant commitments in amount of EUR 47,824 thousand (up to 1 year) – from respective grant support programme funding (see Note 20).

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 20).

Commitments to AIF "Altum capital fund" in amount of EUR 3,121 thousand (up to 1 year) – from specific reserve capital (see Note 23).

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 March 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	577 256	-	-	66 210	-	-	643 466
Investment securities	39	-	71	-	9 444	-	9 554
Loans *	10 246	11 879	16 140	37 547	128 881	112 781	317 474
Grants	544	241	9 481	2 236	52 346	1 172	66 020
Deferred expense and accrued income	231	16	-	1 266	-	-	1 513
Other investments	-	-	-	-	-	15 741	15 741
Investments in associates	3 720	3 122	-	7 653	21 713	31 890	68 098
Investment property	-	-	-	-	-	55 451	55 451
Property, plant and equipment	-	-	-	-	-	4 314	4 314
Intangible assets	-	-	-	-	-	1 132	1 132
Other assets	429	62	116	244	104	-	955
<b>Total assets</b>	<b>592 465</b>	<b>15 320</b>	<b>25 808</b>	<b>115 156</b>	<b>212 488</b>	<b>222 481</b>	<b>1 183 718</b>
<b>Liabilities</b>							
Due to credit institutions	-	5 646	1 562	7 187	20 313	-	34 708
Due to general governments	-	1 830	2 527	4 838	42 655	101 478	153 328
Issued debt securities	-	-	-	185	84 975	-	85 160
Deferred income and accrued expense	-	-	-	791	952	-	1 743
Provisions	42 953	338	410	482	1 692	824	46 699
Support programme funding	1 404	5 497	-	72 016	28 647	350 142	457 706
Other liabilities	3 143	10	-	81	621	-	3 855
<b>Total liabilities</b>	<b>47 500</b>	<b>13 321</b>	<b>4 499</b>	<b>85 580</b>	<b>179 855</b>	<b>452 444</b>	<b>783 199</b>
<b>Net liquidity</b>	<b>544 965</b>	<b>1 999</b>	<b>21 309</b>	<b>29 576</b>	<b>32 633</b>	<b>(229 963)</b>	<b>400 519</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) Covid-19 impact

With the end of the restrictions of Covid-19 and the recovery of supply chains that were disrupted during Covid-19, it can be considered that the negative impact of Covid-19 on the economic activity of companies has ended.

The support instruments related to the mitigation of the consequences of Covid-19 were issued in Latvia until 30 June 2022, in compliance with the regulatory framework established by the EU. It should be noted that the portfolio of the Covid loan product is amortizing rapidly, as the average remaining loan term is less than 1 year.

The granting of deferred payments of the loan principal due to the impact of Covid-19 was stopped in 2022, and the deadline for the relief of loan payments included in the moratorium has expired on 31 March 2023. In the future, the quality of loans previously included in the Covid-19 moratorium will be assessed using standard ECL models.

Due to the reduction of economic uncertainty caused by the restrictions imposed to contain the Covid-19 epidemic and the unpredictable development of the epidemic, the unused general impairment overlay balance of EUR 269 thousand for covering individual impairments as of 31 March 2023 (31 December 2022: EUR 269 thousand) will be reversed in the 2nd quarter of 2023. The general impairment overlay was created for loans classified in stage 1 to consider other economic uncertainties that are not considered by the ECL calculation models.

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

The ongoing war in Ukraine and the related sanctions directed against the Russian Federation, as well as against Belarus, create social and economic effects in Latvia and the region, as well as affect the Company. This has triggered an energy crisis, an increase in inflation and a sharp rise in interest rates. This indirectly affects our portfolio. This leads to significant adjustments to the accounting value 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.

In the guarantee portfolio, a direct impact is possible from the export credit guarantees issued by the Company for the compensation of losses of political and buyer risks in trade transactions where the business partners of the Company's clients are residents of Ukraine. Since 25 February 2022, the company suspended the issuance of new export guarantees to the Russian Federation and Belarus. As of 31 March 2023 the Company has no high-risk exposure where the customer's business partners are in Ukraine.

The Company has made investments 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 in which 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.

## 3 Risk Management (cont'd)

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

Similarly, as in previous periods, the two portfolio companies had the most significant impact from the direct and indirect consequences of the war and related sanctions. Even though both companies ended 2022 with a drop in volumes, which is directly related to leaving the Russian market, at the same time they were able to adapt to the situation and ensure stable or even improve profitability. Companies continue to look for new ways to reduce this impact, and so far they have succeeded either by replacing the decline with new markets or new product categories, as well as by reviewing operational expenses. The portfolio companies explained that the situation with disruptions in the supply chains improved at the beginning of 2023, but the uncertainty remains. The value of the Company's investment in AIF Altum Capital Fund decreased by EUR 260 thousand in 3 months of 2023 because of the portfolio revaluation, which is related to the Russian Federation military invasion of Ukraine.

To assess the indirect impact of the Russian Federation invasion of Ukraine, the Company analyses and in case of significant changes revises the forward-looking forecasts of macroeconomic indicators in a several of scenarios used to calculate expected losses on a quarterly basis.

In connection with a slightly better development of Latvia's economy in the 4th quarter of 2022 than was previously predicted, the most current economic growth forecasts of Latvia have slightly improved, predicting slightly better growth for 2023, accordingly reducing the growth rate forecasts in the coming years. However, it should be noted that due to the continuation of hostilities in Ukraine, there is still great uncertainty regarding the future development and consequences of the geopolitical situation, fluctuations in energy resource prices and their limited availability. Therefore, the Company used three economic scenarios in the loss estimations, including the negative and optimistic scenario:

- a 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;
- an adverse scenario, which foresees a less likely but potentially negative change, reflecting the larger and more persistent impact of the geopolitical crisis and sanctions, a slower retreat of inflation compared to the baseline scenario;
- an optimistic scenario, which is less likely but potentially more favourable than the baseline scenario.

Summarised below are the annual GDP growth rates derived from external macroeconomic forecasts, which are among the key input variables in the expected loss model:

	2023	2024	2025
GDP annual growth rate, in %			
Base case scenario *	-0.2	3.2	3.2
Adverse scenario	-2.1	2.6	3.4
Optimistic scenario	1.5	3.7	3.4
<b>Weighted average **</b>	<b>-0.4</b>	<b>3.1</b>	<b>3.3</b>

\* The baseline scenario combines two external scenarios, using the information available until 30 March 2023:

(i) the macroeconomic development scenario of the Ministry of Finance (published on 10 March 2023) projects Latvia's GDP in 2023 will remain at the 2022 level due to sanctions imposed against Russian Federation and Belarus, the difficulties in doing business with Ukraine, and high inflation (the December 2022 forecast was -0.6%). The GDP growth in 2024 and 2025 is forecasted 2% and 2.9% respectively (in December: 3% per year);

(ii) the Bank of Latvia's macroeconomic scenario (published on 16 December 2022) projects that the Russian Federation invasion of Ukraine and sanctions and the associated fall in exports, disruptions to imports of raw materials and supplies, an intensification of global price increase for energy and other commodities and supplies, and a fall in business and consumer confidence will reduce Latvia's GDP growth rate will cause a moderate GDP slowdown of -0.3% in 2023. In 2024 and 2025, economic growth is projected to recover more rapidly, by 4.4% and 3.5%, respectively, as confidence improves. A 50% probability of the scenario was applied to each of the external scenarios, those of the Ministry of Finance and the Bank of Latvia.

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

## 3 Risk Management (cont'd)

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

Since the average changes of macroeconomic scenarios for the next three years are insignificant, in the 1st quarter of 2023 provisions for ECL for loans and guarantees were calculated using the revised scenarios in the 4th quarter of 2022, resulting in no impact on provisions from changes in macroeconomic scenarios.

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 year to ensure the identification and assessment of these impacts on the loan portfolio at the transaction level.

Until sufficient historical data has been accumulated at the transaction level, the Company carried out an assessment of the portfolio of loans and guarantees by industries, separately assessing how the industries will be directly and indirectly affected by the increase in the prices of energy resources and how the industries will be directly or indirectly affected by the imposed sanctions against the Russian Federation and Belarus. The industries were divided into 3 groups: heavily affected industries, moderately affected industries and less affected industries. The possible impact of the increase in the prices of energy resources was assessed based on the assessment of the Company's experts on energy-intensive industries and industries that are most affected by rising costs, as well as by evaluating the financial data of the largest customers in the portfolio of industry. The possible impact of the sanctions against the Russian Federation and the Republic of Belarus was assessed taking into account the data of the Central Statistical Office on foreign trade with the Russian Federation and the Republic of Belarus, as well as data on the business specifics of the customers in the portfolio of industry (including, but not limited to, analysing the export markets, markets of raw materials, supply chains, opportunities to reorient operations, etc.). As a result of this assessment, the Company has made the general impairment overlay for loans in the amount of EUR 1,902 thousand and guarantees in the amount of EUR 856 thousand as of 31 March 2023, and this has not changed since 31 December 2022.

Potential impact upon loan portfolio triggered by interest rate increase due to steep rise of Euribor rates is covered by changes in the forecasts for macroeconomic indicators. Changes in amortisation terms of respective financial instruments due to increasing interest rates are considered when estimated ECL allowances. For key loan and guarantee exposures the client's capacity for debt service when interest rates are increasing is analysed by the Company on a quarterly basis. Particular attention is paid to such exposures where concerns for not meeting debt service in respective terms and at full amount due to increasing debt burden are in place based on clients' reported operational ratios.

In the light of the previous state support for mitigating the consequences of the increase in the cost of energy resources, no significant increase in the credit risk for households was observed. However, given the macroeconomic outlook, including continued high inflation and rising interest rates, household spending on housing is expected to remain high and households may find it difficult to cover their housing costs in full and on time. This is expected to potentially result in higher defaults in the housing guarantee portfolio as claims for guarantee indemnities may increase in the coming years. We do not expect an immediate increase in claims for guarantee indemnities, given the specific terms of these exposures, which require that guarantee indemnities are paid upon the realisation of collateral that is carried out over an extended period of time.

