

# **JSC DEVELOPMENT FINANCE INSTITUTION ALTUM**

Unaudited interim condensed financial report  
for the year ended 31 December 2021

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## Altum Group

**MISSION** We help Latvia grow!

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

**VALUES** Excellence / Team / Responsibility

AS Attīstības finanšu institūcija Altum (the joint stock company Development Finance Institution Altum), Parent Company of the Altum Group, 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 2021

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

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



# Management Report

## Activity during the reporting period

In 2021, the Development Finance Institution Altum group (hereinafter – the Group) and the Group's parent company, the joint-stock company Development Finance Institution Altum (hereinafter – the Company) have ensured stable financial results and earned a profit of EUR 14 million.

## Key financial and performance indicators of the Group

Based on data from audited financial statements for the respective years

	2021 12M (unaudited)	2020 12M (unaudited)	2020 (audited)
<b>Key financial data</b>			
Net interest income (EUR '000)	16 717	14 572	14 572
Operating profit (EUR '000)	13 981	5 539	5 539
Profit for the period (EUR '000)	13 981	5 539	5 539
Cos to income ratio (CIR)	39.19%	47.51%	47.51%
Employees	226	211	211
Total assets (EUR '000)	979 042	850 704	850 704
Financial debt (EUR '000)	362 100	342 490	342 490
<b>Tangible common equity (TCE) / Total tangible managed assets (TMA) *</b>	<b>33.83%</b>	<b>33.56%</b>	<b>33.56%</b>
Equity and reserves (EUR '000)	441 549	382 594	382 594
<b>Total risk coverage: (EUR '000)</b>	<b>286 868</b>	<b>180 205</b>	<b>180 205</b>
Risk coverage reserve	160 110	112 567	112 567
Risk coverage reserve used for provisions	(29 496)	(28 197)	(28 197)
Portfolio loss reserve (specific reserve capital)	159 700	102 264	102 264
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	(3 446)	(6 429)	(6 429)
Liquidity ratio for 180 days **	529%	464%	464%
Net Cash flows from operating activities (EUR '000)	52 002	21 966	21 966
Net Cash flows from financing activities (EUR '000)	42 078	165 800	165 800
Net Cash flow from investing activities (EUR '000)	978	(4 016)	(4 016)
<b>Support instruments gross value (EUR '000), of which</b>	<b>978 242</b>	<b>872 302</b>	<b>872 302</b>
<b>Financial instruments gross value (EUR '000) ***</b>			
Loans (excluding sales and leaseback transactions)	315 674	302 481	302 481
Guarantees	414 090	359 605	359 605
Venture capital funds	85 973	73 165	73 165
Land Fund, of which:	79 163	68 258	68 258
- sales and leaseback transactions	32 999	31 500	31 500
- investment properties	46 164	36 758	36 758
<b>Total</b>	<b>894 900</b>	<b>803 509</b>	<b>803 509</b>
Number of transactions	30 978	26 578	26 578
<b>Volumes issued (EUR '000) (by financial instrument) ***</b>			
Loans (excluding sales and leaseback transactions)	100 966	138 238	138 238
Guarantees	126 997	137 425	137 425
Venture capital funds	29 158	14 014	14 014
Land Fund, of which:	10 595	28 191	28 191
- sales and leaseback transactions	3 254	16 796	16 796
- investment properties	7 341	11 395	11 395
<b>Total</b>	<b>267 716</b>	<b>317 868</b>	<b>317 868</b>
Number of transactions	6 579	6 147	6 147
Leverage for raised private funding	177%	114%	114%
Volume of support programmes funding per employee (EUR '000)	3 960	3 808	3 808
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 financial report.

## Management Report (cont'd)

### Operational volumes

The core business lines of the Group 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 Group's portfolio of support instruments.

As at 31 December 2021, the Group's gross portfolio of support instruments amounted to EUR 978.2 million (31 December 2020: EUR 872.3 million), of which the gross portfolio of financial instruments totalled EUR 894.9 million and consisted of 30,978 projects (31 December 2020: EUR 804 million and 26,578 projects).

In 2021, the Group's financial instrument portfolio increased by EUR 91.4 million (+11.4%) and by 4,400 projects (+16.6%) and that was significantly lower than in 2020, when due to a sharp rise in the demand for specialised financial instruments to mitigate the negative impact of Covid-19 on the business sector it increased by EUR 186 million (+30.2%). The largest increases in the Group's financial instrument portfolio in 2021 were not related to the support programme for overcoming the consequences of Covid-19. That part of the Group's financial instruments portfolio increased by EUR 87.3 million, which is by EUR 4.8 million more than in 2020, when it increased by EUR 82.5 million.

Of all the financial instruments, the guarantee portfolio recorded the highest growth in 2021, increasing by EUR 54.5 million (+15.2%), which is less than in the respective period of 2020, when it increased by EUR 75.4 million (+26.5%). The number of projects in the guarantee portfolio increased by 4,080 projects (+21.2%), which is more than in the same period in 2020, when the number of projects increased by 3,650 projects (+23.4). The large increase in 2021 was ensured by Housing Guarantees for Families with Children and Housing Guarantees for Young Professionals (+EUR 33.2 million), driven by a significant increase in demand in the housing market as well as by loan guarantees for entrepreneurs and portfolio guarantees (+EUR 27 million) as companies actively invested and replenished their working capital, taking advantage of the sharp economic recovery after the downturn in 2020. Whereas in 2021, demand for the Covid-19 crisis-related guarantee instruments fell significantly, with the portfolio declining by EUR 4.9 million.

In 2021, the loan portfolio increased by EUR 13.2 million (+4.4%) and by 153 projects (+2.4%), which is less than in the corresponding period in 2020, when it increased by EUR 77.3 million (+34.4%) by volume and by 274 (+4.5%) projects. The dynamics of the loan portfolio is also closely linked to demand for Covid-19 crisis-related loans – demand was high in 2020 with a significant drop in 2021. The loan portfolio growth in 2021 was driven by loan programmes not related to Covid-19 mitigation, such as loans for acquisition of agricultural land intended for agricultural production (+EUR 11.6 million), SME growth loans (+EUR 10.6 million), loans for Energy Efficiency Programme of Multi-apartment Buildings (+EUR 5.1 million). Meanwhile, the loan portfolio of support programmes established for overcoming the consequences of Covid-19 decreased by EUR 6 million in 2021.

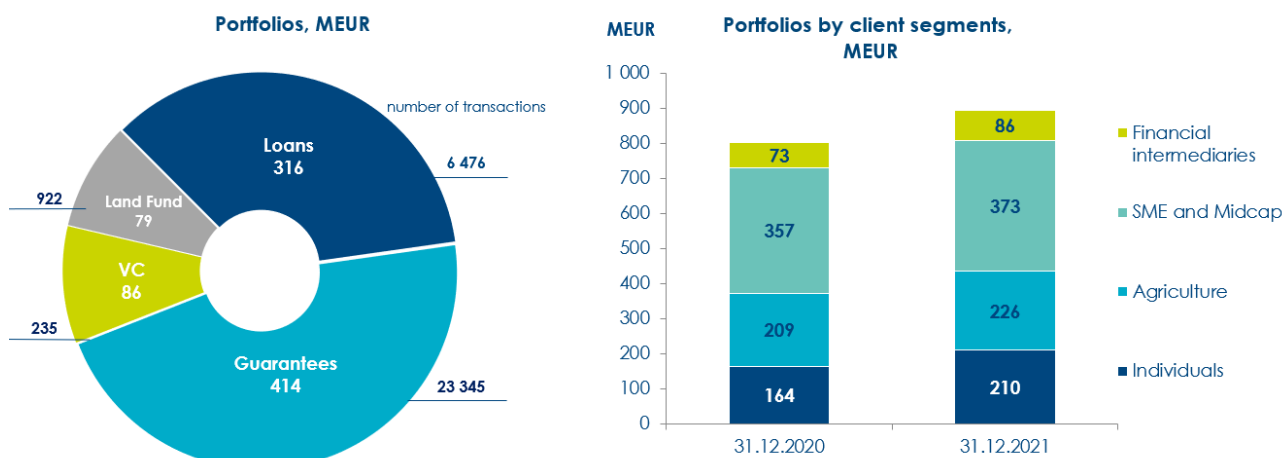
In 2021, the venture capital funds increased by EUR 12.8 million (+17.5%), which is significantly more than in the respective period of 2020, when the volume of the venture capital funds increased by EUR 4.8 million (+7.1%). The largest increase was ensured by investments in the AIF Altum Capital Fund.

Notwithstanding that the demand for the Land Fund services in 2021 was lower than in 2020, the Land Fund continued to grow and its portfolio increased by EUR 10.9 million (+16%) and by 200 projects (+27.7%).

As at 31 December 2021, the balance sheet of the Land Fund included 1,202 properties with a total land area of 23,439 ha and amounting to EUR 79.2 million, including investment properties with a total area of 13,778 ha and amounting to EUR 46.2 million (31 December 2020: 10,964 ha; EUR 36.8 million), and leaseback transactions for 9,661 ha amounting to EUR 33 million (31 December 2020: 9,140 ha; EUR 31.5 million).

## Management Report (cont'd)

### Operational volumes (cont'd)



Group 31/12/2021

By segment the largest portfolio of the Group is formed in the SMEs and Midcaps segment – 42%, while the Agriculture segment accounts for – 25%, Individuals – 23% and Financial intermediaries – 10%.

In 2021, an increase in volume was observed in all segments as described below. The largest growth was in the Individuals segment, namely, by EUR 46 million (+28.1%), which is significantly more than in 2020, when the portfolio grew by EUR 25.2 million (+18.2%). The increase in the retail portfolios was mainly due to the increase in demand for Housing Guarantees as well as guarantees under the Guarantee Programme for Improving Energy Efficiency in Multi-Apartments Buildings. The Agriculture segment and the SME and Midcap segment grew by EUR 16.7 million and EUR 15.9 million respectively; however, this growth was significantly lower than in 2020, when the Agriculture segment grew by EUR 42.6 million and the SME and Midcap segment – by EUR 114 million, thanks to the support provided by the Group's financial instruments to businesses to mitigate the negative effects of Covid-19. The Financial Intermediaries segment grew by EUR 12.8 million, significantly more than in 2020, when its growth was by EUR 4.3 million. The 2021 increase was largely driven by the Altum Capital Fund, which is one of Altum's financial instruments for overcoming the impact of Covid-19 on companies that because of the virus were prepared to adapt their current operations by changing their business model, adapting product development, introducing new technologies, entering new export markets thus promoting their growth.

### Volume of new transactions

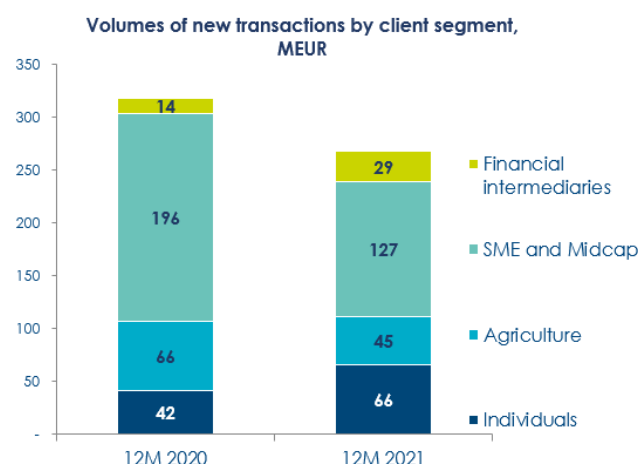
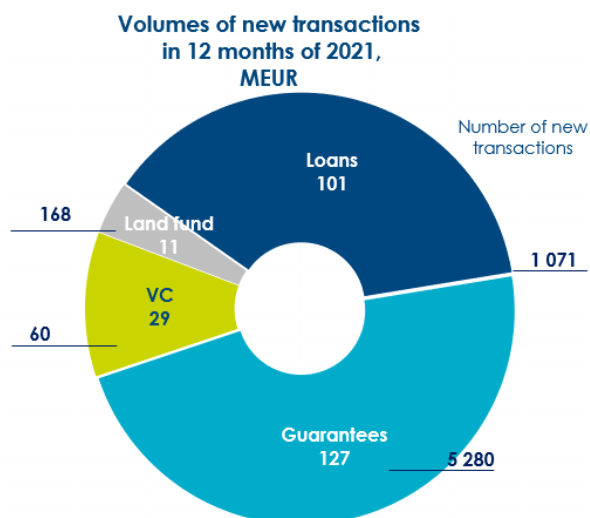
In the 12 months of 2021, the total funding disbursed for the implementation of the state aid programmes amounted to EUR 267.7 million, breaking down as follows: 47.4% (EUR 127 million) for guarantee programmes, 37.7% (EUR 100.9 million) in loan programmes, 10.9% (EUR 29.2 million) in investments in the venture capital funds and 4% (EUR 10.6 million) in the Land Fund transactions. Totally, 6,579 projects were supported. In general, in 2021, the volume of the new transactions was less by 15.7% compared to the same period last year, when, reacting swiftly to the declaration of Covid-19 as a global pandemic in mid-March 2020 and the sharp downturn in the economic situation, the Group actively engaged in mitigating the negative impact of Covid-19 in the business sector by creating specialised financial instruments, which resulted in a significant increase in new transactions due to the state aid programmes implemented by the Group for supporting entrepreneurs in mitigating the Covid-19 effect. In 2021, there is a significant reduction in demand for specialised financial instruments to mitigate the effects of Covid-19. If in 2020 the volume of new transactions in the specialized financial instruments for Covid-19 effect mitigation reached EUR 105.7 million, then in the same period of this year its volume under these programmes was EUR 45.3 million. In its turn, in 2021, the volume of new transactions under the regular programmes amounted to EUR 222.4 million, which is slightly higher than in the same period in 2020, when the volume of new transactions under the regular programmes was EUR 212.2 million.

In the reporting period, the largest volume of the new transactions was recorded in the following segments: SMEs and Midcaps – 47.4%; Individuals – 24.7%; Agriculture – 17%; and Financial Intermediaries – 10.9%.

In 2021, new transactions experienced the largest increase in the Individuals segment, where their volume was by EUR 24.4 million higher than in 2020, and in the Financial Intermediaries segment – by EUR 15.1 million higher than in 2020. Whereas, their volume was lower than in 2020 in the SME and Midcap segment by EUR 69.6 million, and in the Agriculture segment – by EUR 20.1 million.

## Management Report (cont'd)

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



Group 31/12/2021

In the reporting period there were issued new guarantees for EUR 127 million or by 7.6% (-EUR 10.4 million) less against the respective period in 2020, due to a significant decline in demand for the Covid-19 crisis-related guarantees. In 2021, the largest increase in the guarantee portfolio was in the loan guarantees for entrepreneurs (EUR 44.5 million), Housing Guarantees for Families with Children and Housing Guarantees for Young Professionals (EUR 43 million), the loan guarantee programmes for the Covid-19-affected businesses (EUR 10.7 million) and Energy Efficiency Programme for Multi-apartment Buildings (EUR 10.7 million).

Taking into account the business specifics, when issuing guarantees for working capital loans, for bank issued guarantees and for investment loan, a regular review and the extension of the issued guarantee are required for existing customers. This type of transaction is not attributed to newly issued guarantees because it is considered as an extension of guarantees; however, the volume of such transactions is quite significant, with EUR 65.3 million of guarantees extended in 2021.

In 2021, the volume of new loans issued amounted to EUR 100.9 million, which is by 27% (-EUR 37.3 million) less than in the respective period in 2020 due to a significant decline in demand for Covid-19 crisis-related loans. In 2021, the largest amount of new loans was issued under the SME Growth Loan Programme (EUR 32.2 million), under the Covid-19 crisis-related Loan Programme (EUR 18.7 million), loans for acquisition of agricultural land for the purpose of agricultural production (EUR 17.8 million) and working capital loans for agricultural enterprises (EUR 9.2 million).

As at 31 December 2021, a total of 19,490 guarantees for EUR 150.6 million of the state aid for housing acquisition was granted within the framework of the Programme for Housing Guarantees for Families with Children; out of these, guarantees worth EUR 34.2 million were issued in 2021, which is by 51% more against the respective period in 2020, when the economic activity of people decreased quite significantly due to the Covid-19 pandemic and national restrictions. The guarantees of the Programme help saving for the first instalment required to obtain a mortgage loan and are used by families all over Latvia. A total of 4,386 guarantees worth EUR 35.1 million were issued to young professionals; out of these, 1,011 guarantees worth EUR 8.8 million were issued in 2021.

Having launched the European Investment Fund (EIF) COSME and EaSI counter guarantees for loans up to EUR 25 thousand the Group / Company has already supported 680 projects (COSME – 95 projects, EaSI – 585 projects) in total amount of EUR 9.7 million. If the loan is compatible with COSME or EaSI guarantee terms and conditions, the start-up and micro loans, working capital loans to farmers or small loans in rural areas are granted without additional collateral, based solely on a personal guarantee and at a lower interest rate compared to other types of unsecured loans.

In 2021, the Company's investments made in venture capital funds amounted to EUR 29.2 million, of which EUR 14.9 million - in the Altum Capital Fund, EUR 8 million - in the 4th generation venture capital funds, EUR 2.9 million - in the Three Seas Investment Fund while EUR 2.2 million and EUR 1.2 million - in the Baltic Innovation Fund and the Baltic Innovation Fund 2, respectively.



## Management Report (cont'd)

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

Although the transaction activity within the Land Fund slowed down in some periods, by the end of 2021 the market situation had changed, with a sharp increase in the number of investment property transactions and a gradual revival of interest in reverse rent transactions. All in all, in 2021 the land sales and leaseback transactions under the Land Fund amounted to EUR 10.6 million or by EUR 17.6 million less compared to 2020. The drop was due to a relatively good year for agriculture in 2020, when farmers' own purchasing power returned and thus reduced the demand for additional funding.

### Non-financial instrument portfolio

In order to make accessing to the support instruments more convenient for its clients, apart from the financial instruments, the Group / Company services the grant programmes as well, namely, the grants issued under the Energy Efficiency Programme for Multi-apartment Buildings (EEPMB), Social Entrepreneurship Programme and European Local Energy Assistance (ELENA) Programme, the grants under the support program BALSTS for the purchase or construction of housing for families with three or more children, grants under the Culture Support Programme, for which organisers of art, entertainment and recreation events could apply from 19 May as well as grants under the support programme for increasing the energy efficiency of private houses, applying for it opened on 27 May 2021. The programme gained great interest from the very start, and 392 applications from private house owners had been received by 1 July. As the amount of funding for the programme is limited and approximately 243 projects are envisaged to be supported, accepting of new project applications has been suspended as of 1 July.