The venture capital funds co-financed by Altum operate in accordance with the current sanctions regulation and actively monitor changes in the binding regulatory acts. Every quarter, Altum conducts an evaluation of venture capital fund investments, performing an individual assessment of each venture capital investment, considering the specific situation of each investment. When evaluating investments, Altum already takes into account future perspectives, and the fair value of companies that have not been able to adapt to the new reality is already adjusted accordingly in time.

Under the management of fund managers, portfolio company teams have been able to adapt to the global geopolitical situation. In the first quarter of 2023, neither the fund managers nor Altum identified significant disruptions to economic activities from the consequences of the war in Ukraine in venture capital investments, which could significantly impact the future fluctuations in portfolio values.

## 4 Interest income

All amounts in thousands of euro

	01.01.2023.- 31.03.2023.	01.01.2022.- 31.03.2022.
Interest on loans *	4 740	3 964
Interest on guarantees **	757	786
Interest on securities at fair value cost	36	64
Interest income from term deposits	158	-
<b>Total interest income</b>	<b>5 691</b>	<b>4 814</b>

\* The Company's sub-item Interest income on loans 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 3 months of 2023 amounts to EUR 574 thousand (3 months of 2022: EUR 57 thousand).

\*\* 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 3 months of 2023 amounts to EUR 296 thousand (3 months of 2022: EUR 276 thousand).

## 5 Interest expense

All amounts in thousands of euro

	01.01.2023.- 31.03.2023.	01.01.2022.- 31.03.2022.
Interest on balances due to credit institutions	1 136	227
Interest on issued debt securities	219	222
Allocation of state support programmes profit to support programme funding *	78	120
Other commission expense	1	2
<b>Total interest expense</b>	<b>1 434</b>	<b>571</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.- 31.03.2023.	01.01.2022.- 31.03.2022.
Compensation of expenses for management of state support programmes	540	516
Compensation of venture capital fund management fees	445	584
Compensation of expenses for management of state support programmes of the previous years	1 221	-
Compensation of expenses of capital congestion	138	106
<b>Total income from implementation of state support programmes</b>	<b>2 344</b>	<b>1 206</b>

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

All amounts in thousands of euro

	01.01.2023.- 31.03.2023.	01.01.2022.- 31.03.2022.
Compensated staff costs	454	378
Compensated administrative expense	89	138
Compensated venture capital fund management fees	445	584
<b>Total compensated expense for implementation of state support programmes</b>	<b>988</b>	<b>1 100</b>

## 8 Other income

All amounts in thousands of euro

	01.01.2023.- 31.03.2023.	01.01.2022.- 31.03.2022.
Income from lease payments for operating leases	550	442
Income from payments for financial leases	97	1
Profit from investment property revaluation	-	5
Profit from sale of investment property	22	7
Profit from sale of repossessed collateral	17	1
Other commission income	6	3
Income from management of the AIF "Altum capital fund"	51	160
Other operating income	1	-
<b>Total other income</b>	<b>744</b>	<b>619</b>

## 9 Other expense

All amounts in thousands of euro

	01.01.2023.- 31.03.2023.	01.01.2022.- 31.03.2022.
Maintenance and service costs of Land Fund	98	136
Debt collection costs	14	59
Maintenance costs of repossessed collateral	43	36
Commission expense on investments in securities	22	22
AIF "Altum capital fund" management costs	51	160
Other commission expense	1	1
<b>Total other expense</b>	<b>229</b>	<b>414</b>



## 10 Impairment losses, net

All amounts in thousands of euro

	01.01.2023- 31.03.2023.	01.01.2022- 31.03.2022.
<b>Impairment losses on:</b>	<b>2 019</b>	<b>3 173</b>
<b>Loans, net</b>	<b>1 492</b>	<b>1 273</b>
<i>impairment losses</i>	<i>1 457</i>	<i>1 142</i>
<i>impairment losses covered by Portfolio Loss Reserve</i>	<i>933</i>	<i>609</i>
<i>impairment losses covered by Risk Coverage Reserve</i>	<i>(898)</i>	<i>(478)</i>
<b>Other assets</b>	<b>-</b>	<b>-</b>
<i>impairment losses</i>	<i>-</i>	<i>67</i>
<i>impairment losses covered by Risk Coverage Reserve</i>	<i>-</i>	<i>(67)</i>
<b>Financial assets related to loan agreements</b>	<b>-</b>	<b>2</b>
<b>Guarantees, net</b>	<b>475</b>	<b>1 746</b>
<i>impairment losses</i>	<i>2 643</i>	<i>4 451</i>
<i>impairment losses covered by Portfolio Loss Reserve</i>	<i>427</i>	<i>109</i>
<i>impairment losses covered by Risk Coverage Reserve</i>	<i>(2 595)</i>	<i>(2 814)</i>
<b>Loan commitments, net</b>	<b>52</b>	<b>152</b>
<i>impairment losses</i>	<i>138</i>	<i>273</i>
<i>impairment losses covered by Portfolio Loss Reserve</i>	<i>34</i>	<i>62</i>
<i>impairment losses covered by Risk Coverage Reserve</i>	<i>(120)</i>	<i>(183)</i>
<b>Reversal of impairment on:</b>	<b>(1 906)</b>	<b>(2 011)</b>
<b>Loans, net</b>	<b>(1 099)</b>	<b>(916)</b>
<i>reversal of impairment</i>	<i>(856)</i>	<i>(949)</i>
<i>reversal of impairment covered by Portfolio Loss Reserve</i>	<i>(782)</i>	<i>(388)</i>
<i>reversal of impairment covered by Risk Coverage Reserve</i>	<i>539</i>	<i>421</i>
<b>Disbursed guarantee compensations</b>	<b>(13)</b>	<b>-</b>
<i>reversal of impairment</i>	<i>(49)</i>	<i>(10)</i>
<i>reversal of impairment covered by Portfolio Loss Reserve</i>	<i>-</i>	<i>-</i>
<i>reversal of impairment covered by Risk Coverage Reserve</i>	<i>36</i>	<i>10</i>
<b>Financial assets related to loan agreements</b>	<b>-</b>	<b>(90)</b>
<b>Guarantees, net</b>	<b>(741)</b>	<b>(934)</b>
<i>reversal of impairment</i>	<i>(2 613)</i>	<i>(2 275)</i>
<i>reversal of impairment covered by Portfolio Loss Reserve</i>	<i>(601)</i>	<i>(558)</i>
<i>reversal of impairment covered by Risk Coverage Reserve</i>	<i>2 473</i>	<i>1 899</i>
<b>Loan commitments, net</b>	<b>(53)</b>	<b>(71)</b>
<i>reversal of impairment</i>	<i>(149)</i>	<i>(17)</i>
<i>reversal of impairment covered by Portfolio Loss Reserve</i>	<i>(31)</i>	<i>(59)</i>
<i>reversal of impairment covered by Risk Coverage Reserve</i>	<i>127</i>	<i>5</i>
<b>Total impairment losses / (reversal), net</b>	<b>113</b>	<b>1 162</b>
<b>Recovery of loans written off in previous periods</b>	<b>(153)</b>	<b>(256)</b>
<b>Total impairment losses and (income) from recovery of loans written-off</b>	<b>(40)</b>	<b>906</b>

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

## 11 Due from credit institutions and the Treasury

All amounts in thousands of euro

	31.03.2023.	31.12.2022.
Due from credit institutions and State Treasury	643 481	571 682
	<i>cash and cash equivalent</i>	<i>577 272</i>
	<i>term deposits</i>	<i>66 000</i>
Impairment allowances	(15)	(15)
<b>Net due from credit institutions and State Treasury</b>	<b>643 466</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	-	17 024	614 588	11 854	-	-	-	-	643 466
<b>Total gross as at 31 March 2023</b>	-	<b>17 024</b>	<b>614 588</b>	<b>11 854</b>	-	-	-	-	<b>643 466</b>

As at 31 March 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 March 2023 was 2.26% (31 December 2022: 0.08%).

## 12 Investments in Associates

Investments in associates, in thousands of euro:

Company or venture capital fund generation	Country of incorporation	Equity of venture capital fund		Carrying Amount	
		31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.
The 2nd generation VCFs	LV	9 765	9 778	6 842	6 855
The 3rd generation VCFs	LV	9 230	9 230	7 653	7 653
The 4th generation VCFs	LV	33 959	30 313	22 663	19 017
AIF "Altum capital fund"	LV	34 160	34 529	16 708	16 888
Baltic Innovation Fund *	LU	88 534	88 534	14 232	14 232
<b>Total investments in associates</b>		<b>175 648</b>	<b>172 384</b>	<b>68 098</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 March 2023 the total venture capital fund's portfolio value at cost value was EUR 77,076 thousand (31 December 2022: EUR 74,858 thousand).

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	
	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.	31.03.2023.	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	3 660	2 413	59	440	-	1 600	3 719	4 453
Refunded	(274)	(1 018)	(246)	(159)	-	(858)	(520)	(2 035)
Mezzanine interest received and realised gain on exit	247	234	246	159	-	-	493	393
Realised gain from refunded	-	-	-	-	-	48	-	48
Share of net gain / (loss) of investment in associate *	-	(1 880)	(239)	(29)	-	-	(239)	(1 909)
Loss from investment in associate at fair value through profit or loss	-	-	-	-	-	-	-	-
<b>Net carrying amount at the period ended at 31 March</b>	<b>37 158</b>	<b>36 478</b>	<b>16 708</b>	<b>15 409</b>	<b>14 232</b>	<b>14 012</b>	<b>68 098</b>	<b>65 899</b>
Invested	-	5 076	-	1 800	-	1 100	-	7 976
Refunded	-	(8 275)	-	(786)	-	(941)	-	(10 002)
Mezzanine interest received and realised gain on exit	-	1 441	-	786	-	-	-	2 227
Realised gain from refunded	-	-	-	-	-	13	-	13
Share of net gain / (loss) of investment in associate *	-	(1 195)	-	(321)	-	-	-	(1 516)
Loss from investment in associate at fair value through profit or loss	-	-	-	-	-	48	-	48
<b>Net carrying amount at the period ended at 31 December</b>	<b>37 158</b>	<b>33 525</b>	<b>16 708</b>	<b>16 888</b>	<b>14 232</b>	<b>14 232</b>	<b>68 098</b>	<b>64 645</b>

\* includes changes in revaluation of investment.

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	
	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.
Net share of gain / (loss) of investment in associates	247	(1 646)	(239)	(29)	-	-	8	(1 675)
Net income / (expense), excluding revaluation gain / (loss)	-	-	246	47	-	-	246	47
Share of net gain / (loss) of investment in Three Seas Initiatives Investment Fund	-	-	-	-	-	66	-	66
<b>Share of net gain / (loss) of investment in associate</b>	<b>247</b>	<b>(1 646)</b>	<b>7</b>	<b>18</b>	<b>-</b>	<b>66</b>	<b>254</b>	<b>(1 562)</b>
Net share of gain / (loss) of investment in associates	-	(1 429)	-	(321)	-	-	-	(1 750)
Net income / (expense), excluding revaluation gain / (loss)	-	-	-	898	-	-	-	898
Share of net gain / (loss) of investment in Three Seas Initiatives Investment Fund	-	-	-	-	-	634	-	634
<b>Total on 31 December</b>	<b>-</b>	<b>(3 075)</b>	<b>-</b>	<b>595</b>	<b>-</b>	<b>700</b>	<b>-</b>	<b>(1 780)</b>

## 12 Investments in Associates (cont'd)

Venture capital funds management fees in the 3 months of 2023, expenses included:

- Management fees for the 2nd and 3rd generation venture capital funds: contributions for fund management are not made (3 months of 2022: EUR 148 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the 4th generation venture capital funds amounted EUR 445 thousand (3 months of 2022: EUR 437 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the AIF "Altum capital fund" amounted EUR 59 thousand (3 months of 2022: EUR 112 thousand) (see Note 23).

## 13 Other Investments

Total cost of other investments on 31 March 2023 was EUR 15,419 thousand (31 December 2022: EUR 15,419 thousand). The initial cost of the investment also includes the fund management fee (contributions for fund management are not made in the 1st quarter of 2023, 31 December 2022: EUR 840.2 thousand), which is later recognized as an expense, and thus is not included in the investment's book value at the end of the reporting period.

All amounts in thousands of euro

	31.03.2023.	31.12.2022.
Baltic Innovation Fund 2	4 478	4 478
Three Seas Initiatives Investment Fund	11 263	11 263
<b>Total other investments</b>	<b>15 741</b>	<b>15 741</b>

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

The Three Seas Initiative Investment Fund is a new financial instrument for financing and developing infrastructure projects in 12 countries, including Latvia, aimed at reducing infrastructure development gaps between different European regions. The Three Seas Initiative Investment Fund is a new financial instrument to support transport, energy and digitalization infrastructure projects in Central and Eastern Europe. The Company signed the subscription agreement on 16 September 2020. The total capital committed by the Company to the Three Seas Initiative Investment Fund is EUR 20,000 thousand thus arriving at the ownership rate of 2.15% on 31 March 2023 (31 December 2022: 2.15%) of the total committed capital the Three Seas Initiative Investment Fund (31 March 2023: EUR 928,100 thousand, 31 December 2022: EUR 928,100 thousand).

In the 3 months of 2023, the Company's expenses do not include management fees for the Three Seas Initiatives Investment Fund (3 months of 2022: EUR 18 thousand, which were compensated from the risk coverage reserve).

## 14 Loans

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

Loans by the borrower profile, in thousands of euro:

	31.03.2023.	31.12.2022.
SME and Midcaps	147 523	147 369
Agriculture	159 454	159 509
Private individuals	4 700	4 920
Financial Intermediaries	42	46
Land Fund	27 228	27 089
<b>Total gross loans</b>	<b>338 947</b>	<b>338 933</b>
Impairment allowances	(22 195)	(21 074)
<b>Total net loans</b>	<b>316 752</b>	<b>317 859</b>

Breakdown of loans by industries, in thousands of euro:

	31.03.2023.	31.12.2022.
Agriculture and forestry	180 554	173 937
Manufacturing	57 053	58 511
Real estate	16 319	15 790
Retail and wholesale	15 686	16 968
Electricity, gas and water utilities	10 643	8 744
Construction	10 533	10 554
Health and social care	7 890	7 408
Transport, warehousing and communications	7 622	7 025
Municipal authorities	7 399	7 767
Hotels and restaurants	5 510	5 910
Professional, science and technical services	4 225	3 592
Fishing	1 693	2 095
Information technologies and communication	1 573	1 986
Other industries	7 532	13 724
Private individuals	4 715	4 922
<b>Total gross loans</b>	<b>338 947</b>	<b>338 933</b>
Impairment allowances	(22 195)	(21 074)
<b>Total net loans</b>	<b>316 752</b>	<b>317 859</b>

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

	31.03.2023.	31.12.2022.
Number of customers	39	40
Total credit exposure of customers (EUR '000)	60 019	59 416
Percentage of total gross portfolio of loans	17.71%	17.53%

Analysis of loan portfolio by client segments as at 31 March 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	42	(1)	-	-	-	-	-	-	42	(1)
Agriculture	139 709	(646)	12 225	(269)	7 520	(2 184)	-	-	159 454	(3 099)
SME and Midcaps	85 163	(1 673)	38 688	(3 996)	23 308	(10 570)	364	(346)	147 523	(16 585)
Private individuals	3 159	(11)	155	(2)	1 386	(323)	-	-	4 700	(336)
Land Fund	26 768	(2)	-	-	460	(2)	-	-	27 228	(4)
<b>Total segments, gross</b>	<b>254 841</b>	<b>(2 333)</b>	<b>51 068</b>	<b>(4 267)</b>	<b>32 674</b>	<b>(13 079)</b>	<b>364</b>	<b>(346)</b>	<b>338 947</b>	<b>(20 025)</b>
Impairment overlay	-	(2 170)	-	-	-	-	-	-	-	(2 170)
<b>Total segments, net</b>	<b>254 841</b>	<b>(4 503)</b>	<b>51 068</b>	<b>(4 267)</b>	<b>32 674</b>	<b>(13 079)</b>	<b>364</b>	<b>(346)</b>	<b>338 947</b>	<b>(22 195)</b>

## 14 Loans (cont'd)

Movement in impairment allowances for the 3rd stage loans, in thousands of euro:

	31.03.2023.	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)	2 390	1 751
Decrease in impairment allowances (Note 10: the sum of reversal of impairment and reversal impairment losses covered by Portfolio Loss Reserve)	(1 638)	(1 338)
Write-off of loans	-	(203)
Loan interest overdue for more than 90 days	28	-
Reclassification (increase of impairment allowances due to changes in off-balance sheet and balance sheet)	341	205
<b>Impairment allowances at the end of the period ended 31 March</b>	<b>22 195</b>	<b>18 558</b>
<i>Company's share of impairment allowances</i>	10 715	9 473
<i>Impairment allowances covered by Portfolio Loss Reserve</i>	6 450	4 306
<i>Impairment allowances covered by Risk Coverage Reserve</i>	5 029	4 784
Impairment allowances at the beginning of the period		18 563
Increase in impairment allowances (Note 10: the sum of impairment losses and impairment losses covered by Portfolio Loss Reserve)		8 393
Decrease in impairment allowances (Note 10: the sum of reversal of impairment and reversal impairment losses covered by Portfolio Loss Reserve)		(6 009)
Write-off of loans		(914)
Loan interest overdue for more than 90 days		55
Reclassification (increase of impairment allowances due to changes in off-balance sheet and balance sheet)		991
<b>Impairment allowances at the end of the period ended 31 December (audited)</b>		<b>21 074</b>
<i>Company's share of impairment allowances</i>		10 497
<i>Impairment allowances covered by Portfolio Loss Reserve</i>		5 999
<i>Impairment allowances covered by Risk Coverage Reserve</i>		4 578

As at 31 March 2023 the average annual interest rate for the loan portfolio of the Company was 5.82% (31 December 2022: 5.59%).

## 15 Grants

All amounts in thousands of euro

	31.03.2023.	31.12.2022.
Energy Efficiency Programme for Multi-apartment Buildings	62 615	55 582
Social Entrepreneurship Programme	1 711	892
Grants for development of energy efficiency projects	243	188
Housing grant programme "Balsts"	1 416	1 384
Grants for private house renovation	80	-
Grants for energy efficiency improvement of family buildings	266	1
Grants for cultural industry support programme *	125	669
<b>Total grants, gross</b>	<b>66 456</b>	<b>58 716</b>
Impairment allowances	(436)	(436)
<b>Total grants, net</b>	<b>66 020</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 3 months of 2023, in thousands of euro:

	31.03.2023.	31.12.2022.
<b>Carrying amount</b>		
Carrying amount at the beginning of period	58 716	45 729
Changes	7 740	(3 133)
Carrying amount at the end of period	66 456	42 596
<b>Impairment allowances</b>		
At the beginning of period	(436)	(332)
Carrying amount at the end of period	(436)	(332)
<b>Grants net book at the beginning of the period</b>	<b>58 280</b>	<b>45 397</b>
<b>Grants net book value at the end of the period ended 31 March</b>	<b>66 020</b>	<b>42 264</b>
<b>Carrying amount</b>		
Carrying amount at the beginning of period		42 596
Changes		16 120
Carrying amount at the end of period		58 716
<b>Impairment allowances</b>		
At the beginning of period		(332)
Changes		(102)
Reclassification		(2)
Carrying amount at the end of period		(436)
<b>Grants net book at the beginning of the period</b>		<b>45 397</b>
<b>Grants net book value at the end of the period ended 31 December</b>		<b>58 280</b>

## 16 Investment Properties

All amounts in thousands of euro

	31.03.2023.	31.12.2022.
Carrying amount at the beginning of period	53 453	46 164
Acquired during the reporting period *	2 048	5 758
Recognized on termination of reverse leases	-	164
Disposals during the reporting period	(50)	(954)
Net gain from fair value adjustment	-	2 321
<b>Carrying amount at the end of the period</b>	<b>55 451</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.