As at 31 December 2021, the EEPMB programme had awarded a total of 445 grants for EUR 97.7 million, of which 107 grants for EUR 25.5 million were granted in 2021. As of 18 December 2020, the programme was suspended and no new applications were accepted and currently the evaluation of the projects, awarding of grants and implementation of projects are carried out.

As at 31 December 2021, a total of 147 grants for EUR 9.3 million were awarded under the Social Entrepreneurship Programme.

In order to promote and support planning of the energy efficiency projects, Altum, acting in co-operation with the European Investment Bank, provides to companies a supplementary support grant earmarked for covering the costs related to expertise and drafting of energy efficiency projects. As at 31 December 2021, there were a total of 69 grants awarded for EUR 824 thousand.

In November 2020, within the framework of the new support programme BALSTS, the Group / Company started accepting applications for the issuance of non-refundable state subsidies or grants for the purchase or construction of housing for families with three or more children. As at 31 December 2021, a total of 569 grants for EUR 4.7 million were awarded, of which 508 grants for EUR 4.2 million were granted in 2021.

As at 31 December 2021, the portfolio of grants amounted to EUR 83.3 million.

### New products and increasing operational efficiency

Since March 2020, the Group has been actively engaged in mitigating the negative impacts of Covid-19 in the business sector. In order to continue providing support to Covid-19-affected businesses, the duration of the Covid-19 crisis support programmes was extended their until 30 June 2022.

In 2021, the relevant Cabinet regulations were amended to ensure that the support programmes implemented by the Group were more accessible to a wider range of beneficiaries by improving the support eligibility criteria. In parallel, the development and implementation of new support programmes for specific customer groups continued:

- the Culture Support Programme: from 19 May 2021, organizers of arts, entertainment and recreation events can apply for a support programme developed by the Ministry of Culture in cooperation with the Group to stimulate the organization of new events by providing support in the form of loans and grants (combined financial instrument) to entities whose core business is related to arts, entertainment and leisure activities. The total amount of support is EUR 6 million, given as a loan and a grant, where the grant does not exceed 40% of the total aid amount.
- 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. This programme may be used as a complement to the existing Energy Efficiency Programme of Multi-apartment Buildings, as projects often incur ineligible costs that can be financed under the new programme.



## 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. Within the framework of the programme, on 27 May, accepting of applications for projects to increase the energy efficiency of private houses was started, but already on 1 July it was suspended due to the great interest in it (the number of received applications exceeded the available funding. Given the individuals' interest in the support the programme provides, proposals are under development to allow the continuation of the programme in 2022.
- the Large Investment Loan Programme offering a capital discount for medium-sized and large enterprises: under the programme, entrepreneurs will have access to a loan with a capital discount of up to EUR 10 million, or if reaching certain objectives and meeting the criteria, the principal amount of the loan will be reduced for viable business projects with a minimum eligible cost of EUR 10 million within a period of three years after the project implementation. The call for applications opened on 19 January 2022. The Group will provide project funding with a loan amounting to the potential capital discount, the remainder to be raised from other funders.

In 2021, proceeding with the centralised reviewing of the applications for micro loans (up to EUR 25 thousand) introduced within the framework of automation and increasing of the Group's operational efficiency, 34% of the total number of the granted loans (excl. Covid-19 crisis related loans) were reviewed remotely without involving the regional employees in the application reviewing process. Compared to the performance indicators for the respective period of 2020, in 2021, the total amount of loans granted both under centralised reviewing and in the regions decreased by 2% or EUR 1.05 million and the number of loans granted decreased by 8%. The average loan amount in the regions increased from EUR 80 thousand in 2020 to EUR 85 thousand in the same period of 2021, while the average loan amount reviewed remotely on a centralised basis in 2021 was EUR 13.9 thousand.

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

### Long-term Funding

In order to diversify the financing structure, in October 2017, the Group / Company issued the first transferable securities in the form of green bonds with a total value of EUR 20 million. As at 30 September 2021, the total amount of Altum bonds listed on the Nasdaq Riga stock exchange is EUR 65 million.

Continuing its long-term participation in the capital markets, on 1 October 2021 Altum issued 5-year bonds for a total amount of EUR 20 million with a fixed annual interest rate of 0.443% and yield to maturity of 0.443% (ISIN LV0000870095) which are the best financial conditions for bonds issued so far. The Group / Company has now launched its third bond issuance program of EUR 75 000 000. This bond issue attracted significant interest from the Baltics investors, and the bond issue was oversubscribed more than 3 times. The bonds were purchased by 15 institutional investors in the Baltics: 70% of the volume was allocated to asset management funds, 18% - to banks and 9% - to insurance companies.

In 2H 2021 ALTUM Green Bond Framework was updated according to the 2021 edition of Green & Social Bond Principles published by International Capital Market Association (ICMA) in June 2021. To gain investors' confidence that funds derived from the Altum green bonds will be invested in environmentally friendly projects and ensure that certain environmental targets are met, CICERO (Center for International Climate and Environmental Research, Oslo) issued independent second party opinion upon the updated ALTUM Green Bond Framework, which received the Medium Green shading from CICERO similar the one received in 2017.

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

### Rating

On 12 August 2021, the International credit rating agency Moody's Investors Service (Moody's) published the updated credit analysis of the Company. Moody's assigned the Company's (the parent company of the Group) Baa1 long-term credit rating with a stable outlook, the baseline credit assessment (BCA) Baa3 and the P-2 short-term rating

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

## Management Report (cont'd)

### Rating (cont'd)

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

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

### Risk Management

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

To manage risks, the Group / 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 Group's / Company's operations.

In view of the Group's / Company's activities in high-risk areas when implementing the state aid programmes, as at 31 December 2021 the Group / Company has the risk coverage of EUR 287 million (31 December 2020: EUR 180 million) to cover the expected credit loss of the State aid programmes. The expected loss is assessed before implementing the respective aid programme and a portion of the public funding received within this programme is earmarked for the risk coverage. The latter consists of the sum total of the risk coverage reserve and portfolio loss reserve (special reserve capital) less provisions for expected credit losses.

### Contribution to Sustainability

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

For the third year in a row, the Group / Company participated in the Sustainability Index organised by the Institute for Corporate Sustainability and Responsibility, receiving the high platinum rating this year. The Sustainability Index rating is one of the visible manifestations of the invisible daily work that companies carry out in accordance with the principles of corporate sustainability and responsibility, balancing the interests of shareholders, employees, customers, the environment, business partners and other parties with sustainable operating conditions, thus becoming the leaders of the future.

To ensure sustainability, Altum is guided by the UN Sustainable Development Goals (SDGs) that represent the global plan to end poverty, fight inequality and halt climate change by 2030.

From the beginning of 2021, Altum's management set as a priority sustainable financing and the integration of ESG considerations into credit risk management and business processes.

Altum's ambitions regarding sustainable financing are voluntary and driven by (i) the expectations of stakeholders, such as investors, credit rating agencies, international lenders, Nasdaq, to Altum as a development finance institution with a very significant impact on the Latvian economy, and (ii) eligibility requirements for public funding available under the EU Cohesion Policy and/or the Recovery and Resilience Facility, which contributes to the Sustainable Europe Investment Plan/Green Deal Investment Plan, where Altum takes the role of a pillar in the implementation of financial instruments in the SME sector in Latvia. In addition, the sustainable finance framework, applicable already for part of Altum's portfolio, is taken into account alongside with the Taxonomy Regulation; moreover, Altum, as a public interest entity, follows the best practice of international financial institutions, EBA (European Banking Authority) guidelines on the integration of ESG factors in credit risk management, including lending and supervision.

In autumn 2021, a stakeholder survey was carried out to establish a sustainability materiality matrix and to define the level of ambition for sustainable finance in the loan portfolio.

Altum is committed to following the best examples in European industry that have taken a strong stance in defining the targets

to be achieved and the sectors and projects not to be supported, regardless of the source of funding. Altum already does not finance projects for fossil fuel power generation. Besides, at the ambition level, the Green Asset Ratio for new loans and the existing loan portfolio is set for (i) a 3-year period and (ii) until 2030.

## Management Report (cont'd)

### Contribution to Sustainability (cont'd)

In terms of the activities to be supported, all the new programmes focus on sustainability, though in different aspects, and can be divided into (i) climate programmes that meet the requirements of the environmental objectives of the Taxonomy, (ii) a digitisation programme with the aim of increasing productivity, and (iii) a rental housing programme with the social objective of reducing inequalities.

### Future Outlook

In Q3 2021, the Group's medium-term strategy 2022-2024 was developed actively and a draft Strategy was prepared, focusing on the importance of sustainable financing and ESG factors both at product level and full integration of ESG factors in Altum's credit risk management. Taking into account the stakeholders involved, the Group's strategy is planned to be approved in Q1 2022.

The Group 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 2021, in cooperation with the Ministry of Economics, the terms and conditions for four new support programmes were developed, making funding available from the European Recovery and Resilience Mechanism (ERM), aimed at addressing the economic and social damage caused by the Covid-19 pandemic, stimulating recovery of Europe, financing climate change mitigation projects, and protecting and creating jobs. Four new programmes are expected to be approved by the Cabinet in Q1 2022:

- for improving the energy efficiency of multi-apartment buildings (EUR 57 million);
- for improving energy efficiency in businesses and transition to renewable energy technologies (EUR 81 million);
- for digital transformation (EUR 45 million);
- for financing rental houses (EUR 43 million).

In 2022, preparations will also continue for the launch of the financial instrument support programmes under the new EU Cohesion Policy programming period 2021-2027. In total, at least EUR 650 million will be available as financial instruments under the ERM and the EU Cohesion Policy for the programming period 2021-2027.

In order to prepare for the InvestEU Programme 2021-2027, the preparations undertaken already in 2019 for Pillar Assessment of the Group were continued. ALTUM considers to apply and undertake an implementing partner role within the InvestEU Programme in Latvia, thus increasing the scope of respective InvestEU Programme's financial products to the corporates in Latvia. To have further progress of the project, an application on the InvestEU pillars assessment was prepared in Q3 2021 and submitted to the European Commission in October 2021. The assessing of the application concluded, the responsible DG of the European Commission will provide ALTUM with a legal and financial compliance assessment; after receiving it, the selection of auditors and starting the assessment of the actual pillars are planned.

The rapid development of the situation in Ukraine and the potential social and economic impact in Latvia and the region may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. In particular management expects the assumptions and estimates used in determining provisions for expected credit losses for loan and guarantee portfolios as well as carrying value of investments in associated companies may be affected. Altum does not issues loans directly to Ukrainian businesses. Altum expects that there might be impact on provisions for expected credit losses for credit export guarantees, where Altum customers' counterparties are Ukrainian residents. The volume of such credit export guarantees reaches 455 thousand euro as at 31 December 2021 with slight decrease down to appr. 400 thousand euro portfolio as at end of February 2022. However, at this stage management is not able to reliably estimate the impact as events are unfolding day-by-day



Reinis Bērziņš  
Chairman of the Management Board

25 February 2022

## Supervisory Board and Management Board

### Supervisory Council

Name, Surname	Position	Appointment Date	Date of expiry of the term of the mandate
Līga Kļaviņa	Chairperson of the Council	28.12.2019.	27.12.2022.
Jānis Šnore	Member of the Council	28.12.2019.	27.12.2022.
Kristaps Soms	Member of the Council	28.12.2019.	28.12.2019. - 22.03.2021.
Ilze Baltābola	Member of the Council	22.03.2021.	21.03.2022. *

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

There were changes in the Supervisory Council of the Company during the reporting period. Kristaps Soms left the position of a Member of the Supervisory Council on 22 March 2021. Extraordinary shareholders' meeting approved Ilze Baltābola to the position of a Member of the Supervisory Council on 22 March 2021.

### Management Board

Name, Surname	Position	Appointment Date	Date of expiry of the term of the mandate
Reinis Bērziņš	Chairman of the Board	27.05.2021.	26.05.2024.
Jēkabs Krieviņš	Member of the Board	27.05.2021.	26.05.2024.
Inese Zīle	Member of the Board	27.05.2021.	26.05.2024.
Aleksandrs Bimbirulis	Member of the Board	26.06.2020.	25.06.2023.
Ieva Jansone-Buka	Member of the Board	18.03.2021.	17.03.2024.

There were changes in the Management Board of the Company during the reporting period. The Supervisory Board of the Company has appointed Ieva Jansone - Buka as a Member of the Management Board on 18 March 2021.

## Statement of Management's responsibility

Riga

25 February 2022

The Management Board (the Management) is responsible for preparing the financial statements. The Management confirms that suitable accounting policies were used and applied consistently and reasonable and prudent judgments and estimates were made in the preparation of the financial statements on pages 13 to 79 for the period 1 January 2021 to 31 December 2021. The Management confirms that the Group's and the Company's financial statements were prepared on a going concern basis in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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



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Reinis Bērziņš  
Chairman of the Management Board

# Statement of Comprehensive Income

All amounts in thousands of euro

	Notes	Group 01.01.2021.- 31.12.2021. (unaudited)	Group 01.01.2020.- 31.12.2020. (unaudited)	Company 01.01.2021.- 31.12.2021. (unaudited)	Company 01.01.2020.- 31.12.2020. (unaudited)
Interest income	4	18 857	16 442	18 857	16 442
Interest expense	5	(2 140)	(1 870)	(2 140)	(1 870)
Net interest income		16 717	14 572	16 717	14 572
Income for implementation of state aid programmes	6	4 446	6 526	5 718	6 526
Expenses to be compensated for implementation of state aid programmes	7	(3 829)	(5 950)	(5 101)	(5 950)
Net income for implementation of state aid programmes		617	576	617	576
Gains / (losses) from trading securities and foreign exchange translation	8	51	(56)	51	(56)
Share of gain / (losses) of investment in associate and other investments	12	876	(2 094)	605	(2 094)
Gains less losses from liabilities at fair value through profit or loss	12	2 817	288	2 817	288
Gains less losses from liabilities at fair value through profit or loss	20	(937)	1 908	(666)	1 908
Other income	8	3 221	3 053	3 221	3 053
Other expense	9	(1 357)	(1 065)	(1 357)	(1 145)
Operating income before operating expenses		22 005	17 182	22 005	17 102
Staff costs		(5 795)	(5 416)	(5 795)	(5 416)
Administrative expense		(1 893)	(1 831)	(1 893)	(1 831)
Amortisation of intangible assets and depreciation of property, plant and equipment		(935)	(916)	(935)	(916)
Impairment gain / (loss), net	10	599	(3 480)	599	(3 400)
Profit before corporate income tax		13 981	5 539	13 981	5 539
<b>Profit for the period</b>		<b>13 981</b>	<b>5 539</b>	<b>13 981</b>	<b>5 539</b>
Other comprehensive income:		(515)	(1 425)	(515)	(1 425)
Items to be reclassified to profit or loss in subsequent periods					
Net loss from financial assets measured at fair value through other comprehensive income		(515)	(1 425)	(515)	(1 425)
<b>Total comprehensive income for the period</b>		<b>13 466</b>	<b>4 114</b>	<b>13 466</b>	<b>4 114</b>
Profit is attributable to:					
Owners of the Company		13 981	5 539	-	-
Non-controlling interest		-	-	-	-
<b>Profit for the period</b>		<b>13 981</b>	<b>5 539</b>	<b>-</b>	<b>-</b>
Total comprehensive income is attributable to:					
Owners of the Company		13 466	4 114	-	-
Non-controlling interest		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>13 466</b>	<b>4 114</b>	<b>-</b>	<b>-</b>

The accompanying notes on pages 18 through 79 form an integral part of these financial statements.



Reinis Bērziņš  
Chairman of the Management Board



Kaspars Gibeiko  
Chief Accountant

25 February 2022



# Statement of Financial Position

All amounts in thousands of euro

	Notes	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
<b>Assets</b>					
Due from credit institutions and the State Treasury	11	455 006	359 949	455 006	359 949
Financial assets at fair value through profit or loss		7 144	5 425	-	-
Financial assets at fair value through other comprehensive income - investment securities		14 051	36 958	14 051	36 958
Financial assets at amortised cost:					
Investment securities		37	441	37	441
Loans and receivables	14	330 530	313 268	330 530	313 268
Grants	15	45 397	31 107	45 397	31 107
Deferred expense		642	749	642	749
Accrued income		1 424	772	1 424	772
Other investments	13	8 936	7 503	8 936	7 503
Investments in associates					
Investments accounted for using the equity method	12	47 421	32 969	47 421	32 969
Investments accounted for using the FVTPL method	12	13 222	15 019	13 222	15 019
Investments in subsidiaries		-	-	6 563	4 879
Investment property	16	46 164	36 758	46 164	36 758
Property, plant and equipment		4 570	4 717	4 570	4 717
Intangible assets		1 256	1 398	1 256	1 398
Other assets	17	3 242	3 671	3 242	3 636
<b>Total assets</b>		<b>979 042</b>	<b>850 704</b>	<b>978 461</b>	<b>850 123</b>
<b>Liabilities</b>					
Due to credit institutions	18	53 416	65 855	53 416	65 855
Due to general government entities	19	121 348	103 520	121 348	103 520
Financial liabilities at amortised cost - Issued debt securities		85 558	65 522	85 558	65 522
Deferred income		5 747	4 991	5 747	4 991
Accrued expense		726	857	806	937
Provisions	21	34 466	32 501	34 466	32 501
Support programme funding	20	232 392	191 963	232 392	191 963
Other liabilities		3 840	2 901	3 840	2 901
<b>Total liabilities</b>		<b>537 493</b>	<b>468 110</b>	<b>537 573</b>	<b>468 190</b>
<b>Equity</b>					
Share capital		204 862	204 862	204 862	204 862
Reserves	22	221 349	170 321	221 347	170 319
Revaluation reserve of financial assets measured at fair value through other comprehensive income		698	1 213	698	1 213
Retained earnings		13 981	5 539	13 981	5 539
<b>Net assets attributable to the Company's owners</b>		<b>440 890</b>	<b>381 935</b>	<b>440 888</b>	<b>381 933</b>
Non-controlling interest		659	659	-	-
<b>Total equity</b>		<b>441 549</b>	<b>382 594</b>	<b>440 888</b>	<b>381 933</b>
<b>Total equity and liabilities</b>		<b>979 042</b>	<b>850 704</b>	<b>978 461</b>	<b>850 123</b>

The accompanying notes on pages 18 through 79 form an integral part of these financial statements.



Reinis Bērziņš  
Chairman of the Management Board

25 February 2022



Kaspars Gibeiko  
Chief Accountant

## Consolidated Statement of Changes in Equity

All amounts in thousands of euro

	Attributable to owners of the Company				Non-controlling interest	Total equity
	Share capital	Reserves	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Retained earnings		
<b>As at 1 January 2020 (audited)</b>	<b>204 862</b>	<b>16 565</b>	<b>2 638</b>	<b>8 131</b>	<b>542</b>	<b>232 738</b>
Profit for the period	-	-	-	5 539	-	5 539
Other comprehensive income	-	-	(1 425)	-	-	(1 425)
Total comprehensive income	-	-	(1 425)	5 539	-	4 114
Increase of reserve capital		145 626				145 626
Distribution of 2019 profit of the Company		8 131		(8 131)		-
Non-controlling interest	-	-	-	-	117	117
<b>As at 31 December 2020 (audited)</b>	<b>204 862</b>	<b>170 321</b>	<b>1 213</b>	<b>5 539</b>	<b>659</b>	<b>382 594</b>
Profit for the period	-	-	-	13 981	-	13 981
Other comprehensive income	-	-	(515)	-	-	(515)
Total comprehensive income	-	-	(515)	13 981	-	13 466
Increase of reserve capital (Note 22)	-	45 489	-	-	-	45 489
Distribution of 2020 profit of the Company	-	5 539	-	(5 539)	-	-
Decrease of Specific Reserves to General reserve capital at allocation of the profit for year 2020	-	6 429	-	-	-	6 429
	-	(6 429)	-	-	-	(6 429)
Non-controlling interest	-	-	-	-	-	-
<b>As at 31 December 2021 (unaudited)</b>	<b>204 862</b>	<b>221 349</b>	<b>698</b>	<b>13 981</b>	<b>659</b>	<b>441 549</b>

The accompanying notes on pages 18 through 79 form an integral part of these financial statements.

## Company's Statement of Changes in Equity

All amounts in thousands of euro

	Share capital	Reserves	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Retained earnings	Total equity
<b>As at 1 January 2020 (audited)</b>	<b>204 862</b>	<b>16 563</b>	<b>2 638</b>	<b>8 131</b>	<b>232 194</b>
Profit for the period	-	-	-	5 539	5 539
Other comprehensive income	-	-	(1 425)	-	(1 425)
Total comprehensive income	-	-	(1 425)	5 539	4 114
Increase of reserve capital	-	145 626	-	-	145 626
Distribution of 2019 profit	-	8 131	-	(8 131)	-
<b>As at 31 December 2020 (audited)</b>	<b>204 862</b>	<b>170 319</b>	<b>1 213</b>	<b>5 539</b>	<b>381 933</b>
Profit for the period	-	-	-	13 981	13 981
Other comprehensive income	-	-	(515)	-	(515)
Total comprehensive income	-	-	(515)	13 981	13 466
Increase of reserve capital (Note 22)	-	45 489	-	-	45 489
Distribution of 2020 profit	-	5 539	-	(5 539)	-
Decrease of Specific Reserves to General reserve capital at allocation of the profit for year 2020	-	6 429	-	-	6 429
	-	(6 429)	-	-	(6 429)
<b>As at 31 December 2021 (unaudited)</b>	<b>204 862</b>	<b>221 347</b>	<b>698</b>	<b>13 981</b>	<b>440 888</b>

The accompanying notes on pages 18 through 79 form an integral part of these financial statements.

# Statement of Cash Flows

All amounts in thousands of euro

	Notes	Group 01.01.2021.- 31.12.2021. (unaudited)	Group 01.01.2020.- 31.12.2020. (unaudited)	Company 01.01.2021.- 31.12.2021. (unaudited)	Company 01.01.2020.- 31.12.2020. (unaudited)
Cash and cash equivalents at the beginning of period		359 949	176 199	359 949	176 047
<b>Cash flows from operating activities</b>					
Profit before taxes		13 981	5 539	13 981	5 539
Amortisation of intangible assets and depreciation of property, plant and equipment		935	916	935	916
Interest income	4	(18 857)	(16 441)	(18 857)	(16 441)
Interest received		16 564	13 002	16 564	13 002
Interest expenses	5	2 140	1 870	2 140	1 870
Interests paid		(1 297)	(1 328)	(1 297)	(1 328)
(Decrease) / Increase in impairment allowances	10	(599)	3 480	(599)	3 400
<b>(Decrease) of cash and cash equivalents from operating activities before changes in assets and liabilities</b>		<b>12 867</b>	<b>7 038</b>	<b>12 867</b>	<b>6 958</b>
Due from credit institutions decrease		-	5 000	-	5 000
(Increase) of loans	14	(15 864)	(93 569)	(15 864)	(93 569)
(Increase) of grants	15	(14 282)	(14 084)	(14 282)	(14 084)
Increase of due to credit institutions and general government entities	18,19	5 388	53 561	5 388	53 561
Increase in deferred income and accrued expense		626	2 280	626	2 360
(Increase) / Decrease in deferred expense and accrued income		(545)	822	(545)	822
(Increase) / Decrease of other assets	17	395	(101)	395	(66)
Increase in other liabilities		63 417	61 019	63 871	60 995
<b>Net cash flows from operating activities</b>		<b>52 002</b>	<b>21 966</b>	<b>52 456</b>	<b>21 977</b>
<b>Cash flows from investment activities</b>					
Sale of investment securities		23 883	12 830	23 883	12 830
Acquisition of property, plant and equipment and intangible assets		(647)	(1 037)	(647)	(1 037)
Purchase of investment properties	16	(7 150)	(11 696)	(7 150)	(11 696)
Sale of investment properties	16	211	42	211	42
Other investments	13	(1 366)	(7 252)	(1 366)	(7 252)
Investments in associates, net	12	(12 236)	4 305	(12 236)	4 305
Investments of subsidiaries in underlying undertakings		(1 717)	(1 208)	-	-
Investments in subsidiaries		-	-	(2 171)	(1 067)
<b>Net cash flows from investing activities</b>		<b>978</b>	<b>(4 016)</b>	<b>524</b>	<b>(3 875)</b>
<b>Cash flows from financing activities</b>					
Issued debt securities		19 155	20 174	19 155	20 174
Increase of reserve capital	22	22 923	145 626	22 923	145 626
<b>Net cash flow from financing activities</b>		<b>42 078</b>	<b>165 800</b>	<b>42 078</b>	<b>165 800</b>
<b>Increase in cash and cash equivalents</b>		<b>95 058</b>	<b>183 750</b>	<b>95 058</b>	<b>47 660</b>
<b>Cash and cash equivalents at the end of period</b>		<b>455 007</b>	<b>359 949</b>	<b>455 007</b>	<b>359 949</b>

The accompanying notes on pages 18 through 79 form an integral part of these financial statements.

## Approval of the Financial Statements

The Management of the Group / Company has approved these unaudited interim condensed financial statements on 25 February 2022.

## 1 General Information

### (1) Corporate Information

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

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

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

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

The Group holds investment in alternative investment fund "Altum Capital Fund" (the Fund) registered on 31 July 2020. The Fund is created with the aim to support well-managed, perspective Mid-cap companies to overcome the effect of Covid-19 that as a result of the virus impact are ready to adjust their operations by changing their business model, adjusting product development, introducing new technology and expanding to new export markets. The Fund's committed capital was fully subscribed on September 16, 2020, reaching EUR 100 million, of which the majority (EUR 51.1 million or 51.1%) were largest private pension funds and EUR 48.9 million consists of public funding invested by the Company. The Company is also the manager of the Fund registered with the Financial and Capital Market Commission on 26 May 2020.

## 1 General Information (cont'd)

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

Legal Title	Legal Address	Investment % in share capital
Venture capital funds that were classified as subsidiaries until 31 December 2021, following a control assessment as at 31 December 2021, are classified as associates		
KS Overkill Ventures Fund I	Dzirnavu iela 105, Rīga, Latvija, LV-1011	100
KS Buildit Latvia Pre-Seed Fund	Sporta iela 2, Rīga, Latvija, LV-1013	100
KS Commercialization Reactor Pre-seed Fund	Brīvības gatve 300 -9, Rīga, Latvija	100
KS INEC 1	Krišjāņa Barona iela 32-7, Rīga, Latvijas, LV-1011	75
KS INEC 2	Krišjāņa Barona iela 32-7, Rīga, Latvijas, LV-1011	90
Venture capital funds classified as Associates		
KS Overkill Ventures Fund II	Dzirnavu iela 105, Rīgas, Latvija, LV-1011	80
KS Buildit Latvia Seed Fund	Sporta iela 2, Rīga, Latvija, LV-1013	80
KS Commercialization Reactor Seed Fund	Brīvības gatve 300 -9, Rīga, Latvija	80
KS ZGI-4	Daugavgrīvas iela 21, Rīga, Latvija, LV-1048	60
FlyCap Mezzanine Fund II	Matrožu iela 15A, Rīga, LV-1048	60
KS Baltcap Latvia Venture Capital Fund	Jaunmoku iela 34, Rīga, Latvija, LV-1046	67
KS Imprimatur Capital Technology Venture Fund	Elizabetes iela 85a-18, Rīga, Latvija, LV-1050	67
KS Imprimatur Capital Seed Fund	Elizabetes iela 85a-18, Rīga, Latvija, LV-1050	100
KS ZGI-3	Daugavgrīvas iela 21, Rīga, Latvija, LV-1048	95
KS FlyCap investment Fund	Matrožu iela 15A, Rīga, Latvija, LV-1048	95
KS Expansion Capital fund	Krišjāņa Barona iela 32-7, Rīga, Latvija, LV-1011	95
Baltic Innovation Fund	European Investment Fund, 37B, avenue J.F. Kennedy, L-2968 Luxembourg	20
KS AIF "Altum capital fund"	Doma laukums 4, Rīga, LV-1050	48.9

## 2 Accounting Policies

### (1) Basis of presentation

These unaudited interim condensed financial statements for the twelve months period ended 31 December 2021 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 2020 prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union.

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

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

Several new standards and interpretations have been published, adopted by the EU and become effective for the financial reporting periods beginning on or after 1 January 2021:

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

The Group / Company makes further assessment on the impact of these new standards and amendments, but the Group / 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 Group / Company in the period of initial application.



### 3 Risk Management

The major risks that the Group / Company is exposed to are credit, liquidity and operational risks. These unaudited interim condensed financial statements do not include all information on risk management and disclosures required in the annual financial statements. They are to be viewed together with the complete financial statements for the year 2020.

#### (1) Credit Risk

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

	Stage 1		Stage 2		Stage 3		Total	
	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)
<b>Financial assets at AC</b>								
Due from credit institutions and the Treasury	455 007	359 949	-	-	-	-	455 007	359 949
Impairment allowances	(1)	-	-	-	-	-	(1)	-
<b>Total net due from credit institutions and the Treasury</b>	<b>455 006</b>	<b>359 949</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>455 006</b>	<b>359 949</b>
Investment securities	-	407	-	-	3 704	3 433	3 704	3 840
Impairment allowances	-	-	-	-	(3 667)	(3 399)	(3 667)	(3 399)
<b>Total net investment securities</b>	<b>-</b>	<b>407</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>34</b>	<b>37</b>	<b>441</b>
Loans and receivables	256 865	274 294	67 091	32 012	24 717	27 675	348 673	333 981
Impairment allowances *	(3 545)	(6 967)	(4 425)	(3 506)	(10 173)	(10 240)	(18 143)	(20 713)
<b>Total net loans and receivables</b>	<b>253 320</b>	<b>267 327</b>	<b>62 666</b>	<b>28 506</b>	<b>14 544</b>	<b>17 435</b>	<b>330 530</b>	<b>313 268</b>
Grants	45 729	31 282	-	-	-	-	45 729	31 282
Impairment allowances	(332)	(175)	-	-	-	-	(332)	(175)
<b>Total net grants</b>	<b>45 397</b>	<b>31 107</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45 397</b>	<b>31 107</b>
Other financial assets	2 531	2 507	-	-	2 634	3 096	5 165	5 603
Impairment allowances	(21)	(34)	-	-	(1 930)	(1 926)	(1 951)	(1 960)
<b>Total net other financial assets</b>	<b>2 510</b>	<b>2 473</b>	<b>-</b>	<b>-</b>	<b>704</b>	<b>1 170</b>	<b>3 214</b>	<b>3 643</b>
<b>Total financial assets at AC</b>	<b>760 132</b>	<b>668 439</b>	<b>67 091</b>	<b>32 012</b>	<b>31 055</b>	<b>34 204</b>	<b>858 278</b>	<b>734 655</b>
Impairment allowances	(3 899)	(7 176)	(4 425)	(3 506)	(15 770)	(15 565)	(24 094)	(26 247)
<b>Total net financial assets at AC</b>	<b>756 233</b>	<b>661 263</b>	<b>62 666</b>	<b>28 506</b>	<b>15 285</b>	<b>18 639</b>	<b>834 184</b>	<b>708 408</b>
<b>Financial assets at FVOCI</b>								
Investment securities	14 051	36 958	-	-	-	-	14 051	36 958
Impairment allowances	-	-	-	-	-	-	-	-
<b>Total net investment securities</b>	<b>14 051</b>	<b>36 958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 051</b>	<b>36 958</b>
<b>Total financial assets at FVOCI</b>	<b>14 051</b>	<b>36 958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 051</b>	<b>36 958</b>
Impairment allowances	-	-	-	-	-	-	-	-
<b>Total net financial assets at FVOCI</b>	<b>14 051</b>	<b>36 958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 051</b>	<b>36 958</b>

## 3 Risk Management (cont'd)

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

Breakdown of the Group's 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		Total	
	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)
Off-balance sheet items and contingent liabilities								
Outstanding guarantees	377 988	348 115	32 885	6 995	3 217	4 495	414 090	359 605
Impairment allowances *	(28 088)	(27 769)	(3 505)	(817)	(2 010)	(2 827)	(33 603)	(31 413)
<b>Total net outstanding guarantees</b>	<b>349 900</b>	<b>320 346</b>	<b>29 380</b>	<b>6 178</b>	<b>1 207</b>	<b>1 668</b>	<b>380 487</b>	<b>328 192</b>
Loan commitments	21 730	36 514	3 755	2 834	87	-	25 572	39 348
Impairment allowances *	(445)	(949)	(309)	(65)	(36)	-	(790)	(1 014)
<b>Total net loan commitments</b>	<b>21 285</b>	<b>35 565</b>	<b>3 446</b>	<b>2 769</b>	<b>51</b>	<b>-</b>	<b>24 782</b>	<b>38 334</b>
Grant commitments	11 089	6 798	-	-	-	-	11 089	6 798
Impairment allowances	(73)	(74)	-	-	-	-	(73)	(74)
<b>Total net grant commitments</b>	<b>11 016</b>	<b>6 724</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 016</b>	<b>6 724</b>
<b>Total off-balance items and contingent liabilities</b>	<b>410 807</b>	<b>391 427</b>	<b>36 640</b>	<b>9 829</b>	<b>3 304</b>	<b>4 495</b>	<b>450 751</b>	<b>405 751</b>
Impairment allowances	(28 606)	(28 792)	(3 814)	(882)	(2 046)	(2 827)	(34 466)	(32 501)
<b>Total net off-balance items and contingent liabilities</b>	<b>382 201</b>	<b>362 635</b>	<b>32 826</b>	<b>8 947</b>	<b>1 258</b>	<b>1 668</b>	<b>416 285</b>	<b>373 250</b>

\* Includes net impairment allowances of EUR 3,009 thousand covered by Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2021 annual report. In the distribution of the 2021 profit, it will be directly attributed to the Portfolio Loss Reserve, thus the 2021 result which will be allocated to Reserves will improve. Additional information available in Note 22.

## 3 Risk Management (cont'd)

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

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

	Stage 1		Stage 2		Stage 3		Total	
	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)
<b>Financial assets at AC</b>								
Due from credit institutions and the Treasury	455 007	359 949	-	-	-	-	455 007	359 949
Impairment allowances	(1)	-	-	-	-	-	(1)	-
<b>Total net due from credit institutions and the Treasury</b>	<b>455 006</b>	<b>359 949</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>455 006</b>	<b>359 949</b>
Investment securities	-	407	-	-	3 704	3 433	3 704	3 840
Impairment allowances	-	-	-	-	(3 667)	(3 399)	(3 667)	(3 399)
<b>Total net investment securities</b>	<b>-</b>	<b>407</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>34</b>	<b>37</b>	<b>441</b>
Loans and receivables	256 865	274 294	67 091	32 012	24 717	27 675	348 673	333 981
Impairment allowances *	(3 545)	(6 967)	(4 425)	(3 506)	(10 173)	(10 240)	(18 143)	(20 713)
<b>Total net loans and receivables</b>	<b>253 320</b>	<b>267 327</b>	<b>62 666</b>	<b>28 506</b>	<b>14 544</b>	<b>17 435</b>	<b>330 530</b>	<b>313 268</b>
Grants	45 729	31 282	-	-	-	-	45 729	31 282
Impairment allowances	(332)	(175)	-	-	-	-	(332)	(175)
<b>Total net grants</b>	<b>45 397</b>	<b>31 107</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45 397</b>	<b>31 107</b>
Other financial assets	2 531	2 507	-	-	2 634	3 205	5 165	5 712
Impairment allowances	(21)	(34)	-	-	(1 930)	(1 926)	(1 951)	(1 960)
<b>Total net other financial assets</b>	<b>2 510</b>	<b>2 473</b>	<b>-</b>	<b>-</b>	<b>704</b>	<b>1 279</b>	<b>3 214</b>	<b>3 752</b>
<b>Total financial assets at AC</b>	<b>760 132</b>	<b>668 439</b>	<b>67 091</b>	<b>32 012</b>	<b>31 055</b>	<b>34 313</b>	<b>858 278</b>	<b>734 764</b>
Impairment allowances	(3 899)	(7 176)	(4 425)	(3 506)	(15 770)	(15 565)	(24 094)	(26 247)
<b>Total net financial assets at AC</b>	<b>756 233</b>	<b>661 263</b>	<b>62 666</b>	<b>28 506</b>	<b>15 285</b>	<b>18 748</b>	<b>834 184</b>	<b>708 517</b>
<b>Financial assets at FVOCI</b>								
Investment securities	14 051	36 958	-	-	-	-	14 051	36 958
Impairment allowances	-	-	-	-	-	-	-	-
<b>Total net investment securities</b>	<b>14 051</b>	<b>36 958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 051</b>	<b>36 958</b>
<b>Total financial assets at FVOCI</b>	<b>14 051</b>	<b>36 958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 051</b>	<b>36 958</b>
Impairment allowances	-	-	-	-	-	-	-	-
<b>Total net financial assets at FVOCI</b>	<b>14 051</b>	<b>36 958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 051</b>	<b>36 958</b>
<b>Off-balance sheet items and contingent liabilities</b>								
Outstanding guarantees	377 988	348 115	32 885	6 995	3 217	4 495	414 090	359 605
Impairment allowances *	(28 088)	(27 769)	(3 505)	(817)	(2 010)	(2 827)	(33 603)	(31 413)
<b>Total net outstanding guarantees</b>	<b>349 900</b>	<b>320 346</b>	<b>29 380</b>	<b>6 178</b>	<b>1 207</b>	<b>1 668</b>	<b>380 487</b>	<b>328 192</b>
Loan commitments	21 730	36 514	3 755	2 834	87	-	25 572	39 348
Impairment allowances *	(445)	(949)	(309)	(65)	(36)	-	(790)	(1 014)
<b>Total net loan commitments</b>	<b>21 285</b>	<b>35 565</b>	<b>3 446</b>	<b>2 769</b>	<b>51</b>	<b>-</b>	<b>24 782</b>	<b>38 334</b>
Grant commitments	11 089	6 798	-	-	-	-	11 089	6 798
Impairment allowances	(73)	(74)	-	-	-	-	(73)	(74)
<b>Total net grant commitments</b>	<b>11 016</b>	<b>6 724</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 016</b>	<b>6 724</b>
<b>Total off-balance items and contingent liabilities</b>	<b>410 807</b>	<b>391 427</b>	<b>36 640</b>	<b>9 829</b>	<b>3 304</b>	<b>4 495</b>	<b>450 751</b>	<b>405 751</b>
Impairment allowances	(28 606)	(28 792)	(3 814)	(882)	(2 046)	(2 827)	(34 466)	(32 501)
<b>Total net off-balance items and contingent liabilities</b>	<b>382 201</b>	<b>362 635</b>	<b>32 826</b>	<b>8 947</b>	<b>1 258</b>	<b>1 668</b>	<b>416 285</b>	<b>373 250</b>

\* Includes net impairment allowances of EUR 3,009 thousand covered by Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2021 annual report. In the distribution of the 2021 profit, it will be directly attributed to the Portfolio Loss Reserve, thus the 2021 result which will be allocated to Reserves will improve. Additional information available in Note 22.