## 17 Other Assets

All amounts in thousands of euro

	31.03.2023.	31.12.2022.
Financial assets	2 928	3 531
Other assets (repossessed collateral)	9	28
<b>Total other assets, gross</b>	<b>2 937</b>	<b>3 559</b>
Impairment allowances for financial assets	(1 982)	(2 029)
	<i>Company's share of provisions</i>	<i>(569)</i>
	<i>Impairment allowances covered by Portfolio Loss Reserve</i>	<i>(275)</i>
	<i>Provisions covered by risk coverage</i>	<i>(1 138)</i>
<b>Total financial assets, net</b>	<b>946</b>	<b>1 502</b>
<b>Total other assets, net</b>	<b>955</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 financial assets in 3 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	(47)	21	(577)	(603)
As at 31 March	1 822	269	837	2 928
<b>Impairment provision</b>				
At the beginning of period	(1 869)	(151)	(9)	(2 029)
Changes in impairment allowances	47	-	-	47
As at 31 March	(1 822)	(151)	(9)	(1 982)
<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 at 31 March</b>	<b>-</b>	<b>118</b>	<b>828</b>	<b>946</b>

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

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
<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

All amounts in thousands of euro

	31.03.2023.	31.12.2022.
Due to credit institutions registered in OECD countries	34 708	36 290
<b>Total due to credit institutions</b>	<b>34 708</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 34,708 thousand (31 December 2022: EUR 36,290 thousand), of which EUR 21 thousand constitutes accrued interest expenses (31 December 2022: EUR 40 thousand).

On October 2, 2009, an agreement was signed with the European Investment Bank for a loan of EUR 100,000 thousand to finance projects under the SMEs Growth Loan Programme. As at 31 March 2023 the principal amount of the loan EUR 4,687 thousand (31 December 2022: EUR 6,250 thousand), the accrued interest on the loan amounts to EUR 21 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 March 2023, the amount of the secured claim was EUR 4,708 thousand (31 December 2022: EUR 6,290 thousand).

On July 8, 2020, Altum signed an agreement with the European Investment Bank for a loan of EUR 80,000 thousand to finance working capital and investment loans to small and medium-sized enterprises (including affected by the Covid-19). As at 31 March 2023 the principal amount of the loan EUR 30,000 thousand (31 December 2022: EUR 30,000 thousand), the final repayment date 20 November 2025. As at 31 March 2023, according to the loan agreement the Company is available the financing for working capital and investment loans in the amount of EUR 35,000 thousand, final availability date January 05, 2024. On 10 December 2021, Altum signed an agreement with the European Investment Bank for an additional loan of EUR 40,000 thousand to finance working capital and investment loans to small and medium-sized enterprises, the absorption of which had not been started until March 31, 2023. Final availability date December 10, 2023. The volume and pace of drawdown under both agreements is subordinated to the further volume of new lending transactions. The loans are unsecured.

As at 31 March 2023, the average interest rate for the balances *Due to credit institutions* was 0.43% (31 December 2022: 0.30%).

## 19 Due to General Governments

All amounts in thousands of euro

	31.03.2023.	31.12.2022.
Loans received from Rural Support Service	3 317	3 318
Loans received from the Treasury	150 011	150 466
<b>Total due to general governments</b>	<b>153 328</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 at 31 March 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 245 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:

- Agricultural land acquisition programme: as at 31 March 2023 the principal amount of the loan EUR 81,486 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 at 31 March 2023, according to the loan agreement the Company is available the financing in the amount of EUR 18,514 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As at 31 March 2023, the amount of the secured claim was EUR 97,791 thousand (31 December 2022: EUR 98,070 thousand).

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

- SME development programme: as at 31 March 2023 the principal amount of the loan EUR 52,533 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 at 31 March 2023, according to the loan agreement the Company still is available the financing in the amount of EUR 57,467 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As at 31 March 2023, the amount of the secured claim was EUR 63,099 thousand (31 December 2022: EUR 64,271 thousand).
- Parallel loan programme: as at 31 March 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 at 31 March 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 at 31 March 2023, the amount of the secured claim was EUR 5,521 thousand (31 December 2022: EUR 5,521 thousand).
- Programme of Small Loans for Rural Areas: as at 31 March 2023 the principal amount of the loan EUR 1,906 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 at 31 March 2023, according to the loan agreement the Company still is available the financing in the amount of EUR 4,094 thousand, the size and pace of the drawdown the loan relates to the further volume of new loan transactions. As at 31 March 2023, the amount of the secured claim was EUR 2,287 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 at 31 March 2023 the principal amount of the loan EUR 8,148 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 at 31 March 2023, the amount of registered mortgage was EUR 9,261 thousand (31 December 2022: EUR 10,406 thousand).
- Loan program for construction works of apartment houses and improvement of their territories: as at 31 March 2023 the principal amount of the loan EUR 1,281 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 at 31 March 2023, according to the loan agreement the Company still is available the financing in the amount of EUR 28,719 thousand, the size and pace of the drawdown the loan relates to the further volume of new loan transactions. As at 31 March 2023, the amount of the secured claim was EUR 1,538 thousand (31 December 2022: EUR 0 thousand).

As at 31 March 2023 the accrued interest on the loans received from the Treasury amounts to EUR 57,0 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 March 31, 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 2025, commercial pledge on the Company's claims for the loans under the programme. The size and pace of the drawdown the loan relates to the further volume of new loan transactions. The maximum secured claim is EUR 30,734 thousand.

## 20 Support programme funding

The Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Company's credit risk losses as at 31 March 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	8 265	1 140	-	(95)	8 170
ESF II	851	10	-	(10)	841
Microcredits of Swiss programme (closed programme)	565	17	-	(2)	563
ERDF I	414	-	-	-	414
ESF I	316	-	-	-	316
ERDF II (second round)	2 261	90	-	(34)	2 227
Incubators (from ESF II)	82	-	-	-	82
ERDF II 2 Public fund	226	-	-	-	226
Fund of Funds programme – Start-up loans	2 699	1 609	(104)	(200)	2 395
Fund of Funds programme – Microcredits	291	33	(2)	(3)	286
Fund of Funds programme – Parallel loans	4 012	3 699	(117)	(1 043)	2 852
Energy Efficiency Loans for Multi-apartment Buildings (I)	5 732	5 732	(77)	(78)	5 577
Start-up State Aid Cumulation Lending Programme	1 888	1 888	(443)	(365)	1 080
Other loans to start-ups	1 800	106	-	(55)	1 745
Mezzanine Programme – Loans	3 586	3 514	-	(737)	2 849
Guarantees and interest grants programme	4 287	4 287	(1 196)	-	3 091
SME energy efficiency loans	3 723	3 723	(142)	(418)	3 163
ERAF SME growth loans	15 756	945	-	(277)	15 479
ERAF loans for business sustainability	15 050	3 273	-	(923)	14 127
Parallel loans	2 000	2 000	(119)	(193)	1 688
Parallel loans 2	3 317	1 227	-	(416)	2 901
Loans for enterprises in rural territories	7 803	7 803	(413)	(155)	7 235
Start-up loans to innovative entrepreneurs	6 757	1 351	-	(162)	6 595
Multi-apartment building improvement loans	1 000	1 000	(7)	(16)	977
Energy Efficiency Loans for Multi-apartment Buildings (II)	11 115	667	-	(37)	11 078
Cultural industry support programme **	2 220	-	-	-	2 220
ELFLA Agricultural and rural development loans	7 041	1 690	-	(44)	6 997
RRF energy efficiency loans*	24 176	3 143	-	-	24 176
RRF digitization loans*	13 543	1 354	-	-	13 543
RRF Energy Efficiency Loans for Multi-apartment Buildings*	17 185	909	-	-	17 185
RRF housing construction loans*	12 870	1 013	-	-	12 870
Investment Loans with a capital rebate *	99 565	11 948	-	-	99 565
<b>Total loans</b>	<b>280 396</b>	<b>64 171</b>	<b>(2 620)</b>	<b>(5 263)</b>	<b>272 513</b>

## 20 Support programme funding (cont'd)

The Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Company's credit risk losses as at 31 March 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	45 443	45 443	-	(8 087)	37 356
Energy Efficiency Guarantees for Multi-apartment Buildings	8 177	8 177	-	(1 459)	6 718
Housing Guarantee Programme	22 114	22 114	(2 532)	(16 502)	3 080
Housing Guarantee Programme for NAF soldiers	160	160	-	(72)	88
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)	(1 012)	5 174
Mezzanine Programme – Guarantees	977	958	-	(245)	732
Portfolio Guarantee Fund	9 994	9 664	(2 196)	(3 425)	4 373
Export credit guarantees	3 390	3 390	(635)	(659)	2 096
Study and student portfolio guarantees ***	658	-	-	-	658
ELFLA Agricultural and rural development guarantees	500	500	-	(28)	472
Agricultural Guarantees	2 741	2 741	(374)	(1 423)	944
<b>Total guarantees</b>	<b>103 409</b>	<b>102 402</b>	<b>(8 304)</b>	<b>(32 912)</b>	<b>62 193</b>
<b>Grants</b>					
Energy Efficiency Grants for Multi-apartment Buildings	71 204	-	-	-	71 204
Housing grant programme "Balsts"	3 919	-	-	-	3 919
Grants for energy efficiency improvement of family buildings	1 142	-	-	-	1 142
Social Entrepreneurship Programme	2 358	-	-	-	2 358
Grants for development of energy efficiency project	1 996	-	-	-	1 996
Grants for improving energy efficiency of family buildings	807	-	-	-	807
Grants for Cultural industry support *	462	-	-	-	462
<b>Total grants</b>	<b>81 888</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81 888</b>
<b>Venture Capital Funds</b>					
Fund of Funds and venture capital funds	34 533	29 313	-	-	34 533
Investment Fund Activity	4 062	3 656	-	(300)	3 762
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>42 291</b>	<b>34 078</b>	<b>(1 059)</b>	<b>(300)</b>	<b>40 932</b>
<b>Other Activities</b>					
Energy Efficiency Fund	180	-	-	-	180
Regional Creative Industries Alliance	-	-	-	-	-
<b>Total other activities</b>	<b>180</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>180</b>
Funding allocated to increase reserve capital	-	-	-	-	-
<b>Total support programme funding</b>	<b>508 164 ****</b>	<b>200 651</b>	<b>(11 983)</b>	<b>(38 475)</b>	<b>457 706</b>

\* Combined financial instrument.

\*\* Combined financial instrument. On 5 July 2021, 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 23).

\*\*\* Risk coverage (Portfolio Loss Reserve) of EUR 3,308 thousand has been included in the reserve, which is part of the specific reserves attributable to support programs (see Note 23)

\*\*\*\* Support programme funding contains EUR 12,000 thousand allocated for management costs of the Company to be compensated from support programme funding.

## 20 Support programme funding (cont'd)

The Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Company's credit risk losses as at 31 December 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 a capital rebate *	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>

## 20 Support programme funding (cont'd)

The Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Company's credit risk losses as at 31 December 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 23).

\*\*\* 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 23)

\*\*\*\* 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.

## 20 Support programme funding (cont'd)

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

Movement in the Company's support programme funding in 3 months of 2023, in thousands of euro:

Financial Instrument / Programme	Financing, net	Financing received	Reallocated funding between programmes	Compensated grants	Compensated income and expense	Revaluation of liabilities	Programmes' income/profit distribution	Other changes	Changes in provisions covered by risk coverage	Financing, net
	31.12.2022.									31.03.2023.
<b>Loans</b>										
ERDF II	8 163	-	-	-	-	-	-	-	7	8 170
ESF II	842	-	-	-	-	-	1	-	(2)	841
Microcredits of Swiss programme (closed programme)	563	-	-	-	-	-	-	-	-	563
ERDF I	414	-	-	-	-	-	-	-	-	414
ESF I	314	-	-	-	-	-	-	-	2	316
ERDF II (second round)	2 218	-	-	-	-	-	9	-	-	2 227
Incubators (from ESF II)	82	-	-	-	-	-	-	-	-	82
ERDF II 2 Public fund	226	-	-	-	-	-	-	-	-	226
Fund of Funds programme – Start-up loans	2 407	-	-	-	-	-	-	2	(14)	2 395
Fund of Funds programme – Microcredits	282	-	-	-	-	-	-	-	4	286
Fund of Funds programme – Parallel loans	2 690	-	-	-	-	-	-	-	162	2 852
Energy Efficiency Loans for Multi-apartment Buildings (I)	7 088	5 512	(7 000)	-	(25)	-	-	-	2	5 577
Start-up State Aid Cumulation Lending Programme	1 038	-	-	-	-	-	-	-	42	1 080
Other loans to start-ups	1 762	-	-	-	-	-	-	-	(17)	1 745
Mezzanine Programme – Loans	2 793	-	(104)	-	-	-	61	-	99	2 849
Guarantees and interest grants programme	3 091	-	-	-	-	-	-	-	-	3 091
SME energy efficiency loans	3 216	-	-	-	-	-	-	-	(53)	3 163
ERDF SME growth loans	14 787	-	500	-	-	-	256	-	(64)	15 479
ERDF loans for business sustainability	14 731	-	-	-	-	-	50	-	(654)	14 127
Parallel loans	1 584	-	-	-	-	-	-	-	104	1 688
Parallel loans 2	2 862	-	-	-	-	-	31	-	8	2 901
Loans for enterprises in rural territories	7 241	-	-	-	-	-	-	-	(6)	7 235
Start-up loans to innovative entrepreneurs	5 845	-	670	-	-	-	88	-	(8)	6 595
Multi-apartment building improvement loans	735	-	250	-	-	-	-	-	(8)	977

## 20 Support programme funding (cont'd)

Movement in the Company's support programme funding in 3 months of 2023, in thousands of euro: (cont'd)

Financial Instrument / Programme	Financing, net	Financing received	Reallocated funding between programmes	Compensated grants	Compensated income and expense	Revaluation of liabilities	Programmes income / profit distribution	Other changes	Changes in provisions covered by risk coverage	Financing, net
	31.12.2022.									31.03.2023.
Rental multi-apartment building improvement loans	250	-	(250)	-	-	-	-	-	-	-
Energy Efficiency Loans for Multi-apartment Buildings (II)	4 038	-	7 000	-	-	-	40	-	-	11 078
ERDF Multi-apartment building improvement loans	500	-	(500)	-	-	-	-	-	-	-
Cultural industry support programme *	2 220	-	-	-	-	-	-	-	-	2 220
ELFLA Agricultural and rural development loans	4 965	-	2 000	-	-	-	45	-	(13)	6 997
RRF energy efficiency loans*	-	24 176	-	-	-	-	-	-	-	24 176
RRF digitization loans*	-	13 543	-	-	-	-	-	-	-	13 543
RRF Energy Efficiency Loans for Multi-apartment Buildings*	-	17 185	-	-	-	-	-	-	-	17 185
RRF housing construction loans*	-	12 870	-	-	-	-	-	-	-	12 870
Investment Loans with a capital rebate *	99 565	-	-	-	-	-	-	-	-	99 565
<b>Kopā aizdevumi</b>	<b>196 512 **</b>	<b>73 286</b>	<b>2 566</b>	<b>-</b>	<b>(25)</b>	<b>-</b>	<b>581</b>	<b>2</b>	<b>(409)</b>	<b>272 513</b>
<b>Guarantees</b>										
Fund of Funds programme - Guarantees	36 814	-	-	-	-	-	234	10	298	37 356
Energy Efficiency Guarantees for Multi-apartment Buildings	6 752	-	-	-	(116)	-	55	-	27	6 718
Housing Guarantee Programme	3 549	-	-	-	-	-	-	-	(469)	3 080
Housing Guarantee Programme for NAF soldiers	160	-	-	-	-	-	-	-	(72)	88
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	-	-	-	-	-	-	-	37	5 174
Mezzanine Programme - Guarantees	587	-	104	-	-	-	8	-	33	732
Portfolio Guarantee Fund	4 399	-	-	-	-	-	-	-	(26)	4 373
Export credit guarantees	2 058	-	-	-	-	-	-	-	38	2 096
Study and student portfolio guarantees	658	-	-	-	-	-	-	-	-	658
ELFLA Agricultural and rural development guarantees	2 500	-	(2 000)	-	-	-	-	-	(28)	472
Agricultural Guarantees	866	-	-	-	-	-	-	-	78	944
<b>Total guarantees</b>	<b>63 982</b>	<b>-</b>	<b>(1 896)</b>	<b>-</b>	<b>(116)</b>	<b>-</b>	<b>297</b>	<b>10</b>	<b>(84)</b>	<b>62 193</b>
<b>Grants</b>										
Energy Efficiency Grants for Multi-apartment Buildings	60 784	21 003	-	(9 053)	(1 530)	-	-	-	-	71 204
Housing grant programme "Balsts"	4 465	-	-	(546)	-	-	-	-	-	3 919
Grants for energy efficiency improvement of family buildings *	1 142	-	-	-	-	-	-	-	-	1 142
Social Entrepreneurship Programme	1 657	742	-	-	(42)	-	-	1	-	2 358
Grants for development of energy efficiency project	1 596	-	400	-	-	-	-	-	-	1 996
Grants for improving energy efficiency of family buildings	810	-	-	(3)	-	-	-	-	-	807
Grants for Cultural industry support *	1 089	-	-	(627)	-	-	-	-	-	462
<b>Total grants</b>	<b>71 543</b>	<b>21 745</b>	<b>400</b>	<b>(10 229)</b>	<b>(1 572)</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>81 888</b>



## 20 Support programme funding (cont'd)

Movement in the Company's support programme funding in 3 months of 2023, in thousands of euro: (cont'd)

Financial Instrument / Programme	Financing, net	Financing received	Reallocated funding between programmes	Compensated grants	Compensated income and expense	Revaluation of liabilities	Programmes income / profit distribution	Other changes	Changes in provisions covered by risk coverage	Financing, net
	31.12.2022.									31.03.2023.
<b>Venture Capital Funds</b>										
Fund of Funds and venture capital funds	35 488	-	(670)	-	(500)**	-	215 ****	-	-	34 533
Investment Fund Activity	3 855	-	-	-	-	(54)	42 *****	(135)	(54)	3 762
Baltic Innovation Fund	1 283	-	-	-	-	-	-	-	-	1 283
Baltic Innovation Fund II	1 354	-	-	-	-	-	-	-	-	1 354
<b>Total venture capital funds</b>	<b>41 980</b>	<b>-</b>	<b>(670)</b>	<b>-</b>	<b>(500)</b>	<b>(54)</b>	<b>257</b>	<b>(135)</b>	<b>(54)</b>	<b>40 932</b>
<b>Other Activities</b>										
Energy Efficiency Fund	580	-	(400)	-	-	-	-	-	-	180
Regional Creative Industries Alliance	-	-	-	-	-	-	-	-	-	-
<b>Total other activities</b>	<b>580</b>	<b>-</b>	<b>(400)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>180</b>
Funding allocated to increase reserve capital	683	-	-	-	-	-	-	(683)	-	-
<b>Total support programme funding</b>	<b>375 280</b>	<b>95 031</b>	<b>-</b>	<b>(10 229)</b>	<b>(2 213)</b>	<b>(54)</b>	<b>1 135</b>	<b>(805)</b>	<b>(439)</b>	<b>457 706</b>

\* Combined financial instrument.