## 3 Risk Management (cont'd)

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

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

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>As at 31 December 2020 (audited)</b>	<b>6 967</b>	<b>3 506</b>	<b>10 240</b>	<b>20 713</b>	<b>274 294</b>	<b>32 012</b>	<b>27 675</b>	<b>333 981</b>
Movements with impact on credit loss allowance charge for the period:								
Transfers between stages:								
from Stage 1 to Stage 2	(1 828)	3 088	-	1 260	(37 783)	39 185	-	1 402
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(113)	(25)	1 590	1 452	(4 337)	(785)	4 917	(205)
from Stage 3 to Stage 2	-	77	(713)	(636)	-	2 682	(3 083)	(401)
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	80	(225)	(19)	(164)	5 311	(5 906)	(80)	(675)
New originated or purchased	1 136	360	532	2 028	55 800	4 609	1 872	62 281
Derecognised during the period	(645)	(376)	(766)	(1 787)	(22 317)	(1 834)	(3 327)	(27 478)
Changes to ECL measurement model assumptions (PD, LGD)	640	(116)	1 041	1 565	-	-	-	-
Changes to ECL measurement model assumptions (macroeconomic factors)	(2 749)	(1 483)	11	(4 221)	-	-	-	-
Other movements	991 *	-	-	991	(1)	-	-	(1)
<b>Total movements with impact on credit loss allowance charge for the period:</b>	<b>(2 488)</b>	<b>1 300</b>	<b>1 676</b>	<b>488</b>	<b>(3 327)</b>	<b>37 951</b>	<b>299</b>	<b>34 923</b>
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(1 079)	(1 079)	-	-	(1 079)	(1 079)
Foreign exchange gains and losses and other movements	-	-	-	-	-	-	-	-
Change of outstanding balance **	(934)	(381)	(664)	(1 979)	(14 102)	(2 872)	(2 178)	(19 152)
<b>Total movements without impact on credit loss allowance charge for the period:</b>	<b>(934)</b>	<b>(381)</b>	<b>(1 743)</b>	<b>(3 058)</b>	<b>(14 102)</b>	<b>(2 872)</b>	<b>(3 257)</b>	<b>(20 231)</b>
<b>As at 31 December 2021 (unaudited)</b>	<b>3 545</b>	<b>4 425</b>	<b>10 173</b>	<b>18 143</b>	<b>256 865</b>	<b>67 091</b>	<b>24 717</b>	<b>348 673</b>

\* The impairment overlay represents an additional loss reserve for SME and Midcaps portfolio

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

## 3 Risk Management (cont'd)

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

Changes in the Group's / Company's credit loss allowance and gross carrying amount for 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 2020 (audited)</b>	<b>27 769</b>	<b>817</b>	<b>2 827</b>	<b>31 413</b>	<b>348 115</b>	<b>6 995</b>	<b>4 495</b>	<b>359 605</b>
Movements with impact on credit loss allowance charge for the period:								
Transfers between stages:								
from Stage 1 to Stage 2	(2 783)	2 925	-	142	(26 664)	23 970	-	(2 694)
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(80)	(58)	843	705	(1 139)	(311)	1 224	(226)
from Stage 3 to Stage 2	176	(300)	-	(124)	2 952	(2 660)	-	292
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	(6)	(6)	-	6	(6)	-
New originated or purchased	7 663	334	-	7 997	109 979	5 504	-	115 483
Derecognised during the period	(2 896)	(15)	(841)	(3 752)	(48 232)	(166)	(1 336)	(49 734)
Changes to ECL measurement model assumptions (PD, LGD)	(38)	(15)	(122)	(175)	-	-	-	-
Changes to ECL measurement model assumptions (macroeconomic factors)	(97)	(26)	11	(112)	-	-	-	-
Other movements	918	-	(650)	268	(524)	-	(1 043)	(1 567)
<b>Total movements with impact on credit loss allowance charge for the period:</b>	<b>2 863</b>	<b>2 845</b>	<b>(765)</b>	<b>4 943</b>	<b>36 372</b>	<b>26 343</b>	<b>(1 161)</b>	<b>61 554</b>
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	-	-	-	-	-
Change of outstanding balance *	(2 544)	(157)	(52)	(2 753)	(6 499)	(453)	(117)	(7 069)
<b>Total movements without impact on credit loss allowance charge for the period:</b>	<b>(2 544)</b>	<b>(157)</b>	<b>(52)</b>	<b>(2 753)</b>	<b>(6 499)</b>	<b>(453)</b>	<b>(117)</b>	<b>(7 069)</b>
<b>As at 31 December 2021 (unaudited)</b>	<b>28 088</b>	<b>3 505</b>	<b>2 010</b>	<b>33 603</b>	<b>377 988</b>	<b>32 885</b>	<b>3 217</b>	<b>414 090</b>

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

The Group / Company has implemented forward-looking information in the measurement of expected credit losses. The forward-looking adjustment incorporates two economic scenarios with distinct economic consequences: a base case scenario which comprises most likely future economic development and a less likely adverse scenario. The GDP annual growth rates, which are derived from a combination of external macroeconomic forecasts and which are one of the key variables, are summarized below::

	2022	2023	2024
GDP annual growth rate, in %			
Base case scenario *	4.80	3.70	3.40
Adverse scenario **	2.50	3.40	3.40
<b>Weighted average ***</b>	<b>4.40</b>	<b>3.70</b>	<b>3.40</b>

\* The base case scenario combines two external scenarios: (i) The macroeconomic development scenario of the Ministry of Finance (published in the Latvian Economic Development Report on 20 December 2021), which projected GDP growth of 5.4% in 2022 and economic growth in the coming years, close to the average growth rate of 3.5% in 2023 and 3.4% in 2024, and (ii) the Bank of Latvia's forecast, published on 17 December 2021, projected GDP growth of 4.2% in 2022 and 4.0% in 2023. For each of the external scenarios - the Ministry of Finance and the Bank of Latvia - a 50% probability of occurrence of the scenario was applied.

\*\* Adverse scenario includes the forecast of the Ministry of Finance (published in the informative report "On Macroeconomic Indicators, Revenues and General Government Budget Balance Forecasts for 2022-2024" of 24 August 2021) - GDP growth rates in 2022 were forecast will decrease to 2.5% per year, while in the coming years economic growth will be close to the average development rate - 3.4% in 2023 and 2024.

\*\*\* The base case scenario was weighted at 80% and the negative scenario at 20%. The GDP growth rate forecast for 2022 is used to calculate the 12-month GDP, while the GDP growth rate forecast for 2022-2024 is used to calculate the lifetime GDP.

Changes in the forecasts of macroeconomic indicators were the determining factor in the decrease in credit loss allowance, which resulted in a decrease in credit loss allowance for loans in the amount of EUR 4,221 thousand, in amount of EUR 658 thousand for loan commitments and in the amount of EUR 112 thousand for liabilities for issued financial guarantees.

## 3 Risk Management (cont'd)

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

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

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
Performing	326 852	313 856	326 852	313 856
Past due up to 30 days	10 540	9 339	10 540	9 339
Past due from 31 to 60 days	2 346	445	2 346	445
Past due from 61 to 90 days	727	217	727	217
Past due over 90 days	8 208	10 124	8 208	10 124
<b>Total gross loans, without interest accrued on the loans</b>	<b>348 673</b>	<b>333 981</b>	<b>348 673</b>	<b>333 981</b>
Impairment allowances	(18 143)	(20 713)	(18 143)	(20 713)
<b>Total net loans</b>	<b>330 530</b>	<b>313 268</b>	<b>330 530</b>	<b>313 268</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 :

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
Real estate (loans)	189 991	178 614	189 991	178 614
Real estate (leaseback)	32 993	30 536	32 993	30 536
Movable property	43 239	52 619	43 239	52 619
Guarantees	4 974	3 048	4 974	3 048
<b>Total collateral</b>	<b>271 197</b>	<b>264 817</b>	<b>271 197</b>	<b>264 817</b>
Loan portfolio, gross *	348 673	333 981	348 673	333 981
Impairment allowances	(18 143)	(20 713)	(18 143)	(20 713)
Loan portfolio, net	330 530	313 268	330 530	313 268
<b>Exposed</b>	<b>17.95%</b>	<b>15.47%</b>	<b>17.95%</b>	<b>15.47%</b>

\* includes loans in amount of EUR 116,238 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).

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

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
<b>Assets exposed to credit risk</b>				
Due from credit institutions and the Treasury	455 006	359 949	455 006	359 949
Financial assets at fair value through other comprehensive income - investment securities	14 051	36 958	14 051	36 958
Financial assets at amortised cost:				
Investment securities	37	441	37	441
Loans and receivables	330 530	313 268	330 530	313 268
Grants	45 397	31 107	45 397	31 107
Other investments	8 936	7 503	8 936	7 503
Investments in associates	60 643	47 988	60 643	47 988
Other assets	3 242	3 671	3 242	3 636
<b>Total</b>	<b>917 842</b>	<b>800 885</b>	<b>917 842</b>	<b>800 850</b>
<b>Off-balance sheet items exposed to credit risk</b>				
Contingent liabilities (Note 21)	414 090	359 605	414 090	359 605
Financial commitments (Note 21)	145 816	178 073	161 276	188 488
<b>Total</b>	<b>559 906</b>	<b>537 678</b>	<b>575 366</b>	<b>548 093</b>

## 3 Risk Management (cont'd)

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

As at 31 December 2021, part of the Group's / Company's assets in amount of EUR 152,296 thousand (31 December 2020: EUR 124,087 thousand) were pledged. Detailed information on the Group's / Company's outstanding loan agreement as at 31 December 2021 is provided in Note 18 and Note 19.

Article 37 of the Law on State Budget 2021 provides that guarantees issued by Altum in amount of EUR 270 000 thousand is backed by the state according to Agriculture and Rural Development Law and Development Finance Institution Law. Actual amount of issued guarantees as at 31 December 2021 was EUR 268,256 thousand (31 December 2020: EUR 251,701 thousand).

### (2) Liquidity Risk

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

	Up to 1 year *	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	Total
Due to credit institutions	13 443	39 997	-	-	-	53 440
Due to general governments	6 547	30 634	31 219	18 781	36 605	123 786
Issued debt securities	854	87 623	-	-	-	88 477
Support programme funding **	2 895	62 750	129 047	27 087	10 613	232 392
Other liabilities	3 000	840	-	-	-	3 840
<b>Total financial liabilities</b>	<b>26 739</b>	<b>221 844</b>	<b>160 266</b>	<b>45 868</b>	<b>47 218</b>	<b>501 935</b>
Off-balance sheet items and contingent liabilities	343 676	71 910	144 320	-	-	559 906
<b>Total financial liabilities, off-balance items and contingent liabilities ***</b>	<b>370 415</b>	<b>293 754</b>	<b>304 586</b>	<b>45 868</b>	<b>47 218</b>	<b>1 061 841</b>
Due from credit institutions and the Treasury	455 006	-	-	-	-	455 006
Investment securities	3 592	10 496	-	-	-	14 088
<b>Liquid assets</b>	<b>458 598</b>	<b>10 496</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>469 094</b>

\* According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Group 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 Group's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 31 December 2021 and supporting analysis is presented in table below.

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

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



## 3 Risk Management (cont'd)

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

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

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Total up to 1 year
Due to credit institutions	-	4 381	3 750	5 312	13 443
Due to general governments	84	354	2 531	3 578	6 547
Issued debt securities	-	505	-	349	854
Support programme funding	77	-	-	2 818	2 895
Other liabilities	2 983	8	-	9	3 000
<b>Total financial liabilities</b>	<b>3 144</b>	<b>5 248</b>	<b>6 281</b>	<b>12 066</b>	<b>26 739</b>
Off-balance sheet items and contingent liabilities *	298 699	13 392	22 368	9 217	343 676
<b>Total financial liabilities, off-balance items and contingent liabilities</b>	<b>301 843</b>	<b>18 640</b>	<b>28 649</b>	<b>21 283</b>	<b>370 415</b>
Due from credit institutions and the Treasury	455 006	-	-	-	455 006
Investment securities	1 072	-	-	2 520	3 592
<b>Liquid assets</b>	<b>456 078</b>	<b>-</b>	<b>-</b>	<b>2 520</b>	<b>458 598</b>

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

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

Outstanding financial guarantees in amount of EUR 261,231 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 20) and Specific reserve capital (see Note 22). Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses.

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

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

Commitments to investments in associates in amount of EUR 7,793 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 20).

Commitments to AIF "Altum capital fund" in amount of EUR 32,125 thousand (up to 1 year) – from specific reserve capital (see Note 22) and additional funding from shareholders expected in 2021.

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

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

## 3 Risk Management (cont'd)

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

Maturity profile of the Group's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 31 December 2020, in thousands of euro:

	Up to 1 year *	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	Total
Due to credit institutions	12 468	53 399	-	-	-	65 867
Due to general governments	311	4 741	9 544	-	89 553	104 149
Issued debt securities	824	68 107	-	-	-	68 931
Support programme funding **	3 444	46 655	63 006	26 521	52 337	191 963
Other liabilities	1 718	1 170	-	13	-	2 901
<b>Total financial liabilities</b>	<b>18 765</b>	<b>174 072</b>	<b>72 550</b>	<b>26 534</b>	<b>141 890</b>	<b>433 811</b>
Off-balance sheet items and contingent liabilities	349 731	171 663	16 284	-	-	537 678
<b>Total financial liabilities, off-balance items and contingent liabilities ***</b>	<b>368 496</b>	<b>345 735</b>	<b>88 834</b>	<b>26 534</b>	<b>141 890</b>	<b>971 489</b>
Due from credit institutions and the Treasury	359 949	-	-	-	-	359 949
Investment securities	22 991	14 408	-	-	-	37 399
<b>Liquid assets</b>	<b>382 940</b>	<b>14 408</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>397 348</b>

\* According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Group has been classified within maturity "Up to 1 year". 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 Group's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 31 December 2020 and supporting analysis is presented in table below.

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

\*\*\* Since part of off-balance sheet items and contingent liabilities is backed by funding recognized as financial liabilities, EUR 49,053 thousand are included in both the Group's financial liabilities and the Group's off-balance sheet items and contingent liabilities.

## 3 Risk Management (cont'd)

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

Maturity profile of the Group's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 31 December 2020, 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	-	4 378	-	8 090	12 468
Due to general governments	123	-	140	48	311
Issued debt securities	-	564	260	-	824
Support programme funding	3 444	-	-	-	3 444
Other liabilities	1 693	-	-	25	1 718
<b>Total financial liabilities</b>	<b>5 260</b>	<b>4 942</b>	<b>400</b>	<b>8 163</b>	<b>18 765</b>
Off-balance sheet items and contingent liabilities *	286 738	13 777	14 532	34 684	349 731
<b>Total financial liabilities, off-balance items and contingent liabilities</b>	<b>291 998</b>	<b>18 719</b>	<b>14 932</b>	<b>42 847</b>	<b>368 496</b>
Due from credit institutions and the Treasury	359 949	-	-	-	359 949
Investment securities	2 090	20 436	-	465	22 991
<b>Liquid assets</b>	<b>362 039</b>	<b>20 436</b>	<b>-</b>	<b>465</b>	<b>382 940</b>

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

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

Outstanding financial guarantees in amount of EUR 359,605 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 20) and Specific reserve capital (see Note 22). Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses.

Loan commitments in amount of EUR 39,348 thousand (up to 1 year) – from financial facilities (either received by the Group or available to the Group 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 6,798 thousand (up to 1 year) – from respective grant support programme funding (see Note 20).

Commitments to investments in associates in amount of EUR 7,639 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 46,117 thousand (up to 1 year) – from specific reserve capital (see Note 22) and additional funding from shareholders expected in 2021.

Commitments to other investments in amount of EUR 9,235 thousand (up to 1 year) – for Baltic Innovation Fund 2 from support programme funding and repayments on different support programmes (see Note 20) and the Group's / Company's own funding for Three Seas Initiatives Investment Fund.