\*\* Support programme funding includes funding that had to be reallocated between the programmes, partly done in 2022 (from the Microcredits of Swiss programme), to be continued in 2023

\*\*\* include EUR 54 thousand management fees for the 4th generation venture capital funds (see Note 12).

\*\*\*\* include EUR 215 thousand mezzanine interest received on investments in 4th generation venture capital funds in 3 months of 2023 (see Note 12).

\*\*\*\*\* include EUR 11 thousand mezzanine interest received and EUR 31 thousand realised gain on investments in 2nd and 3rd generation venture capital funds in 3 months of 2023 (see Note 12).

\*\*\*\*\* include a reduction of deferred payments in the amount of EUR 189 thousand (deferred income) from investments realized by venture capital funds, as well as changes in provisions for covering risks in the amount of EUR 54 thousand.

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

	01.01.2023.- 31.03.2023.	01.01.2022.- 31.03.2022.
Revaluation of investments in 2nd and 3rd generation venture capital funds	-	(1 249)
Realised gain on investments in 2nd and 3rd generation venture capital funds	-	85
Mezzanine interest received from investments in 2nd and 3rd generation venture capital funds	31	82
Revaluation of investments in 4th generation venture capital funds	-	(632)
Mezzanine interest received from investments in 4th generation venture capital funds	215	67
<b>Gains/(losses) of investment in associate and other investments less losses from liabilities at fair value through profit or loss</b>	<b>246</b>	<b>(1 647)</b>

## 21 Provisions for off-balance sheet liabilities

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

	31.03.2023.	31.12.2022.
Provisions for loan commitments	727	1 077
<i>Company's share of provisions</i>	28	432
<i>Provisions covered by Portfolio Loss Reserve</i>	165	12
<i>Provisions covered by Risk Coverage Reserve</i>	534	633
Provisions for grant commitments	376	376
<i>Company's share of provisions</i>	376	376
<b>Total provisions</b>	<b>1 103</b>	<b>1 453</b>
<i>Company's share of provisions</i>	404	808
<i>Provisions covered by Portfolio Loss Reserve</i>	165	12
<i>Provisions covered by Risk Coverage Reserve</i>	534	633

## 22 Liabilities from financial guarantees

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

	31.03.2023.	31.12.2022.
Provisions at the beginning of the period	45 852	37 373
Increase in provisions (Note 10: the sum of <i>impairment losses</i> and <i>impairment losses covered by Portfolio Loss Reserve</i> )	3 070	4 560
Decrease in provisions (Note 10: the sum of <i>reversal of impairment</i> and <i>reversal impairment losses covered by Portfolio Loss Reserve</i> )	(3 215)	(2 833)
Reclassification (Disbursed guarantee)	(2)	(92)
Fair value component - guarantee premiums	(109)	6
<b>Provisions at the end of the period ended 31 March</b>	<b>45 596</b>	<b>39 014</b>
<i>Fair value component - guarantee premiums</i>	3 925	3 776
<i>Company's share of provisions</i>	2 590	6 753
<i>Provisions covered by Portfolio Loss Reserve</i>	7 306	4 180
<i>Provisions covered by Risk Coverage Reserve</i>	31 775	24 305
Increase in provisions (Note 10: the sum of <i>impairment losses</i> and <i>impairment losses covered by Portfolio Loss Reserve</i> )		19 504
Decrease in provisions (Note 10: the sum of <i>reversal of impairment</i> and <i>reversal impairment losses covered by Portfolio Loss Reserve</i> )		(12 481)
Reclassification (Disbursed guarantee)		(444)
Fair value component - guarantee premiums		259
<b>Provisions at the end of the period ended 31 December</b>		<b>45 852</b>
<i>Fair value component - guarantee premiums</i>		4 034
<i>Company's share of provisions</i>		2 683
<i>Provisions covered by Portfolio Loss Reserve</i>		7 481
<i>Provisions covered by Risk Coverage Reserve</i>		31 654

## 23 Reserves

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

	Specific reserves for support programmes	Other specific reserves-difference recognised in Group's reorganisation reserve	General reserve capital	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>
<b>Reserves as of 31 March 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	683	-	-	683
<b>Reserves as of 31 March 2023</b>	<b>142 390</b>	<b>(15 935)</b>	<b>54 364</b>	<b>180 819</b>

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	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)
<b>Specific reserves as of 31 March 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 2022 annual report	-	(76)	-	-	-	-	-	-	(225)	521	(74)	146

## 23 Reserves (cont'd)

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

	Reserve capital for non-Covid-19 guarantees programmes					Reserve capital for mitigating of impact of Covid-19					Reserve capital for AIF "Altum capital fund"	Total specific reserves for support programmes
	Housing Guarantee Programme	Study and student portfolio guarantees	Guarantees for agriculture, fisheries and rural development	Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	Loans for mitigating the consequences of the Ukrainian war	Guarantees for mitigating the consequences of the Ukrainian war	Loans to Midcaps	Guarantees to Midcaps	Working capital loans	Loan holiday guarantees		
Portfolio Loss Reserve (Specific Reserves) used to cover credit loss upon approval of the 2021 annual report	-	(1 140)	-	-	-	-	-	-	(1 683)	(186)	(437)	(3 446)
Increase of reserve capital	1 452	2 073	-	-	-	-	-	-	-	-	-	3 525
Decrease of reserve capital, directing funds to risk coverage of program Loans with capital discount	-	-	-	-	-	-	(22 565)	(20 000)	-	(16 000)	-	(58 565)
<b>Specific reserves as of 1 January 2023</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)
Increase of reserve capital*	683	-	-	-	-	-	-	-	-	-	-	683
Reserve capital redistribution **	-	-	-	-	21 500	12 500	-	-	(21 500)	(12 500)	-	-
<b>Specific reserves as of 31 March 2023</b>	<b>19 821</b>	<b>3 308</b>	<b>5 788</b>	<b>4 500</b>	<b>21 500</b>	<b>12 500</b>	-	-	<b>34 965</b>	<b>15 630</b>	<b>24 378</b>	<b>142 390</b>
of which:												
Portfolio Loss Reserve (Specific Reserves)	19 821	3 308	5 788	4 500	21 234	12 500	-	-	34 964	15 630	8 413	126 158
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2023 annual report	-	(73)	-	(240)	(719)	-	-	-	115	492	(25)	(450)

## 23 Reserves (cont'd)

\* Item *Reserve capital for non-Covid-19 programmes* includes the following increases of Special Reserve capital for non-Covid-19 programmes of EUR 683 thousand in 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.

\*\* Item *Reserve capital redistribution* includes a decrease of Special Reserve capital for mitigating the consequences of COVID-19 in 2023 by EUR 34,000 thousand:

- EUR 21,500 thousand 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 8,500 thousand 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 4,000 thousand 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 34,000 thousand in 2023:

- EUR 21,500 thousand 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 12,500 thousand 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 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.

Taking into account the funding currently received for the implementation of certain support programmes and to cover their expected losses, where there is no demand in these programs as originally envisaged by the financial sector, then in accordance with the Regulations of the Cabinet of Ministers of 6 July 2022 No.662 "Amendments to the Cabinet of Ministers Regulations of 6 July 2021 No.503 " Regulations on Capital Discounted Loans for Investment Projects to Promote Competitiveness """, the Ministry of Finance, the Ministry of Economics and the Ministry of Agriculture are instructed to ensure the reduction of the Company's reserve capital by EUR 27,500 thousand to be diverted to finance the new Investment Loan with a capital discount from the following programs:

- EUR 17,500 thousand from Loans for financing of working capital;
- EUR 10,000 thousand from Credit Holiday Guarantees.

In accordance with the Cabinet of Ministers' Regulation No.503 of 6 July 2021, p.7 "Regulations on Capital Discounted Loans for Investment Projects to Promote Competitiveness", the financing of the capital discounted investment loan program is used to cover the expected losses of Company and the capital discount. Thus, the expected reduction of the Special Reserve capital by reducing funding for certain support programmes and the transfer of the respective funding to liabilities in the amount of EUR 27,500 thousand to finance a new support programme is ensured by maintaining the same funding - funding for the implementation of a new support programme and covering expected losses.

## 23 Reserves (cont'd)

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	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>13 800</b>	<b>20 000</b>	<b>42 385</b>	<b>44 316</b>	<b>8 850</b>	<b>159 700</b>
of which:												
<i>Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2021 annual report</i>	-	(1 140)	-	-	-	-	-	-	(1 683)	(186)	(437)	(3 446)
<b>Portfolio Loss Reserve as of 31 March 2022</b>	<b>17 686</b>	<b>2 375</b>	<b>5 788</b>	<b>4 500</b>	-	-	<b>13 800</b>	<b>20 000</b>	<b>42 385</b>	<b>44 316</b>	<b>8 850</b>	<b>159 700</b>
of which:												
<i>Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2021 annual report</i>	-	(1 140)	-	-	-	-	-	-	(1 683)	(186)	(437)	(3 446)
<i>Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2022 annual report</i>	-	(76)	-	-	-	-	-	-	(225)	521	(74)	146
<i>Portfolio Loss Reserve (Specific Reserves) used to cover credit loss upon approval of the 2021 annual report</i>	-	(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	-	-	-	-	-	-	(13 800)	(20 000)	-	(16 000)	-	(49 800)
<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>40 702</b>	<b>28 130</b>	<b>8 413</b>	<b>109 979</b>
of which:												
<i>Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2022 annual report</i>	-	(1 906)	-	(482)	-	-	-	-	(1 914)	(473)	(471)	(5 246)

## 23 Reserves (cont'd)

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	Loans to Midcaps	Guarantees to Midcaps	Working capital loans			Loan holiday guarantees
Increase of reserve capital	683	-	-	-	-	-	-	-	-	-	-	683
Reserve capital redistribution	-	-	-	-	21 234	12 500	-	-	(5 738)	(12 500)	-	15 496
<b>Portfolio Loss Reserve as of 31 March 2023</b>	<b>19 821</b>	<b>3 308</b>	<b>5 788</b>	<b>4 500</b>	<b>21 234</b>	<b>12 500</b>	<b>-</b>	<b>-</b>	<b>34 964</b>	<b>15 630</b>	<b>8 413</b>	<b>126 158</b>
<i>of which:</i>												
<i>Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2022 annual report</i>	-	(1 906)	-	(482)	-	-	-	-	(1 914)	(473)	(471)	(5 246)
<i>Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2023 annual report</i>	-	(73)	-	(240)	(719)	-	-	-	115	492	(25)	(450)

## 24 Off-balance sheet items and contingent liabilities

All amounts in thousands of euro

	31.03.2023.	31.12.2022.
Contingent liabilities:		
Outstanding guarantees	477 154	481 013
Financial commitments:		
Loan commitments	67 030	61 233
Grant commitments	29 666	47 824
Commitments to AIF "Altum capital fund" *	31 150	31 209
Commitments to investments in associates **	39 959	44 130
Commitments to other investments	29 859	29 859
<b>Total contingent liabilities and financial commitments</b>	<b>674 818</b>	<b>695 268</b>

\* Considering the investments made by AIF Altum capital fund as of 31 December 2022 (EUR 34,400 thousand) and the planned investments of EUR 7,400 thousand 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 22,500 thousand.

\*\* 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 5,700 thousand.

Impairment allowances for loan commitments, in thousands of euro:

	31.03.2023.	31.12.2022.
Unutilised loan facilities	67 030	61 233
Impairment allowances	(727)	(1 076)
<b>Total unutilized loan facilities, net</b>	<b>66 303</b>	<b>60 157</b>

Impairment allowances for grant commitments, in thousands of euro:

	31.03.2023.	31.12.2022.
Grant commitments	29 666	47 824
Impairment allowances	(376)	(376)
<b>Total grant commitments, net</b>	<b>29 290</b>	<b>47 448</b>

Analysis of the guarantee portfolio by client segments as at 31 March 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	11 258	(1 533)	2 170	(91)	169	(96)	13 597	(1 720)
SME and Midcaps	164 418	(9 422)	25 278	(3 283)	7 541	(4 581)	197 237	(17 286)
Private individuals	265 727	(21 506)	326	(46)	267	(257)	266 320	(21 809)
<b>Total segments, gross</b>	<b>441 403</b>	<b>(32 461)</b>	<b>27 774</b>	<b>(3 420)</b>	<b>7 977</b>	<b>(4 934)</b>	<b>477 154</b>	<b>(40 815)</b>
Impairment overlay	-	-	-	(856)	-	-	-	(856)
<b>Total segments, net</b>	<b>441 403</b>	<b>(32 461)</b>	<b>27 774</b>	<b>(4 276)</b>	<b>7 977</b>	<b>(4 934)</b>	<b>477 154</b>	<b>(41 671)</b>



## 24 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 March 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	298 341 *	-	-	3	33 432	145 378	477 154
<b>Financial commitments</b>							
Loan commitments	67 030	-	-	-	-	-	67 030
Grant commitments	29 666	-	-	-	-	-	29 666
Commitments to AIF "Altum capital fund"***	268	536	803	1 609	27 934	-	31 150
Commitments to investments in associates***	3 196	6 524	7 866	9 605	12 014	754	39 959
Commitments to other investments	629	1 258	1 887	3 773	16 500	5 812	29 859
<b>Total financial commitments</b>	<b>100 789</b>	<b>8 318</b>	<b>10 556</b>	<b>14 987</b>	<b>56 448</b>	<b>6 566</b>	<b>197 664</b>
<b>Total contingent liabilities and financial commitments</b>	<b>399 130</b>	<b>8 318</b>	<b>10 556</b>	<b>14 990</b>	<b>89 880</b>	<b>151 944</b>	<b>674 818</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 34,400 thousand) and the planned investments of EUR 7,400 thousand 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 22,500 thousand.

\*\*\* 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 5,700 thousand.

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.

## 25 Related party transactions

Related parties include members of the Supervisory Council and the Management Board of the Company, their close family members, as well as companies under their control.

In accordance with [International Accounting Standard \(IAS\) 24](#) "Related Party Disclosures", the key management personnel, directly or indirectly authorised and responsible for planning, management and control of the Company's operations are treated as related parties to the Company. The powers granted to the heads of the structural units of the Company do not entitle them to manage the operations of the Company and decide on material transactions that could affect the Company's operations and/or result in legal consequences.

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

Balances from transactions with related parties, including off-balance sheet financial liabilities, in thousands of euro:

	Transactions with shareholders		Associates		Other companies owned by the Group's shareholders	
	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.
Investments in venture capital funds	-	-	51 812	47 680	-	-
Investments in AIF "Altum capital fund"	-	-	17 760	17 701	-	-
Due to general governments	-	-	-	-	3 317	3 318
Support programme funding	456 899	228 737	-	-	102 085	86 327
Off-balance sheet financial liabilities for venture capital funds	-	-	39 959	44 130	-	-
Off-balance sheet financial liabilities for AIF "Altum capital fund"	-	-	31 150	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.- 31.03.2023.	01.01.2022.- 31.03.2022.	01.01.2023.- 31.03.2023.	01.01.2022.- 31.03.2022.
<b>Transactions with shareholders</b>				
Ministry of Finance of the Republic of Latvia	1 281	16 865	-	(17 378)
Ministry of Agriculture of the Republic of Latvia	-	-	-	-
Ministry of Economics of the Republic of Latvia	67 773	41 000	(1 792)	(2 435)
<b>Associates</b>				
Venture capital funds	3 719	4 453	(520)	(2 035)
<b>Other companies owned by the Group's shareholders</b>				
Central Finance and Contracting Agency of the Republic of Latvia	26 515	14 500	-	-
Ministry of Education and Science of the Republic of Latvia	-	2 194	-	-
Ministry of Culture of the Republic of Latvia	-	-	-	(2 185)
Ministry of Wealth Fair of the Republic of Latvia	242	-	(500)	-

The remuneration of the members of the Supervisory Council, Audit Committee and the Management Board of the Company in the 3 months of 2023 amounted to EUR 189 thousand (3 months of 2022: EUR 196 thousand), incl. social insurance contributions.

## 26 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	
	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.
<b>Assets</b>				
Due from credit institutions and the Treasury	643 466	571 667	643 619	571 724
Financial assets at fair value through other comprehensive income - investment securities	9 515	9 515	9 515	9 515
Financial assets at amortised cost:				
Investment securities	39	39	90	90
Loans	316 752	317 859	310 008	325 250
<i>Individuals</i>	32 230	30 735	32 708	31 227
<i>Companies</i>	284 522	287 124	277 300	294 023
Grants	66 020	58 280	66 020	58 280
Loans at fair value through profit or loss				
Loans with capital discount	722	-	722	-
Investments in associates (investments in Baltic Innovation Fund)	14 232	14 232	14 232	14 232
Investment properties	55 451	53 453	55 451	53 453
Financial assets	946	1 502	946	1 502
<b>Total assets</b>	<b>1 040 401</b>	<b>968 267</b>	<b>1 033 861</b>	<b>975 766</b>
<b>Liabilities</b>				
Due to credit institutions	34 708	36 290	34 708	36 290
Due to general governments	153 328	153 784	153 328	153 784
Financial liabilities at amortised cost - Issued debt securities	85 160	85 513	85 160	85 513
Support programme funding	457 706	375 280	457 706	375 280
<b>Total liabilities</b>	<b>730 902</b>	<b>650 867</b>	<b>730 902</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	
	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.	31.03.2023.	31.12.2022.
<b>Assets measured at fair value</b>								
Financial assets at fair value through other comprehensive income - investment securities	-	-	9 515	9 515	-	-	9 515	9 515
Investments in venture capital funds – associates (investments in BIF)	-	-	-	-	14 232	14 232	14 232	14 232
Investment properties	-	-	-	-	55 451	53 453	55 451	53 453
<b>Assets with fair values disclosed</b>								
Due from credit institutions and the Treasury	-	-	643 619	571 724	-	-	643 619	571 724
Financial assets at amortised cost:								
Investment securities	-	-	90	90	-	-	90	90
Loans	-	-	-	-	310 730	325 250	310 730	325 250
Grants	-	-	-	-	66 020	58 280	66 020	58 280
Financial assets at fair value:								
Loans with capital discount	-	-	-	-	722	-	722	-
Financial assets	-	-	-	-	946	1 502	946	1 502
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>653 224</b>	<b>581 329</b>	<b>448 101</b>	<b>452 717</b>	<b>1 101 325</b>	<b>1 034 046</b>
<b>Liabilities measured at fair value</b>								
Support programme funding	-	-	-	-	457 706	375 280	457 706	375 280
<b>Liabilities with fair value disclosed</b>								
Due to credit institutions	-	-	-	-	34 708	36 290	34 708	36 290
Due to general governments	-	-	-	-	153 328	153 784	153 328	153 784
Financial liabilities at amortised cost - Issued debt securities	-	-	-	-	85 160	85 513	85 160	85 513
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>730 902</b>	<b>650 867</b>	<b>730 902</b>	<b>650 867</b>