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

## 3 Risk Management (cont'd)

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

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

	Up to 1 year *	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	Total
Due to credit institutions	13 443	39 997	-	-	-	53 440
Due to general governments	6 547	30 634	31 219	18 781	36 605	123 786
Issued debt securities	854	87 623	-	-	-	88 477
Support programme funding **	2 895	62 750	129 047	27 087	10 613	232 392
Other liabilities	3 000	840	-	-	-	3 840
<b>Total financial liabilities</b>	<b>26 739</b>	<b>221 844</b>	<b>160 266</b>	<b>45 868</b>	<b>47 218</b>	<b>501 935</b>
Off-balance sheet items and contingent liabilities	349 860	79 640	145 866	-	-	575 366
<b>Total financial liabilities, off-balance items and contingent liabilities ***</b>	<b>376 599</b>	<b>301 484</b>	<b>306 132</b>	<b>45 868</b>	<b>47 218</b>	<b>1 077 301</b>
Due from credit institutions and the Treasury	455 006	-	-	-	-	455 006
Investment securities	3 592	10 496	-	-	-	14 088
<b>Liquid assets</b>	<b>458 598</b>	<b>10 496</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>469 094</b>

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

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

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

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

## 3 Risk Management (cont'd)

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

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

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Total up to 1 year
Due to credit institutions	-	4 381	3 750	5 312	13 443
Due to general governments	84	354	2 531	3 578	6 547
Issued debt securities	-	505	-	349	854
Support programme funding	77	-	-	2 818	2 895
Other liabilities	2 983	8	-	9	3 000
<b>Total financial liabilities</b>	<b>3 144</b>	<b>5 248</b>	<b>6 281</b>	<b>12 066</b>	<b>26 739</b>
Off-balance sheet items and contingent liabilities *	298 830	14 010	23 605	13 415	349 860
<b>Total financial liabilities, off-balance items and contingent liabilities</b>	<b>301 974</b>	<b>19 258</b>	<b>29 886</b>	<b>25 481</b>	<b>376 599</b>
Due from credit institutions and the Treasury	455 006	-	-	-	455 006
Investment securities	1 072	-	-	2 520	3 592
<b>Liquid assets</b>	<b>456 078</b>	<b>-</b>	<b>-</b>	<b>2 520</b>	<b>458 598</b>

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

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

Outstanding financial guarantees in amount of EUR 261,231 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 20) and Specific reserve capital (see Note 22). Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses.

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

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

Commitments to investments in subsidiaries in amount of EUR 6,184 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 20).

Commitments to investments in associates in amount of EUR 7,793 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 20).

Commitments to AIF "Altum capital fund" in amount of EUR 32,125 thousand (up to 1 year) – from specific reserve capital (see Note 22) and additional funding from shareholders expected in 2021.

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

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

## 3 Risk Management (cont'd)

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

Maturity profile of the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 31 December 2020, in thousands of euro:

	Up to 1 year *	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	Total
Due to credit institutions	12 468	53 399	-	-	-	65 867
Due to general governments	311	4 741	9 544	-	89 553	104 149
Issued debt securities	824	68 107	-	-	-	68 931
Support programme funding **	3 444	46 655	63 006	26 521	52 337	191 963
Other liabilities	1 718	1 170	-	13	-	2 901
<b>Total financial liabilities</b>	<b>18 765</b>	<b>174 072</b>	<b>72 550</b>	<b>26 534</b>	<b>141 890</b>	<b>433 811</b>
Off-balance sheet items and contingent liabilities	353 898	176 870	17 325	-	-	548 093
<b>Total financial liabilities, off-balance items and contingent liabilities ***</b>	<b>372 663</b>	<b>350 942</b>	<b>89 875</b>	<b>26 534</b>	<b>141 890</b>	<b>981 904</b>
Due from credit institutions and the Treasury	359 949	-	-	-	-	359 949
Investment securities	22 991	14 408	-	-	-	37 399
<b>Liquid assets</b>	<b>382 940</b>	<b>14 408</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>397 348</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 2020 and supporting analysis is presented in table below.

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

\*\*\* Since part of off-balance sheet items and contingent liabilities is backed by funding recognized as financial liabilities, EUR 49,053 thousand are included in both the Company's financial liabilities and the Company's off-balance sheet items and contingent liabilities.

## 3 Risk Management (cont'd)

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

Maturity profile of the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 31 December 2020, 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	-	4 378	-	8 090	12 468
Due to general governments	123	-	140	48	311
Issued debt securities	-	564	260	-	824
Support programme funding	3 444	-	-	-	3 444
Other liabilities	1 693	-	-	25	1 718
<b>Total financial liabilities</b>	<b>5 260</b>	<b>4 942</b>	<b>400</b>	<b>8 163</b>	<b>18 765</b>
Off-balance sheet items and contingent liabilities *	287 155	14 194	15 365	37 184	353 898
<b>Total financial liabilities, off-balance items and contingent liabilities</b>	<b>292 415</b>	<b>19 136</b>	<b>15 765</b>	<b>45 347</b>	<b>372 663</b>
Due from credit institutions and the Treasury	359 949	-	-	-	359 949
Investment securities	2 090	20 436	-	465	22 991
<b>Liquid assets</b>	<b>362 039</b>	<b>20 436</b>	<b>-</b>	<b>465</b>	<b>382 940</b>

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

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

Outstanding financial guarantees in amount of EUR 359,605 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 20) and Specific reserve capital (see Note 22). Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses.

Loan commitments in amount of EUR 39,348 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 6,798 thousand (up to 1 year) – from respective grant support programme funding (see Note 20).

Commitments to investments in subsidiaries in amount of EUR 4,167 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 20).

Commitments to investments in associates in amount of EUR 7,639 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 46,117 thousand (up to 1 year) – from specific reserve capital (see Note 22) and additional funding from shareholders expected in 2021.

Commitments to other investments in amount of EUR 9,235 thousand (up to 1 year) – for Baltic Innovation Fund 2 from support programme funding and repayments on different support programmes (see Note 20) and the Group's / Company's own funding for Three Seas Initiatives Investment Fund.

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



## 3 Risk Management (cont'd)

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

Breakdown of the Group's assets and liabilities by maturity profile as at 31 December 2021 based on the time remaining from the reporting date to their contractual maturity, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
<b>Assets</b>							
Due from credit institutions and the Treasury	455 006	-	-	-	-	-	455 006
Financial assets at fair value through profit or loss	-	-	-	-	-	7 144	7 144
Investment securities	1 072	-	-	2 520	10 496	-	14 088
Loans *	11 485	14 348	16 801	39 439	147 944	100 513	330 530
Grants	93	12 642	370	377	31 075	840	45 397
Deferred expense and accrued income	2 066	-	-	-	-	-	2 066
Other investments	-	-	-	-	-	8 936	8 936
Investments in associates	-	-	7 419	13 681	5 571	33 972	60 643
Investment property	-	-	-	-	-	46 164	46 164
Property, plant and equipment	-	-	-	-	-	4 570	4 570
Intangible assets	-	-	-	-	-	1 256	1 256
Other assets	1 004	96	279	1 306	557	-	3 242
<b>Total assets</b>	<b>470 726</b>	<b>27 086</b>	<b>24 869</b>	<b>57 323</b>	<b>195 643</b>	<b>203 395</b>	<b>979 042</b>
<b>Liabilities</b>							
Due to credit institutions	-	4 357	3 750	5 312	39 997	-	53 416
Due to general governments	-	354	2 374	3 448	29 949	85 223	121 348
Issued debt securities	-	505	-	59	84 994	-	85 558
Deferred income and accrued expense	186	401	418	2 153	2 492	823	6 473
Provisions	34 466	-	-	-	-	-	34 466
Support programme funding	77	-	-	2 818	62 750	166 747	232 392
Other liabilities	2 983	8	-	9	840	-	3 840
<b>Total liabilities</b>	<b>37 712</b>	<b>5 625</b>	<b>6 542</b>	<b>13 799</b>	<b>221 022</b>	<b>252 793</b>	<b>537 493</b>
<b>Net liquidity</b>	<b>433 014</b>	<b>21 461</b>	<b>18 327</b>	<b>43 524</b>	<b>(25 379)</b>	<b>(49 398)</b>	<b>441 549</b>

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

## 3 Risk Management (cont'd)

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

Breakdown of the Group's assets and liabilities by maturity profile as at 31 December 2020 based on the time remaining from the reporting date to their contractual maturity, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
<b>Assets</b>							
Due from credit institutions and the Treasury	359 949	-	-	-	-	-	359 949
Financial assets at fair value through profit or loss	-	-	-	-	-	5 425	5 425
Investment securities	2 090	20 436	-	465	14 408	-	37 399
Loans *	10 563	13 112	16 717	35 212	152 416	85 248	313 268
Grants	64	66	18	7 121	18 524	5 314	31 107
Deferred expense and accrued income	1 521	-	-	-	-	-	1 521
Other investments	-	-	-	-	-	7 503	7 503
Investments in associates	-	-	7 587	16 375	5 366	18 660	47 988
Investment property	-	-	-	-	-	36 758	36 758
Property, plant and equipment	-	-	-	-	-	4 717	4 717
Intangible assets	-	-	-	-	-	1 398	1 398
Other assets	971	208	81	259	2 117	35	3 671
<b>Total assets</b>	<b>375 158</b>	<b>33 822</b>	<b>24 403</b>	<b>59 432</b>	<b>192 831</b>	<b>165 058</b>	<b>850 704</b>
<b>Liabilities</b>							
Due to credit institutions	-	4 367	-	8 090	53 398	-	65 855
Due to general governments	-	-	-	-	4 422	99 098	103 520
Issued debt securities	-	484	(2)	53	64 987	-	65 522
Deferred income and accrued expense	488	357	401	967	2 916	719	5 848
Provisions	32 501	-	-	-	-	-	32 501
Support programme funding	3 444	-	-	-	46 655	141 864	191 963
Other liabilities	1 693	-	-	25	1 170	13	2 901
<b>Total liabilities</b>	<b>38 126</b>	<b>5 208</b>	<b>399</b>	<b>9 135</b>	<b>173 548</b>	<b>241 694</b>	<b>468 110</b>
<b>Net liquidity</b>	<b>337 032</b>	<b>28 614</b>	<b>24 004</b>	<b>50 297</b>	<b>19 283</b>	<b>(76 636)</b>	<b>382 594</b>

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

## 3 Risk Management (cont'd)

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

Breakdown of the Company's assets and liabilities by maturity profile as at 31 December 2021 based on the time remaining from the reporting date to their contractual maturity, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
<b>Assets</b>							
Due from credit institutions and the Treasury	455 006	-	-	-	-	-	455 006
Investment securities	1 072	-	-	2 520	10 496	-	14 088
Loans *	11 485	14 348	16 801	39 439	147 944	100 513	330 530
Grants	93	12 642	370	377	31 075	840	45 397
Deferred expense and accrued income	2 066	-	-	-	-	-	2 066
Other investments	-	-	-	-	-	8 936	8 936
Investments in associates	-	-	7 419	13 681	5 571	33 972	60 643
Investments in subsidiaries	-	-	-	-	3 154	3 409	6 563
Investment property	-	-	-	-	-	46 164	46 164
Property, plant and equipment	-	-	-	-	-	4 570	4 570
Intangible assets	-	-	-	-	-	1 256	1 256
Other assets	1 004	96	279	1 306	557	-	3 242
<b>Total assets</b>	<b>470 726</b>	<b>27 086</b>	<b>24 869</b>	<b>57 323</b>	<b>198 797</b>	<b>199 660</b>	<b>978 461</b>
<b>Liabilities</b>							
Due to credit institutions	-	4 357	3 750	5 312	39 997	-	53 416
Due to general governments	-	354	2 374	3 448	29 949	85 223	121 348
Issued debt securities	-	505	(2)	59	84 996	-	85 558
Deferred income and accrued expense	186	401	418	2 233	2 492	823	6 553
Provisions	34 466	-	-	-	-	-	34 466
Support programme funding	77	-	-	2 818	62 750	166 747	232 392
Other liabilities	2 983	8	-	9	840	-	3 840
<b>Total liabilities</b>	<b>37 712</b>	<b>5 625</b>	<b>6 540</b>	<b>13 879</b>	<b>221 024</b>	<b>252 793</b>	<b>537 573</b>
<b>Net liquidity</b>	<b>433 014</b>	<b>21 461</b>	<b>18 329</b>	<b>43 444</b>	<b>(22 227)</b>	<b>(53 133)</b>	<b>440 888</b>

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

## 3 Risk Management (cont'd)

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

Breakdown of the Company's assets and liabilities by maturity profile as at 31 December 2020 based on the time remaining from the reporting date to their contractual maturity, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
<b>Assets</b>							
Due from credit institutions and the Treasury	359 949	-	-	-	-	-	359 949
Investment securities	2 090	20 436	-	465	14 408	-	37 399
Loans *	10 563	13 112	16 717	35 212	152 416	85 248	313 268
Grants	64	66	18	7 121	18 524	5 314	31 107
Deferred expense and accrued income	1 521	-	-	-	-	-	1 521
Other investments	-	-	-	-	-	7 503	7 503
Investments in associates	-	-	7 587	16 375	5 366	18 660	47 988
Investments in subsidiaries	-	-	-	-	-	4 879	4 879
Investment property	-	-	-	-	-	36 758	36 758
Property, plant and equipment	-	-	-	-	-	4 717	4 717
Intangible assets	-	-	-	-	-	1 398	1 398
Other assets	971	208	81	259	2 117	-	3 636
<b>Total assets</b>	<b>375 158</b>	<b>33 822</b>	<b>24 403</b>	<b>59 432</b>	<b>192 831</b>	<b>164 477</b>	<b>850 123</b>
<b>Liabilities</b>							
Due to credit institutions	-	4 367	-	8 090	53 398	-	65 855
Due to general governments	-	-	-	-	4 422	99 098	103 520
Issued debt securities	-	484	(2)	53	64 987	-	65 522
Deferred income and accrued expense	488	357	401	967	2 916	799	5 928
Provisions	32 501	-	-	-	-	-	32 501
Support programme funding	3 444	-	-	-	46 655	141 864	191 963
Other liabilities	1 693	-	-	25	1 170	13	2 901
<b>Total liabilities</b>	<b>38 126</b>	<b>5 208</b>	<b>399</b>	<b>9 135</b>	<b>173 548</b>	<b>241 774</b>	<b>468 190</b>
<b>Net liquidity</b>	<b>337 032</b>	<b>28 614</b>	<b>24 004</b>	<b>50 297</b>	<b>19 283</b>	<b>(77 297)</b>	<b>381 933</b>

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

## 3 Risk Management (cont'd)

### (3) Covid-19 impact

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

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

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

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

Analysis of the Group's / Company's loan portfolio by client segments as at 31 December 2020, in thousands of euro:

	Stage 1		Stage 2		Stage 3		Total gross loans	Total impairment allowance
	Gross loans	Impairment allowance	Gross loans	Impairment allowance	Gross loans	Impairment allowance		
Financial Intermediaries	1 245	10	-	-	638	351	1 883	361
Agriculture	107 189	841	10 258	300	6 863	1 491	124 310	2 632
SME and Midcaps	129 745	5 755	21 007	3 195	17 509	7 443	168 261	16 393
of which,								
Covid-19 crisis related working capital loans	60 665	1 984	3 569	219	326	155	64 560	2 358
Daily loan products	69 081	3 771	17 438	2 976	17 183	7 288	103 702	14 035
Private individuals	5 224	34	490	10	2 311	953	8 025	997
Land Fund	30 889	17	256	-	355	2	31 500	19
<b>Total segments, gross</b>	<b>274 292</b>	<b>6 657</b>	<b>32 011</b>	<b>3 505</b>	<b>27 676</b>	<b>10 240</b>	<b>333 979</b>	<b>20 402</b>
Impairment overlay *	-	309	-	-	-	-	-	309
<b>Total segments, net</b>	<b>274 292</b>	<b>6 966</b>	<b>32 011</b>	<b>3 505</b>	<b>27 676</b>	<b>10 240</b>	<b>333 979</b>	<b>20 711</b>

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

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

## 3 Risk Management (cont'd)

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

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

Split of specific Covid-19 related support instrument - working capital loans – portfolio for the SME and Midcap client segment by industries as at 31 December 2021, in thousands euro:

	Gross loans	Changes to 31.12.2020.	Granted in 2021 12M	Granted in 2020 12M	Impairment allowance	Changes to 31.12.2020.	Net loans	% of Total Gross loans, SME & Midcap
Covid-19 more exposed industries								
Retail	4 195	(519)	1 768	4 714	309	122	3 886	2.4%
Hotels and restaurants	2 821	(577)	600	3 398	207	110	2 614	1.6%
Tourism services	2 572	(80)	521	2 652	262	198	2 310	1.5%
Land transport services	2 040	901	1 625	1 139	75	46	1 965	1.2%
Art, entertainment and leisure	1 591	997	1 518	594	142	130	1 449	0.9%
Beauty	100	100	100	-	5	5	95	0.1%
<b>Total Covid-19 more exposed industries</b>	<b>13 319</b>	<b>822</b>	<b>6 132</b>	<b>12 497</b>	<b>1 000</b>	<b>611</b>	<b>12 319</b>	<b>7.6%</b>
Covid-19 less exposed industries								
Manufacturing	14 877	(4 655)	5 596	19 532	1 013	274	13 864	8.5%
Wholesale	10 778	(2 400)	1 771	13 178	934	444	9 844	6.2%
Construction	7 855	1 798	2 906	6 057	762	408	7 093	4.5%
Transport, warehousing and communications	3 091	(511)	1 040	3 602	170	60	2 921	1.8%
Information technologies and communication	2 383	(139)	640	2 522	55	2	2 328	1.4%
Professional, science and technical services	1 861	(434)	547	2 295	73	(7)	1 788	1.1%
Forestry	1 432	(570)	218	2 002	94	31	1 338	0.8%
Municipal authorities	899	144	305	755	35	19	864	0.5%
Electricity, gas and water utilities	490	58	100	432	14	4	476	0.3%
Real estate	457	(1 003)	34	1 460	17	(33)	440	0.3%
Health and social care	158	(5)	45	163	4	1	154	0.1%
Other industries	1 232	1 167	310	65	34	33	1 198	0.7%
<b>Total Covid-19 less exposed industries</b>	<b>45 513</b>	<b>(6 550)</b>	<b>13 512</b>	<b>52 063</b>	<b>3 205</b>	<b>1 236</b>	<b>42 308</b>	<b>26.0%</b>
<b>Total Covid-19 crisis related working capital loans</b>	<b>58 832</b>	<b>(5 728)</b>	<b>19 644</b>	<b>64 560</b>	<b>4 205</b>	<b>1 847</b>	<b>54 627</b>	<b>33.6%</b>

### 3 Risk Management (cont'd)

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

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

Split of daily (ordinary) loan product portfolio for the SME and Midcap client segment by industries as at 31 December 2021, in thousands euro:

	Gross loans	Changes to 31.12.2020.	Granted in 2021 12M	Granted in 2020 12M	Impairment allowance	Changes to 31.12.2020.	Net loans	% of Total Gross loans, SME & Midcap
Covid-19 more exposed industries								
Hotels and restaurants	4 600	(124)	1 947	1 021	335	(263)	4 265	2.6%
Retail	1 879	(47)	604	194	110	(268)	1 769	1.1%
Land transport services	1 841	(173)	598	398	295	159	1 546	1.1%
Art, entertainment and leisure	644	297	55	116	251	190	393	0.4%
Beauty and sports	535	(175)	264	71	21	(234)	514	0.3%
Tourism services	333	-	-	-	106	19	227	0.2%
<b>Total Covid-19 more exposed industries</b>	<b>9 832</b>	<b>(222)</b>	<b>3 468</b>	<b>1 800</b>	<b>1 118</b>	<b>(397)</b>	<b>8 714</b>	<b>5.6%</b>
Covid-19 less exposed industries								
Manufacturing	52 497	3 895	20 815	9 075	4 094	(2 668)	48 403	30.0%
Real estate	13 230	3 389	5 387	1 657	1 947	(141)	11 283	7.6%
Wholesale	7 389	850	3 008	1 474	557	(313)	6 832	4.2%
Electricity, gas and water utilities	5 738	1 150	2 420	3 005	188	90	5 550	3.3%
Municipal authorities	5 662	(558)	596	366	852	(143)	4 810	3.2%
Health and social care	5 038	722	1 577	711	20	(494)	5 018	2.9%
Construction	4 332	1 112	2 344	1 592	213	(41)	4 119	2.5%
Forestry	3 053	(607)	1 143	810	36	(214)	3 017	1.7%
Professional, science and technical services	2 691	239	1 320	910	54	(33)	2 637	1.5%
Fishery	2 084	437	761	281	119	(27)	1 965	1.2%
Transport, warehousing and communications	1 190	507	792	121	191	5	999	0.7%
Information technologies and communication	576	25	196	91	64	20	512	0.3%
Other industries	2 926	1 597	1 648	479	185	(40)	2 741	1.7%
<b>Total Covid-19 less exposed industries</b>	<b>106 406</b>	<b>12 758</b>	<b>42 007</b>	<b>20 572</b>	<b>8 520</b>	<b>(3 999)</b>	<b>97 886</b>	<b>60.8%</b>
<b>Total daily (ordinary) loan products</b>	<b>116 238</b>	<b>12 536</b>	<b>45 475</b>	<b>22 372</b>	<b>9 638</b>	<b>(4 396)</b>	<b>106 600</b>	<b>66.4%</b>

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

Manufacturing industry. In the reporting period, the growth of manufacturing enterprises has generally continued. Given the constraints on the entertainment, catering, tourism and other services sectors, public consumption trends have been significantly affected and most of the revenue is spent on various goods. The sub-sector that is experiencing the sharpest fluctuations is wood processing, as in 2021 the trend of the second half of 2020 will continue with rapidly rising sales prices, and profit indicators will increase accordingly. However, the availability of raw materials in connection with the economic sanctions against Belarus, as well as the possible sharp decline in the price of products on the basis of demand adjustments, poses additional risks to companies in the sector. The sufficiently good results of the manufacturing industry in 2021 are also shown by the macroeconomic indicators - the output of exported goods continues to increase in almost all sub-sectors. Therefore, it can be concluded that the negative impact of Covid-19 on the operations of the companies in the sector has been insignificant. In the second half of 2021, however, negative trends were observed in connection with the sharp rise in energy prices, which may affect the financial results of some energy-intensive sub-sectors in 2021.

The second largest sector in terms of loan portfolio is real estate operations. The real estate portfolios, where the hotel business is located, were the most affected - due to travel restrictions, the flow of visitors to the region has almost stopped. It is too early to judge the recovery of this segment, and much will depend on the pace of vaccination and the overall success of controlling the virus. The second most significantly affected segment is shopping centers. Restrictions on trade, social distancing, and the boom in e-commerce have had a significant impact on the financial performance of shopping centers, with a large number of tenants requesting rent rebates, but the proportion of vacant space in some centers increasing. In the office segment –

## 3 Risk Management (cont'd)

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

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

most office workers have had to work remotely and many still work from home on a daily basis, so the need for offices in the future has become relevant in the real estate industry. The impact of the Covid-19 crisis on the industry as a whole has been moderate, with negative effects being felt for companies that did not diversify their tenant portfolios by industry. For example, rental space was mostly leased to beauty, retail customers, hotels, in this example landlords had to reduce rents or look for other tenants, thus suffering from the effects of Covid-19. However, the problems for entrepreneurs who had tenants in various industries in their portfolios are relatively minimal and could not significantly affect the customer's solvency. The warehousing segment is better off during the pandemic, as the volume of goods delivered has increased significantly due to the boom in e-commerce. At the same time, the requirements of buyers to ensure the speed of delivery of goods create additional demand for warehouse space.

The third largest sector in terms of loan portfolio is wholesale. In the wholesale sector, as in the manufacturing sector, the impact of the Covid-19 crisis has varied across sub-sectors. For example, wholesalers of various raw materials and equipment have closed 2020 with very good results, and they have been able to improve their performance due to the growth of the manufacturing sector in 2021 as well. Timber wholesalers have been less successful, having had to cope with the fall in demand caused by BREXIT in addition to the disruption of logistics chains caused by Covid-19. However, at the end of 2020, a large number of timber wholesalers had found new outlets in Asia and were able to close the year without significant losses due to rising global timber prices. This trend will continue in 2021, but the challenges for the industry are similar to those for the woodworking industry. The reporting period was slightly more successful for fuel and fuel traders as they were able to take advantage of the positive effects of rising prices, but overall the industry has not fully recovered from the losses caused by the Covid-19 crisis in 2020 and rising prices could have a negative impact on demand in the long run. On the positive side, most companies in this sector have sufficiently high equity ratios and owners with the ability to support companies financially. In the retail segment, the reporting period was challenging for all sub-sectors except pharmaceuticals, food and household goods. Due to store restrictions, many retailers of clothing, footwear, cosmetics, jewellery and other product groups have major challenges covering their day-to-day expenses and selling existing inventory to renew their range.

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

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

	Stage 1		Stage 2		Stage 3		Total outstanding guarantees	Total impairment allowance
	Outstanding guarantees	Impairment allowance	Outstanding guarantees	Impairment allowance	Outstanding guarantees	Impairment allowance		
Agriculture	11 479	1 587	1 209	148	10	6	12 698	1 741
SME and Midcaps	163 415	10 166	31 383	3 331	3 018	1 823	197 816	15 320
of which,								
Covid-19 crisis related guarantees *	10 874	1 047	16 775	2 018	212	124	27 861	3 189
Daily guarantees products	152 542	9 119	14 609	1 313	2 806	1 700	169 957	12 132
Private individuals	203 094	16 335	293	26	189	181	203 576	16 542
<b>Total segments, gross</b>	<b>377 988</b>	<b>28 088</b>	<b>32 885</b>	<b>3 505</b>	<b>3 217</b>	<b>2 010</b>	<b>414 090</b>	<b>33 603</b>

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

Analysis of the Group's / Company's guarantees portfolio by client segments as at 31 December 2020, 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	14 305	2 118	39	5	486	311	14 830	2 434
SME and Midcaps	178 094	12 124	6 761	775	3 879	2 389	188 734	15 288
of which,								
Covid-19 crisis related guarantees *	37 005	3 001	1 437	127	257	160	38 699	3 288
Daily guarantees products	141 089	9 123	5 324	649	3 622	2 229	150 035	12 001
Private individuals	155 717	13 528	194	36	130	127	156 041	13 691
<b>Total segments, gross</b>	<b>348 116</b>	<b>27 770</b>	<b>6 994</b>	<b>816</b>	<b>4 495</b>	<b>2 827</b>	<b>359 605</b>	<b>31 413</b>

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



## 3 Risk Management (cont'd)

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

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

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

Split of specific Covid-19 related support guarantee instruments for the SME and Midcap client segment guarantee portfolio by industries as at 31 December 2021, in thousands euro:

	Gross outstanding guarantees	Changes to 31.12.2020.	Issued in 2021 12M	Issued in 2020 12M	Impairment allowance	Changes to 31.12.2020.	Net outstanding guarantees	% of Total gross outstanding guarantees, SME & Midcap
<i>Covid-19 more exposed industries</i>								
Hotels and restaurants	5 160	(30)	-	5 190	650	10	4 510	2.6%
Passenger transport services	3 040	141	1 457	2 899	425	(64)	2 615	1.5%
Retail	996	(1 876)	304	2 872	61	(29)	935	0.5%
Art, entertainment and leisure	352	268	-	84	31	22	321	0.2%
<b>Total Covid-19 more exposed industries</b>	<b>9 548</b>	<b>(1 497)</b>	<b>1 761</b>	<b>11 045</b>	<b>1 167</b>	<b>(61)</b>	<b>8 381</b>	<b>4.8%</b>
<i>Covid-19 less exposed industries</i>								
Manufacturing	7 559	(3 712)	2 794	11 270	632	(78)	6 927	3.8%
Wholesale	7 130	(1 753)	4 735	8 882	957	46	6 173	3.6%
Municipal authorities	1 961	(2 417)	1 352	4 378	285	69	1 676	1.0%
Construction	790	40	-	750	39	13	751	0.4%
Forestry	372	(75)	-	447	55	(3)	317	0.2%
Electricity, gas and water utilities	239	(219)	-	458	27	(20)	212	0.1%
Health and social care	221	(280)	-	500	20	8	201	0.1%
Information technologies and communication	41	(22)	32	63	7	6	34	0.0%
Real estate	-	(366)	-	366	-	(41)	-	0.0%
Other industries	-	(539)	-	539	-	(39)	-	0.0%
<b>Total Covid-19 less exposed industries</b>	<b>18 313</b>	<b>(9 343)</b>	<b>8 913</b>	<b>27 653</b>	<b>2 022</b>	<b>(39)</b>	<b>16 291</b>	<b>9.3%</b>
<b>Total specific COVID-19 related guarantee products *</b>	<b>27 861</b>	<b>(10 840)</b>	<b>10 674</b>	<b>38 698</b>	<b>3 189</b>	<b>(100)</b>	<b>24 672</b>	<b>14.1%</b>

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

## 3 Risk Management (cont'd)

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

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

Split of daily (ordinary) guarantee product portfolio of the SME and Midcap client segment by industries as at 31 December 2021, in thousands euro:

	Gross outstanding guarantees	Changes to 31.12.2020.	Issued in 2021 12M	Issued in 2020 12M	Impairment allowance	Changes to 31.12.2020.	Net outstanding guarantees	% of Total gross outstanding guarantees, SME & Midcap
<b>Covid-19 more exposed industries</b>								
Retail	5 660	(58)	1 766	917	689	242	4 970	2.9%
Passenger transport services	1 226	950	441	-	23	2	1 203	0.6%
Hotels and restaurants	523	(341)	45	-	61	(37)	462	0.3%
Art, entertainment and leisure	299	(6)	182	96	24	3	275	0.2%
<b>Total Covid-19 more exposed industries</b>	<b>7 708</b>	<b>545</b>	<b>2 434</b>	<b>1 013</b>	<b>797</b>	<b>210</b>	<b>6 910</b>	<b>3.9%</b>
<b>Covid-19 less exposed industries</b>								
Manufacturing	55 936	9 827	20 713	12 365	4 080	302	51 856	28.3%
Wholesale	43 225	10 481	13 921	12 060	1 909	172	41 316	21.9%
Construction	31 244	(3 162)	5 361	8 288	2 235	(1 236)	29 009	15.8%
Forestry	8 972	461	1 977	5 891	378	(137)	8 594	4.5%
Transport, warehousing and communications	6 374	3 729	396	612	550	213	5 823	3.2%
Real estate	5 026	1 253	1 704	869	407	233	4 619	2.5%
Professional, science and technical services	4 539	(709)	1 242	2 788	314	6	4 224	2.3%
Information technologies and communication	2 856	9	1 059	201	153	3	2 703	1.4%
Municipal authorities	2 172	62	1 006	405	223	(26)	1 949	1.1%
Electricity, gas and water utilities	808	(2 144)	386	280	35	(486)	773	0.4%
Health and social care	594	(109)	164	100	63	(12)	531	0.3%
Other industries	504	(322)	89	179	32	(63)	471	0.3%
<b>Total Covid-19 less exposed industries</b>	<b>162 250</b>	<b>19 376</b>	<b>48 018</b>	<b>44 038</b>	<b>10 379</b>	<b>(1 031)</b>	<b>151 868</b>	<b>82.0%</b>
<b>Total daily (ordinary) guarantee products</b>	<b>169 958</b>	<b>19 921</b>	<b>50 452</b>	<b>45 051</b>	<b>11 176</b>	<b>(821)</b>	<b>158 778</b>	<b>85.9%</b>

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

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

Manufacturing industry. In the reporting period, the growth of manufacturing enterprises has generally continued. Given the constraints on the entertainment, catering, tourism and other services sectors, public consumption trends have been significantly affected and most of the revenue is spent on various goods. The sub-sector that is experiencing the sharpest fluctuations is wood processing, as in 2021 the trend of the second half of 2020 will continue with rapidly rising sales prices, and profit indicators will increase accordingly. However, the availability of raw materials in connection with the economic sanctions against Belarus, as well as the possible sharp decline in the price of products on the basis of demand adjustments, poses additional risks to companies in the sector. The sufficiently good results of the manufacturing industry in 2021 are also shown by the macroeconomic indicators - the output of exported goods continues to increase in almost all sub-sectors. Therefore, it can be concluded that the negative impact of Covid-19 on the operations of the companies in the sector has been insignificant. In the second half of 2021, however, negative trends were observed in connection with the sharp rise in energy prices, which may affect the financial results of some energy-intensive sub-sectors in 2021.

The second largest sector in terms of loan portfolio is wholesale. In the wholesale sector, as in the manufacturing sector, the impact of the Covid-19 crisis has varied across sub-sectors. For example, wholesalers of various raw materials and equipment have closed 2020 with very good results, and they have been able to improve their performance due to the growth of the manufacturing sector in 2021 as well. Timber wholesalers have been less successful, having had to cope with the fall in demand

caused by BREXIT in addition to the disruption of logistics chains caused by Covid-19. However, at the end of 2020, a large number of timber wholesalers had found new outlets in Asia and were able to close the year without significant losses due to rising global timber prices. This trend will continue in 2021, but the challenges for the industry are similar to those for the

## 3 Risk Management (cont'd)

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

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

woodworking industry. The reporting period was slightly more successful for fuel and fuel traders as they were able to take advantage of the positive effects of rising prices, but overall the industry has not fully recovered from the losses caused by the Covid-19 crisis in 2020 and rising prices could have a negative impact on demand in the long run. On the positive side, most companies in this sector have sufficiently high equity ratios and owners with the ability to support companies financially. In the retail segment, the reporting period was challenging for all sub-sectors except pharmaceuticals, food and household goods. Due to store restrictions, many retailers of clothing, footwear, cosmetics, jewellery and other product groups have major challenges covering their day-to-day expenses and selling existing inventory to renew their range.

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

## 4 Interest income

All amounts in thousands of euro

	Group 01.01.2021.- 31.12.2021. (unaudited)	Group 01.01.2020.- 31.12.2020. (unaudited)	Company 01.01.2021.- 31.12.2021. (unaudited)	Company 01.01.2020.- 31.12.2020. (unaudited)
Interest on loans and guarantees	18 475	14 777	18 475	14 777
Interest on securities at fair value	370	1 628	370	1 628
Interest on securities at amortised cost	12	22	12	22
Other interest income	-	15	-	15
<b>Total interest income</b>	<b>18 857</b>	<b>16 442</b>	<b>18 857</b>	<b>16 442</b>

The Group's / Company's sub-item Interest income on loans and guarantees does not include interest income from loans and premium income on issued guarantees as well as commissions which, in accordance with the program agreements concluded with the Ministry of Economics, stipulates that the funding allocated by the Ministry of Economics (recognized in balance sheet item Support Programs Funding) must be increased by the respective program income. Accordingly, this type of income is not recognized as interest income, but is recognized as an increase in Support Programs Funding which in the 12 months of 2021 amounts to EUR 1,280 thousand (12 months of 2020: EUR 965 thousand).

## 5 Interest expense

All amounts in thousands of euro

	Group 01.01.2021.- 31.12.2021. (unaudited)	Group 01.01.2020.- 31.12.2020. (unaudited)	Company 01.01.2021.- 31.12.2021. (unaudited)	Company 01.01.2020.- 31.12.2020. (unaudited)
Interest on balances due to credit institutions	760	585	760	585
Interest on issued debt securities	844	745	844	745
Allocation of state support programmes' profit to support programme funding *	504	503	504	503
Other commission expense	32	37	32	37
<b>Total interest expense</b>	<b>2 140</b>	<b>1 870</b>	<b>2 140</b>	<b>1 870</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 Group / Company and the Ministry of Economics by increasing public funding given by the Ministry of Economics (recognised as Support programme funding in the Balance sheet).