## 26 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.

## 26 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.

## 27 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.

## 27 Segment Information (cont'd)

Analysis of the operating segments for the period from 1 January 2023 till 31 March 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	4 357	866	1	-	465	-	2	5 691
of which, interest on loans (Note 4)	4 273	-	-	-	465	-	2	4 740
of which, interest on guarantees (Note 4)	-	757	-	-	-	-	-	757
Interest expense	(1 263)	-	-	-	(171)	-	-	(1 434)
Net interest income	3 094	866	1	-	294	-	2	4 257
Income for implementation of state aid programmes	203	303	528	1 300	-	-	10	2 344
Expenses to be compensated for implementation of state aid programmes	(144)	(60)	(500)	(274)	-	-	(10)	(988)
Net income for implementation of state aid programmes	59	243	28	1 026	-	-	-	1 356
Gains from debt securities and foreign exchange translation	(1)	(1)	-	-	-	-	-	(2)
Share of (losses) of investment in associates	-	-	254	-	-	-	-	254
Share of gain of investment in associates at fair value through profit or loss	-	-	-	-	-	-	-	-
Gains less losses from liabilities at fair value through profit or loss	-	-	(246)	-	-	-	-	(246)
Other income	-	-	-	6	573	51	114	744
Other expense	(44)	(10)	1	(9)	(112)	(51)	(4)	(229)
<b>Operating income / (loss) before operating expenses</b>	<b>3 108</b>	<b>1 098</b>	<b>38</b>	<b>1 023</b>	<b>755</b>	<b>-</b>	<b>112</b>	<b>6 134</b>
Staff costs	(941)	(275)	(53)	(198)	(56)	-	(77)	(1 600)
Administrative expense	(249)	(97)	(18)	(82)	(20)	-	(15)	(481)
Amortisation of intangible assets and depreciation of property, plant and equipment	(83)	(40)	(19)	(40)	(12)	-	(10)	(204)
(Impairment) gain, net	(256)	296	-	-	-	-	-	40
Profit or (loss) from assets held for sale revaluation	-	-	-	-	-	-	-	-
<b>Total segment profit/(loss)</b>	<b>1 579</b>	<b>982</b>	<b>(52)</b>	<b>703</b>	<b>667</b>	<b>-</b>	<b>10</b>	<b>3 889</b>
Financial assets at fair value through profit or loss	-	-	53 866	-	-	-	-	53 866
Other investments	-	-	14 232	-	-	-	-	14 232
Investments in associates	-	-	15 741	-	-	-	-	15 741
Additions of property and equipment, intangible assets and investment property	43	14	3	18	2 051	-	3	2 132
<b>Total segment assets</b>	<b>676 478</b>	<b>172 689</b>	<b>157 408</b>	<b>84 709</b>	<b>89 694</b>	<b>-</b>	<b>2 740</b>	<b>1 183 718</b>
<b>Total segment liabilities</b>	<b>438 518</b>	<b>169 197</b>	<b>35 689</b>	<b>66 251</b>	<b>73 326</b>	<b>-</b>	<b>218</b>	<b>783 199</b>
<b>Total off-balance</b>	<b>67 030</b>	<b>477 154</b>	<b>69 818</b>	<b>29 666</b>	<b>-</b>	<b>31 150</b>	<b>-</b>	<b>674 818</b>
<b>Assets under management (AUM)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34 160</b>	<b>-</b>	<b>34 160</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.

## 27 Segment Information (cont'd)

Analysis of the operating segments for the period from 1 January 2022 till 31 March 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	3 366	818	3	-	625	-	2	4 814
<i>of which, interest on loans (Note 4)</i>	3 337	-	-	-	625	-	2	4 750
<i>of which, interest on guarantees (Note 4)</i>	-	786	-	-	-	-	-	786
Interest expense	(382)	(12)	(1)	-	(176)	-	-	(571)
Net interest income	2 984	806	2	-	449	-	2	4 243
Income for implementation of state aid programmes	34	206	687	263	-	-	16	1 206
Expenses to be compensated for implementation of state aid programmes	(34)	(103)	(684)	(263)	-	-	(16)	(1 100)
Net income for implementation of state aid programmes	-	103	3	-	-	-	-	106
Gains from debt securities and foreign exchange translation	6	7	1	-	-	-	-	14
Share of (losses) of investment in associates	-	-	(1 562)	-	-	-	-	(1 562)
Share of gain of investment in associates at fair value through profit or loss	-	-	48	-	-	-	-	48
Gains less losses from liabilities at fair value through profit or loss	-	-	1 647	-	-	-	-	1 647
Other income	-	-	-	3	454	160	2	619
Other expense	(81)	(21)	-	(9)	(140)	(160)	(3)	(414)
<b>Operating income / (loss) before operating expenses</b>	<b>2 909</b>	<b>895</b>	<b>139</b>	<b>(6)</b>	<b>763</b>	<b>-</b>	<b>1</b>	<b>4 701</b>
Staff costs	(859)	(206)	(30)	(229)	(57)	-	(55)	(1 436)
Administrative expense	(225)	(70)	(2)	(34)	(20)	-	(6)	(357)
Amortisation of intangible assets and depreciation of property, plant and equipment	(93)	(46)	(23)	(47)	(14)	-	(10)	(233)
(Impairment) gain, net	(225)	(769)	-	-	-	-	88	(906)
Profit or (loss) from assets held for sale revaluation	-	-	-	-	-	-	-	-
<b>Total segment profit/(loss)</b>	<b>1 507</b>	<b>(196)</b>	<b>84</b>	<b>(316)</b>	<b>672</b>	<b>-</b>	<b>18</b>	<b>1 769</b>
Financial assets at fair value through profit or loss	-	-	51 887	-	-	-	-	51 887
Other investments	-	-	14 012	-	-	-	-	14 012
Investments in associates	-	-	9 702	-	-	-	-	9 702
Additions of property and equipment, intangible assets and investment property	27	14	3	14	3 379	-	2	3 439
<b>Total segment assets</b>	<b>514 876</b>	<b>165 668</b>	<b>150 809</b>	<b>67 579</b>	<b>86 585</b>	<b>-</b>	<b>47 472</b>	<b>1 032 989</b>
<b>Total segment liabilities</b>	<b>296 592</b>	<b>98 801</b>	<b>46 341</b>	<b>69 971</b>	<b>74 908</b>	<b>-</b>	<b>4 326</b>	<b>590 939</b>
<b>Total off-balance</b>	<b>26 239</b>	<b>422 992</b>	<b>85 863</b>	<b>14 573</b>	<b>110</b>	<b>32 898</b>	<b>-</b>	<b>582 675</b>
<b>Assets under management (AUM)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31 504</b>	<b>-</b>	<b>31 504</b>

## 28 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

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Definitions of indicators

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## OTHER NOTES TO THE INTERIM CONDENSED REPORT

### KEY FINANCIAL AND PERFORMANCE INDICATORS

Based on data from financial statements for the respective reporting period

	2023 3M (unaudited)	2022 12M (unaudited)	2022 9M (unaudited)
<b>Key financial data</b>			
Net interest income (EUR '000)	4 257	16 974	12 458
Operating profit (EUR '000)	3 889	11 484	6 741
Profit for the period (EUR '000)	3 889	11 484	6 741
Cos to income ratio (CIR)	37.25%	38.26%	43.22%
Employees	244	234	232
Total assets (EUR '000)	1 183 718	1 099 588	1 107 972
Financial debt (EUR '000)	643 219	458 382	467 818
<b>Tangible common equity (TCE) / Total tangible managed assets (TMA) *</b>	<b>26.02%</b>	<b>27.01%</b>	<b>24.11%</b>
Equity and reserves (EUR '000)	400 519	395 983	391 303
<b>Total risk coverage: (EUR '000)</b>	<b>287 884</b>	<b>297 218</b>	<b>307 793</b>
Risk coverage reserve	200 651	230 524	234 831
Risk coverage reserve used for provisions	(38 475)	(38 039)	(33 992)
Portfolio loss reserve (specific reserve capital)	126 158	109 979	109 979
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	(450)	(5 246)	(3 025)
Liquidity ratio for 180 days **	378%	366%	567%
Net Cash flows from operating activities (EUR '000)	42 903	89 534	115 216
Net Cash flows from financing activities (EUR '000)	-	3 526	2 941
Net Cash flow from investing activities (EUR '000)	(5 261)	(8 437)	(6 540)
<b>Support instruments gross value (EUR '000), of which</b>	<b>1 030 503</b>	<b>1 064 821</b>	<b>1 048 653</b>
<b>Financial instruments gross value (EUR '000) ***</b>			
Loans (excluding sales and leaseback transactions)	311 719	311 844	322 528
Guarantees	477 154	481 013	459 627
Venture capital funds	92 495	90 277	86 383
Land Fund, of which:	82 679	80 542	84 135
- sales and leaseback transactions	27 228	27 089	34 384
- investment properties	55 451	53 453	49 751
<b>Total</b>	<b>964 047</b>	<b>963 676</b>	<b>952 673</b>
Number of transactions	34 558	33 976	33 579
<b>Volumes issued (EUR '000) (by financial instrument) ***</b>			
Loans (excluding sales and leaseback transactions)	27 850	95 820	73 177
Guarantees	26 973	153 067	111 059
Venture capital funds	4 470	18 526	10 344
Land Fund, of which:	2 911	7 414	6 788
- sales and leaseback transactions	830	3 105	2 847
- investment properties	2 081	4 309	3 941
<b>Total</b>	<b>62 204</b>	<b>274 827</b>	<b>201 368</b>
Number of transactions	1 566	6 539	4 914
Leverage for raised private funding	123%	123%	179%
Volume of support programmes funding per employee (EUR '000)	3 951	4 118	4 106
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 Group'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>