## 6 Income for implementation of state support programmes

All amounts in thousands of euro

	Group 01.01.2021.- 31.12.2021. (unaudited)	Group 01.01.2020.- 31.12.2020. (unaudited)	Company 01.01.2021.- 31.12.2021. (unaudited)	Company 01.01.2020.- 31.12.2020. (unaudited)
Compensation of expenses for management of state support programmes	2 088	2 183	2 088	2 183
Compensation of venture capital fund management fees	1 711	3 447	2 983	3 447
Compensation of expenses for management of state support programmes of the previous years	316	602	316	602
Compensation of expenses of capital congestion	331	294	331	294
<b>Total income from implementation of state support programmes</b>	<b>4 446</b>	<b>6 526</b>	<b>5 718</b>	<b>6 526</b>

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

All amounts in thousands of euro

	Group 01.01.2021.- 31.12.2021. (unaudited)	Group 01.01.2020.- 31.12.2020. (unaudited)	Company 01.01.2021.- 31.12.2021. (unaudited)	Company 01.01.2020.- 31.12.2020. (unaudited)
Compensated staff costs	1 675	1 813	1 675	1 813
Compensated administrative expense	413	370	413	370
Compensated venture capital fund management fees	1 741	3 767	3 013	3 767
<b>Total compensated expense for implementation of state support programmes</b>	<b>3 829</b>	<b>5 950</b>	<b>5 101</b>	<b>5 950</b>

## 8 Other income

All amounts in thousands of euro

	Group 01.01.2021.- 31.12.2021. (unaudited)	Group 01.01.2020.- 31.12.2020. (unaudited)	Company 01.01.2021.- 31.12.2021. (unaudited)	Company 01.01.2020.- 31.12.2020. (unaudited)
Income from lease payments for operating leases	1 393	1 046	1 393	1 046
Income from payments for financial leases	5	324	5	324
Profit from investment property revaluation	804	738	804	738
Profit from sale of investment property	191	27	191	27
Profit from sale of repossessed collateral	8	18	8	18
Other commission income	22	20	22	20
Income from management of the AIF "Altum capital fund"	620	269	620	269
Other operating income	178	611	178	611
<b>Total other income</b>	<b>3 221</b>	<b>3 053</b>	<b>3 221</b>	<b>3 053</b>

## 9 Other expense

All amounts in thousands of euro

	Group 01.01.2021.- 31.12.2021. (unaudited)	Group 01.01.2020.- 31.12.2020. (unaudited)	Company 01.01.2021.- 31.12.2021. (unaudited)	Company 01.01.2020.- 31.12.2020. (unaudited)
Maintenance and service costs of Land Fund	330	400	330	400
Debt collection costs	167	159	167	159
Maintenance costs of repossessed collateral	1	3	1	3
Revaluation of repossessed collateral	-	26	-	26
Depreciation of right-of-use assets	145	138	145	138
Commission expense on investments in securities	92	91	92	91
AIF "Altum capital fund" management costs	620	247	620	247
Loss from investments in subsidiaries	-	-	-	80
Other commission expense	2	1	2	1
<b>Total other expense</b>	<b>1 357</b>	<b>1 065</b>	<b>1 357</b>	<b>1 145</b>

## 10 Impairment losses, net

All amounts in thousands of euro

	Group 01.01.2021.- 31.12.2021. (unaudited)	Group 01.01.2020.- 31.12.2020. (unaudited)	Company 01.01.2021.- 31.12.2021. (unaudited)	Company 01.01.2020.- 31.12.2020. (unaudited)
Impairment losses on:	13 907	17 089	13 907	17 009
Loans, net	7 523	8 585	7 523	8 585
impairment losses	6 072	9 440	6 072	9 440
impairment losses covered by Portfolio Loss Reserve	3 559	2 785	3 559	2 785
impairment losses covered by Risk Coverage Reserve	(2 108)	(3 640)	(2 108)	(3 640)
Disbursed guarantee compensations	-	-	-	-
impairment losses	-	57	-	57
impairment losses covered by Portfolio Loss Reserve	-	-	-	-
impairment losses covered by risk coverage reserve	-	(57)	-	(57)
Grants	199	-	199	169
impairment losses	199	-	199	169
impairment losses covered by Portfolio Loss Reserve	-	-	-	-
Other assets	479	80	479	-
Financial assets related to loan agreements	107	137	107	137
Guarantees, net	4 735	6 484	4 735	6 484
impairment losses	13 230	10 399	13 230	10 399
impairment losses covered by Portfolio Loss Reserve	2 841	4 043	2 841	4 043
impairment losses covered by Risk Coverage Reserve	(11 336)	(7 958)	(11 336)	(7 958)
Loan commitments, net	792	1 564	792	1 564
impairment losses	1 116	1 162	1 116	1 162
impairment losses covered by Portfolio Loss Reserve	239	791	239	791
impairment losses covered by Risk Coverage Reserve	(563)	(389)	(563)	(389)
Grant commitments	72	70	72	70
Reversal of impairment on:	(13 746)	(12 721)	(13 746)	(12 721)
Loans, net	(8 037)	(6 349)	(8 037)	(6 348)
reversal of impairment	(10 114)	(7 705)	(10 114)	(7 704)
reversal of impairment covered by Portfolio Loss Reserve	(1 881)	(426)	(1 881)	(426)
reversal of impairment covered by Risk Coverage Reserve	3 958	1 782	3 958	1 782
Disbursed guarantee compensations	(59)	(188)	(59)	(188)
reversal of impairment	(83)	(323)	(83)	(323)
reversal of impairment covered by Portfolio Loss Reserve	(3)	-	(3)	-
reversal of impairment covered by Risk Coverage Reserve	27	135	27	135
Grants	(101)	(5)	(101)	(5)
Other assets	(13)	(358)	(13)	(358)
Due from credit institutions and the Treasury	-	(2)	-	(2)
Financial assets related to loan agreements	(15)	(60)	(15)	(60)
Debt securities	(16)	(177)	(16)	(177)
Guarantees, net	(4 943)	(4 565)	(4 943)	(4 566)
reversal of impairment	(11 407)	(13 059)	(11 407)	(13 060)
reversal of impairment covered by Portfolio Loss Reserve	(1 509)	-	(1 509)	-
reversal of impairment covered by Risk Coverage Reserve	7 973	8 494	7 973	8 494
Loan commitments, net	(547)	(1 010)	(547)	(1 010)
reversal of impairment	(542)	(931)	(542)	(931)
reversal of impairment covered by Portfolio Loss Reserve	(162)	(467)	(162)	(467)
reversal of impairment covered by Risk Coverage Reserve	157	388	157	388
Grant commitments	(15)	(7)	(15)	(7)
Total impairment losses / (reversal), net	161	4 368	161	4 288
Recovery of loans written off in previous periods	(760)	(888)	(760)	(888)
<b>Total impairment losses and (income) from recovery of loans written-off</b>	<b>(599)</b>	<b>3 480</b>	<b>(599)</b>	<b>3 400</b>

Additional information Including on impairment allowances covered by Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2021 annual report available in Note 3.1.

## 11 Due from credit institutions and the Treasury

All amounts in thousands of euro

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
Due from credit institutions and State Treasury	455 007	359 949	455 007	359 949
<i>cash and cash equivalent</i>	<i>455 007</i>	<i>359 949</i>	<i>455 007</i>	<i>359 949</i>
Impairment allowances	(1)	-	(1)	-
<b>Net due from credit institutions and State Treasury</b>	<b>455 006</b>	<b>359 949</b>	<b>455 006</b>	<b>359 949</b>

Placing the funds within the Treasury of the Republic of Latvia and credit institutions, the external credit ratings assigned to these credit institutions are evaluated. The evaluation of the credit institutions not having been assigned individual ratings is based on the ratings assigned to their parent banks as well as their financial and operational assessments. Once the contracts have been concluded, the Group / Company monitors the credit institutions and follows that the assigned limits comply with credit risk assessment. All balances due from credit institutions and State Treasury represent Stage 1 for the ECL calculation purposes. There were no changes in staging during the reporting period.

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

Ratings	Aaa	Aa1-Aa3	A1-A3	Baa1-Baa3	Ba1-Ba3	B1-B3	Caa-C	Withdrawn rating (WR)	Total
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	3 965	336 739	9 561	9 684	-	-	-	359 949
<b>Total gross as at 31 December 2020 (audited)</b>	<b>-</b>	<b>3 965</b>	<b>336 739</b>	<b>9 561</b>	<b>9 684</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>359 949</b>
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	-	437 249	17 757	-	-	-	-	455 006
<b>Total gross as at 31 December 2021 (unaudited)</b>	<b>-</b>	<b>-</b>	<b>437 249</b>	<b>17 757</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>455 006</b>

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

Ratings	Aaa	Aa1-Aa3	A1-A3	Baa1-Baa3	Ba1-Ba3	B1-B3	Caa-C	Withdrawn rating (WR)	Total
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	3 965	336 739	9 561	9 684	-	-	-	359 949
<b>Total gross as at 31 December 2020 (audited)</b>	<b>-</b>	<b>3 965</b>	<b>336 739</b>	<b>9 561</b>	<b>9 684</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>359 949</b>
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	-	437 249	17 757	-	-	-	-	455 006
<b>Total gross as at 31 December 2021 (unaudited)</b>	<b>-</b>	<b>-</b>	<b>437 249</b>	<b>17 757</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>455 006</b>

As at 31 December 2021, the Group / Company held accounts with 4 banks and the Treasury of the Republic of Latvia. The average interest rate on balances of position *Due from credit institutions and the Treasury* as at 31 December 2021 was -0.01% (31 December 2020: 0%).

## 12 Investments in Associates

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

Company or venture capital fund generation	Country of incorporation	Equity of venture capital fund		Carrying Amount	
		31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)
The 1st generation VCFs	LV	-	-	-	-
The 2nd generation VCFs	LV	16 752	19 652	12 125	12 953
The 3rd generation VCFs	LV	11 870	16 974	12 490	16 376
The 4th generation VCFs	LV	12 604	6 459	7 808	3 640
AIF "Altum capital fund" *	LV	19 008	138	14 998	-
Baltic Innovation Fund *	LU	85 544	79 570	13 222	15 019
<b>Total investments in associates</b>		<b>145 778</b>	<b>122 793</b>	<b>60 643</b>	<b>47 988</b>

\* Investments in Associates are stated under the equity method, except for investments in Baltic Innovation Fund and AIF "Altum capital fund" that are valued using the FVTPL method.

As at 31 December 2021 the total venture capital funds' portfolio value at cost value was EUR 85,973 thousand (31 December 2020: EUR 73,165 thousand).

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

	Investments in venture capital funds		Investments in AIF "Altum capital fund"		Investments in Baltic Innovation Fund		Total	
	01.01.2021.- 31.12.2021. (unaudited)	01.01.2020.- 31.12.2020. (unaudited)	01.01.2021.- 31.12.2021. (unaudited)	01.01.2020.- 31.12.2020. (unaudited)	01.01.2021.- 31.12.2021. (unaudited)	01.01.2020.- 31.12.2020. (unaudited)	01.01.2021.- 31.12.2021. (unaudited)	01.01.2020.- 31.12.2020. (unaudited)
Carrying amount at the beginning of period	32 969	38 442	-	-	15 019	13 851	47 988	52 293
Invested	4 324	1 546	14 871	-	2 377	3 129	21 572	4 675
Refunded	(8 049)	(6 196)	(282)	-	(7 168)	(2 499)	(15 499)	(8 695)
Reclassified (increase of support programme funding, see Note 20)	1 568	-	-	-	-	-	1 568	-
Received realised gain on exit	1 415	1 271	-	-	177	250	1 592	1 521
Share of net gain / (loss) of investment in associate *	196 **	(2 094)	409	-	-	-	605	(2 094)
Loss from investment in associate at fair value through profit or loss	-	-	-	-	2 817	288	2 817	288
<b>Net carrying amount at the period ended at 31 December (audited)</b>	<b>32 423</b>	<b>32 969</b>	<b>14 998</b>	<b>-</b>	<b>13 222</b>	<b>15 019</b>	<b>60 643</b>	<b>47 988</b>

\* includes mezzanine interest received, realized gain / (loss) on exit and changes in revaluation of investment.

\*\* includes share of loss from investments in the Three Seas Initiatives Investment Fund in amount of EUR 52 thousand and the Group's / Company's share of profit in AIF "Altum capital fund" in amount of EUR 5 thousand.

The Group's / Company's share of gain of investment in associate, in thousands of euro:

	Investments in VCF		Investments in AIF "Altum capital fund"		Investments in BIF		Total	
	01.01.2021.- 31.12.2021. (unaudited)	01.01.2020.- 31.12.2020. (unaudited)	01.01.2021.- 31.12.2021. (unaudited)	01.01.2020.- 31.12.2020. (unaudited)	01.01.2021.- 31.12.2021. (unaudited)	01.01.2020.- 31.12.2020. (unaudited)	01.01.2021.- 31.12.2021. (unaudited)	01.01.2020.- 31.12.2020. (unaudited)
Net income / (expenses) other than portfolio profit / (loss)	(133)	607	(121)	(186)	2 187	288	2 563	709
Net profit from revaluation of investments in associates and other investments	(67)	(607)	126	-	-	-	193	(607)
<b>Total</b>	<b>(66)</b>	<b>-</b>	<b>5</b>	<b>(186)</b>	<b>2 817</b>	<b>288</b>	<b>2 756</b>	<b>102</b>



## 12 Investments in Associates (cont'd)

In the twelve months of 2021, the Group's / Company's expenses included:

- Management fees for the 2nd and 3rd generation venture capital funds amounted EUR 522 thousand (12 months of 2020: EUR 888 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the 4th generation venture capital funds amounted EUR 834 thousand (12 months of 2020: EUR 807 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the Baltic Innovation Fund amounted EUR 198 thousand (12 months of 2020: EUR 191 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the AIF "Altum capital fund" amounted EUR 404 thousand (12 months of 2020: EUR 207 thousand) (see Note 22).

Part of disbursements made into the 4th generation venture capital funds are classified as Investments in subsidiaries (detailed information is available in Note 1) and management fees of such funds amounted EUR 1 261 thousand (12 months of 2020: EUR 1 317 thousand) which were compensated from the Risk Coverage reserve (see Note 20).

## 13 Other Investments

All amounts in thousands of euro

	Group 31.12.2021. (unaudited)	Group 31.12.2020. (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020. (audited)
Baltic Innovation Fund 2	1 982	806	1 982	806
Three Seas Initiatives Investment Fund	6 954	6 697	6 954	6 697
<b>Total other investments</b>	<b>8 936</b>	<b>7 503</b>	<b>8 936</b>	<b>7 503</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 Group / Company signed agreement on BIF 2 on 16 August 2019. The total capital committed by the Group / 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 Group / Company signed the subscription agreement on 16 September 2020. The total capital committed by the Group / Company to the Three Seas Initiative Investment Fund is EUR 20,000 thousand thus arriving at the ownership rate of 2.17% on 31 December 2021 (31 December 2020: 3.57%) of the total committed capital the Three Seas Initiative Investment Fund (31 December 2021: EUR 923,000 thousand, 31 December 2020: EUR 560,000 thousand).

In the twelve months of 2021, the Group's / Company's expenses included:

- Management fees for the Baltic Innovation Fund II amounted EUR 169 thousand (12 months of 2020: EUR 0) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the Three Seas Initiatives Investment Fund amounted EUR 255 thousand (12 months of 2020: 0) which were compensated from the risk coverage reserve.

## 14 Loans

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

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

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
SME and Midcaps	175 070	168 262	175 070	168 262
Agriculture	132 556	124 297	132 556	124 297
Private individuals	6 513	8 025	6 513	8 025
Financial Intermediaries	1 535	1 897	1 535	1 897
Land Fund	32 999	31 500	32 999	31 500
<b>Total gross loans</b>	<b>348 673</b>	<b>333 981</b>	<b>348 673</b>	<b>333 981</b>
Impairment allowances	(18 143)	(20 713)	(18 143)	(20 713)
<b>Total net loans</b>	<b>330 530</b>	<b>313 268</b>	<b>330 530</b>	<b>313 268</b>

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

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
Agriculture and forestry	170 808	155 682	170 808	155 682
Manufacturing	67 635	67 807	67 635	67 807
Retail and wholesale	24 241	32 378	24 241	32 378
Construction	13 719	10 273	13 719	10 273
Real estate	12 238	9 328	12 238	9 328
Municipal authorities	8 843	8 328	8 843	8 328
Hotels and restaurants	7 498	8 214	7 498	8 214
Transport, warehousing and communications	6 856	5 227	6 856	5 227
Electricity, gas and water utilities	6 120	7 097	6 120	7 097
Health and social care	5 896	4 479	5 896	4 479
Professional, science and technical services	4 914	4 878	4 914	4 878
Information technologies and communication	2 959	3 073	2 959	3 073
Fishing	2 084	1 647	2 084	1 647
Other industries	8 344	7 545	8 344	7 545
Private individuals	6 518	8 025	6 518	8 025
<b>Total gross loans</b>	<b>348 673</b>	<b>333 981</b>	<b>348 673</b>	<b>333 981</b>
Impairment allowances	(18 143)	(20 713)	(18 143)	(20 713)
<b>Total net loans</b>	<b>330 530</b>	<b>313 268</b>	<b>330 530</b>	<b>313 268</b>

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

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
Number of customers	42	36	42	36
Total credit exposure of customers (EUR '000)	67 623	62 821	67 623	62 821
Percentage of total gross portfolio of loans	19.39%	18.81%	19.39%	18.81%

## 14 Loans (cont'd)

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

	Group 01.01.2021.- 31.12.2021. (unaudited)	Group 01.01.2020.- 31.12.2020. (audited)	Company 01.01.2021.- 31.12.2021. (unaudited)	Company 01.01.2020.- 31.12.2020. (audited)
Impairment allowances at the beginning of the period	20 713	20 283	20 713	20 283
Increase in impairment allowances (Note 10)	9 631	11 331	9 631	11 331
Decrease in impairment allowances (Note 10)	(11 995)	(8 130)	(11 995)	(8 130)
Write-off of loans	(1 080)	(3 665)	(1 080)	(3 665)
Reclassification (increase of impairment allowances due to changes in off-balance sheet and balance sheet)	874	894	874	894
Currency change	-	-	-	-
<b>Impairment allowances at the end of the period ended 31 December (audited)</b>	<b>18 143</b>	<b>20 713</b>	<b>18 143</b>	<b>20 713</b>
Group's / Company's share of impairment allowances	9 334	11 860	9 334	11 860
Impairment allowances covered by Portfolio Loss Reserve	4 144	2 359	4 144	2 359
Impairment allowances covered by Risk Coverage Reserve	4 665	6 494	4 665	6 494

As at 31 December 2021 the average annual interest rate for the loan portfolio of the Group / Company was 4.05% (31 December 2020: 4.05%).

## 15 Grants

All amounts in thousands of euro

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
Energy Efficiency Programme for Multi-apartment Buildings	43 153	30 053	43 153	30 053
Social Entrepreneurship Programme	1 290	1 065	1 290	1 065
Grants for development of energy efficiency projects	41	-	41	-
Housing grant programme "Balsts"	1 042	164	1 042	164
Grants for private house renovation	167	-	167	-
Grants for cultural industry support programme *	36	-	36	-
<b>Total grants, gross</b>	<b>45 729</b>	<b>31 282</b>	<b>45 729</b>	<b>31 282</b>
Impairment allowances	(332)	(175)	(332)	(175)
<b>Total grants, net</b>	<b>45 397</b>	<b>31 107</b>	<b>45 397</b>	<b>31 107</b>

\* Combined financial instrument.

## 15 Grants (cont'd)

Movement in the Group's / Company's net book value of grants in twelve months of 2021, in thousands of euro:

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
<b>Carrying amount</b>				
Carrying amount at the beginning of period	31 107	17 198	31 107	17 198
Changes	14 622	14 084	14 622	14 084
Carrying amount at the end of period ended 31 December	45 729	31 282	45 729	31 282
<b>Impairment allowances</b>				
At the beginning of period	(175)	(12)	(175)	(12)
Changes	(215)	(163)	(215)	(163)
Reclassification (increase of impairment allowances due to changes in off-balance sheet and balance sheet)	58	-	58	-
At the end of period ended 31 December	(332)	(175)	(332)	(175)
<b>Grants net book at the beginning of the period (unaudited)</b>	<b>30 932</b>	<b>17 186</b>	<b>30 932</b>	<b>17 186</b>
<b>Grants net book value at the end of the period ended 31 December (audited)</b>	<b>45 397</b>	<b>31 107</b>	<b>45 397</b>	<b>31 107</b>

## 16 Investment Properties

All amounts in thousands of euro

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
Carrying amount at the beginning of period	36 758	24 366	36 758	24 366
Acquired during the reporting period *	7 150	11 395	7 150	11 395
Recognized on termination of reverse leases	1 663	300	1 663	300
Disposals during the reporting period	(211)	(40)	(211)	(40)
Net gain from fair value adjustment	804	737	804	737
<b>Carrying amount at the end of the period</b>	<b>46 164</b>	<b>36 758</b>	<b>46 164</b>	<b>36 758</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 Group / 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.

Notes to the Financial statements

## 17 Other Assets

All amounts in thousands of euro

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
Financial assets	5 165	5 603	5 165	5 568
Other assets (repossessed collateral)	28	28	28	28
<b>Total other assets, gross</b>	<b>5 193</b>	<b>5 631</b>	<b>5 193</b>	<b>5 596</b>
Impairment allowances for financial assets	(1 951)	(1 960)	(1 951)	(1 960)
Group's / Company's share of provisions	(786)	(1 078)	(786)	(1 078)
Impairment allowances covered by Portfolio Loss Reserve	(186)	-	(186)	-
Provisions covered by risk coverage	(979)	(882)	(979)	(882)
<b>Total financial assets, net</b>	<b>3 214</b>	<b>3 643</b>	<b>3 214</b>	<b>3 608</b>
<b>Total other assets, net</b>	<b>3 242</b>	<b>3 671</b>	<b>3 242</b>	<b>3 636</b>

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

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

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
<b>Financial assets</b>				
At the beginning of period	1 624	280	3 699	5 603
Changes	(34)	590	(994)	(438)
As at 31 December 2021 (unaudited)	1 590	870	2 705	5 165
<b>Impairment provision</b>				
At the beginning of period	(1 624)	(169)	(167)	(1 960)
Changes in impairment allowances	34	(161)	136	9
As at 31 December 2021 (unaudited)	(1 590)	(330)	(31)	(1 951)
<b>Net book value at the beginning of period</b>	<b>-</b>	<b>111</b>	<b>3 532</b>	<b>3 643</b>
<b>Net book value as at 31 December 2021 (unaudited)</b>	<b>-</b>	<b>540</b>	<b>2 674</b>	<b>3 214</b>

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

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
<b>Financial assets</b>				
At the beginning of period	1 624	280	3 664	5 568
Changes	(34)	590	(959)	(403)
As at 31 December 2021 (unaudited)	1 590	870	2 705	5 165
<b>Impairment provision</b>				
At the beginning of period	(1 624)	(169)	(167)	(1 960)
Changes in impairment allowances	34	(161)	136	9
As at 31 December 2021 (unaudited)	(1 590)	(330)	(31)	(1 951)
<b>Net book value at the beginning of period</b>	<b>-</b>	<b>111</b>	<b>3 497</b>	<b>3 608</b>
<b>Net book value as at 31 December 2021 (unaudited)</b>	<b>-</b>	<b>540</b>	<b>2 674</b>	<b>3 214</b>

## 17 Other Assets (cont'd)

Movement in the Group's net book value of financial assets in twelve months of 2020, 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	2 361	164	3 571	6 096
Changes	(737)	116	128	(493)
As at 31 December (unaudited)	1 624	280	3 699	5 603
<b>Impairment provision</b>				
At the beginning of period	(2 361)	(142)	(525)	(3 028)
Changes in impairment allowances	737	(27)	358	1 068
As at 31 December 2020 (unaudited)	(1 624)	(169)	(167)	(1 960)
<b>Net book value at the beginning of period</b>	-	22	3 046	3 068
<b>Net book value as at 31 December 2021 (unaudited)</b>	-	111	3 532	3 643

Movement in the Company's net book value of financial assets in twelve months of 2020, 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	2 361	164	3 571	6 096
Changes	(737)	116	93	(528)
As at 31 December 2020 (unaudited)	1 624	280	3 664	5 568
<b>Impairment provision</b>				
At the beginning of period	(2 361)	(142)	(525)	(3 028)
Changes in impairment allowances	737	(27)	358	1 068
As at 31 December 2020 (unaudited)	(1 624)	(169)	(167)	(1 960)
<b>Net book value at the beginning of period</b>	-	22	3 046	3 068
<b>Net book value as at 31 December 2021 (unaudited)</b>	-	111	3 497	3 608

## 18 Due to Credit Institutions

All amounts in thousands of euro

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
Due to credit institutions registered in OECD countries	53 416	65 855	53 416	65 855
<b>Total due to credit institutions</b>	<b>53 416</b>	<b>65 855</b>	<b>53 416</b>	<b>65 855</b>

Balances due to credit institutions registered in the OECD countries include loan received by the Group/Company from the European Investment Bank (EIB) of EUR 53,416 thousand (31 December 2020: EUR 65,855 thousand), of which EUR 14 thousand constitutes accrued interest expenses (31 December 2020: EUR 22 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 December 2021 the principal amount of the loan EUR 12,153 thousand (31 December 2020: EUR 20,833 thousand), the accrued interest on the loan amounts to EUR 14 thousand (31 December 2020: EUR 22 thousand), the final repayment date 20 August 2024. The Ministry of Finance of the Republic of Latvia has issued a guarantee for the loan, as a collateral serves the commercial pledge to the right of the Company's claims. As at 31 December 2021, the amount of the secured claim was EUR 12,166 thousand (31 December 2020: EUR 20,855 thousand).

On July 8, 2020, Altum signed an agreement with the European Investment Bank for a loan of EUR 80,000 thousand to finance working capital loans to small and medium-sized enterprises affected by the Covid-19. As at 31 December 2021 the principal amount of the loan EUR 41,250 thousand (31 December 2020: EUR 45,000 thousand), the final repayment date 20 November 2025. As at 31 December 2021, according to the loan agreement the Company is available the financing in the amount of EUR 35,000 thousand. On 10 December 2021, Altum signed an agreement with the European Investment Bank for an additional loan of EUR 40,000 thousand to finance working capital loans to small and medium-sized enterprises affected by the

## 18 Due to Credit Institutions (cont'd)

Covid-19, the absorption of which had not been started until December 31, 2021. 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 December 2021, the average interest rate for the balances Due to credit institutions was 0.08% (31 December 2020: 0.11%).

## 19 Due to General Governments

All amounts in thousands of euro

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
Loans received from Rural Support Service	3 321	4 046	3 321	4 046
Loans received from the Treasury	118 027	99 474	118 027	99 474
<b>Total due to general governments</b>	<b>121 348</b>	<b>103 520</b>	<b>121 348</b>	<b>103 520</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 December 2021 the Group/Company liabilities to Rural Support Service consist of the principal amount of EUR 3,104 thousand (31 December 2020: EUR 3,829 thousand) and accrued interest – EUR 217 thousand (31 December 2020: EUR 217 thousand). The final repayment date is 31 December 2025. The loan from Rural Support Service is unsecured.

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

- Agricultural land acquisition programme: as at 31 December 2021 the principal amount of the loan EUR 69,077 thousand (31 December 2020: EUR 72,513 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 Group/Company under the programme. As at 31 December 2021, according to the loan agreement the Company is available the financing in the amount of EUR 30,923 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As at 31 December 2021, the amount of the secured claim was EUR 82,893 thousand (31 December 2020: EUR 72,514 thousand).
- SME development programme: as at 31 December 2021 the principal amount of the loan EUR 32,103 thousand (31 December 2020: EUR 17,040 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 Group/Company under the programme. As at 31 December 2021, according to the loan agreement the Company still is available the financing in the amount of EUR 22,897 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As at 31 December 2021, the amount of the secured claim was EUR 38,524 thousand (31 December 2020: EUR 20,449 thousand).
- Parallel loan programme: as at 31 December 2021 the principal amount of the loan EUR 4,600 thousand (31 December 2020: absorption had not started), 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 Group/Company under the programme. As at 31 December 2021, 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 December 2021, the amount of the secured claim was EUR 5,520 thousand.
- Programme of Small Loans for Rural Areas: as at 31 December 2021 the principal amount of the loan EUR 2,327 thousand, the final repayment date 31 January 2039. As a collateral serves the commercial pledge to the right of the Company's claims resulting from loans granted by the Group/Company under the programme. As at 31 December 2021, according to the loan agreement the Company still is available the financing in the amount of EUR 3,673 thousand, the size and pace of the drawdown the loan relates to the further volume of new loan transactions. As at 31 December 2021, the amount of the secured claim was EUR 2,792 thousand.

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

- Latvian Land Fund (the financing for the Fund's transactions): the loan amount has been used in 2020 and as at 31 December 2021 the principal amount of the loan EUR 9,919 thousand (31 December 2020: EUR 9,919 thousand), the final repayment date 29 December 2028. As a collateral serves the mortgage on the real estate purchased with the financing received under the loan. As at 31 December 2021, the amount of registered mortgage was EUR 10,400 thousand (31 December 2020: EUR 10,269 thousand).

As at 31 December 2021 the accrued interest on the loans received from the Treasury amounts to EUR 2,210 (31 December 2020: EUR 1,743).

The Company has also concluded the following loan agreements with the Treasury, the absorption of which has not been started until December 31, 2021:

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

Financial Instrument / Programme	Programme funding	Credit risk coverage	Provisions covered by risk coverage	Net programme funding
<b>Loans</b>				
ERDF II	1 805	1 655	(226)	1 579
ESF II	1 020	132	(51)	969
Microcredits of Swiss programme	82	82	(5)	77
ERDF I	122	24	(3)	119
ESF I	316	7	(2)	314
ERDF II (second round)	5 801	249	(39)	5 762
Incubators (from ESF II)	82	5	-	82
ERDF II 2 Public fund (programme closed)	226	-	-	226
Fund of Funds programme – Start-up loans	2 705	2 705	(226)	2 479
Fund of Funds programme – Microcredits	295	295	(13)	282
Fund of Funds programme – Parallel loans	4 298	4 298	(2 584)	1 714
Energy Efficiency Programme for Multi-apartment Buildings Loans	5 293	5 142	(11)	5 282
Start-up State Aid Cumulation Lending Programme	1 875	1 875	(269)	1 606
Other loans to start-ups	1 517	197	(49)	1 468
Mezzanine Programme – Loans	3 484	3 310	(1 046)	2 438
Guarantees and interest grants programme	4 269	4 269	-	4 269
SME energy efficiency loans	3 723	3 723	(350)	3 373
Parallel loans	2 000	2 000	(155)	1 845
Loans for enterprises in rural territories	7 810	1 709	(72)	7 738
Start-up loans to innovative entrepreneurs	1 500	300	(26)	1 474
Loans for improvement of Multi-apartment Buildings and their neighbourhood *	1 000	1 000	-	1 000
Energy Efficiency Programme for Multi-apartment Buildings Loans (II)	1 000	60	-	1 000
Cultural industry support programme **	2 717	-	-	2 717
<b>Total loans</b>	<b>52 940 ***</b>	<b>33 037</b>	<b>(5 127)</b>	<b>47 813</b>
<b>Guarantees</b>				
Fund of Funds programme - Guarantees	29 909	29 909	(6 183)	23 726
Energy Efficiency Programme for Multi-apartment Buildings Guarantees	8 294	7 985	(1 015)	7 279
Housing Guarantee Programme	21 377	21 377	(11 971)	9 406
Portfolio guarantees for renovation of private houses	502	502	-	502
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	7 753	7 753	(996)	6 757
Mezzanine Programme - Guarantees	892	847	(190)	702
Portfolio Guarantee Fund	3 913	3 446	(2 358)	1 555
Export guarantees	2 477	2 477	(636)	1 841
Study and student portfolio guarantees ****	549	-	-	549
Agricultural Guarantees	2 741	2 741	(1 020)	1 721
<b>Total guarantees</b>	<b>78 407</b>	<b>77 037</b>	<b>(24 369)</b>	<b>54 038</b>

\* Combined financial instrument.

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

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

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

## 20 Support programme funding (cont'd)

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

Financial Instrument / Programme	Programme funding	Credit risk coverage	Provisions covered by risk coverage	Net programme funding
<b>Grants</b>				
Energy Efficiency Programme for Multi-apartment Buildings Grants	48 826	-	-	48 826
Housing grant programme "Balsts"	7 350	-	-	7 350
Grants for renovation of private houses and energy efficiency improvement	1 872	-	-	1 872
Social Entrepreneurship Programme	1 849	-	-	1 849
Cultural industry support programme *****	1 849	-	-	1 849
<b>Total grants</b>	<b>61 746</b>	<b>-</b>	<b>-</b>	<b>61 746</b>
<b>Venture Capital Funds</b>				
Fund of Funds and venture capital funds	52 084	43 230	-	52 084
Investment Fund Activity	7 266	5 574	-	7 266
Baltic Innovation Fund	1 939	582	-	1 939
Baltic Innovation Fund II	2 166	650	-	2 166
<b>Total venture capital funds</b>	<b>63 455</b>	<b>50 036</b>	<b>-</b>	<b>63 455</b>
<b>Other Activities</b>				
Energy Efficiency Fund	3 888	-	-	3 888
Regional Creative Industries Alliance	-	-	-	-
<b>Total other activities</b>	<b>3 888</b>	<b>-</b>	<b>-</b>	<b>3 888</b>
Funding allocated to increase reserve capital *****	1 452	-	-	1 452
<b>Total support programme funding</b>	<b>261 888 *****</b>	<b>160 110</b>	<b>(29 496)</b>	<b>232 392</b>

\*\*\*\*\* Combined financial instrument.

\*\*\*\*\* It is expected that the financing will be transferred to the Group's reserve capital following the decision of the shareholders' meeting, which is planned in the 1st quarter of 2022.

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

## 20 Support programme funding (cont'd)

The Group's / Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Group's / Company's credit risk losses as at 31 December 2020, in thousands of euro:

Financial Instrument / Programme	Programme funding	Credit risk coverage	Provisions covered by risk coverage	Net programme funding
<b>Loans</b>				
ERDF II	2 038	1 866	(467)	1 571
ESF II	998	193	(86)	912
Microcredits of Swiss programme	3 456	268	(12)	3 444
ERDF I	116	99	(9)	107
ESF I	324	40	(31)	293
ERDF II (second round)	5 751	425	(75)	5 676
Incubators (from ESF II)	82	7	-	82
ERAF II 2 Public fund	285	58	(14)	271
Fund of Funds programme – Start-up loans	2 730	2 730	(314)	2 416
Fund of Funds programme – Microcredits	298	298	(26)	272
Fund of Funds programme – Parallel loans	3 861	3 861	(2 736)	1 125
Energy Efficiency Programme for Multi-apartment Buildings Loans	3 748	3 548	(42)	3 706
Start-up State Aid Cumulation Lending Programme	1 972	1 988	(266)	1 706
Other loans to start-ups	1 483	274	(67)	1 416
Mezzanine Programme – Loans	3 201	2 817	(2 352)	849
Guarantees and interest grants programme	4 251	4 251	-	4 251
SME energy efficiency loans	3 723	3 723	-	3 723
Parallel loans	2 000	2 000	(238)	1 762
Loans for enterprises in rural territories	7 810	1 709	(86)	7 724
Loans to Midcaps for mitigation of the COVID-19 effect	2 435	-	-	2 435
Start-up loans to innovative entrepreneurs	500	100	-	500
Loans for improvement of Multi-apartment Buildings and their neighbourhood *	-	-	-	-
Cultural industry support programme *	-	-	-	-
<b>Total loans</b>	<b>51 062 **</b>	<b>30 255</b>	<b>(6 821)</b>	<b>44 241</b>
<b>Guarantees</b>				
Fund of Funds programme - Guarantees	26 907	26 906	(6 288)	20 619
Energy Efficiency Programme for Multi-apartment Buildings Guarantees	6 217	5 875	(991)	5 226
Housing Guarantee Programme	14 005	14 005	(9 669)	4 336
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	7 753	7 753	(1 078)	6 675
Mezzanine Programme - Guarantees	1 190	1 047	(733)	457
Portfolio Guarantee Fund	4 005	3 685	(1 722)	2 283
Export guarantees	2 477	2 477	(571)	1 906
Study and student portfolio guarantees	77	-	-	77
Agricultural Guarantees	1 000	1 000	(324)	676
<b>Total guarantees</b>	<b>63 631</b>	<b>62 748</b>	<b>(21 376)</b>	<b>42 255</b>

\* Combined financial instrument.

\*\* Support programme funding includes funding that is planned to be reallocated to other support programmes. Funding is planned to be reallocated at the beginning of 2021.

## 20 Support programme funding (cont'd)

The Group's / Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Group's / Company's credit risk losses as at 31 December 2020, in thousands of euro (cont'd):

Financial Instrument / Programme	Programme funding	Credit risk coverage	Provisions covered by risk coverage	Net programme funding
<b>Grants</b>				
Energy Efficiency Programme for Multi-apartment Buildings Grants	40 538	-	-	40 538
Housing grant programme "Balsts"	3 266	-	-	3 266
Social Entrepreneurship Programme	1 564	-	-	1 564
Grants for development of energy efficiency projects	172	-	-	172
Cultural industry support programme *	-	-	-	-
<b>Total grants</b>	<b>45 540</b>	<b>-</b>	<b>-</b>	<b>45 540</b>
<b>Venture Capital Funds</b>				
Fund of Funds and venture capital funds	26 654	14 967	-	26 654
Investment Fund Activity	5 272	3 173	-	5 272
Baltic Innovation Fund	2 000	700	-	2 000
Baltic Innovation Fund II	2 359	724	-	2 359
<b>Total venture capital funds</b>	<b>36 285</b>	<b>19 564</b>	<b>-</b>	<b>36 285</b>
<b>Other Activities</b>				
Energy Efficiency Fund	433	-	-	433
Regional Creative Industries Alliance	-	-	-	-
<b>Total other activities</b>	<b>433</b>	<b>-</b>	<b>-</b>	<b>433</b>
Funding allocated to increase reserve capital ***	23 209	-	-	23 209
<b>Total support programme funding</b>	<b>220 160 ****</b>	<b>112 567</b>	<b>(28 197)</b>	<b>191 963</b>

\* Combined financial instrument.

\*\*\* In December 2020, the Ministry of Economics transferred financing in the amount of EUR 22,565 thousand to the program Loans and their interest rate subsidies to enterprises for the promotion of the competitiveness (Cabinet Regulation No. 677 of 10 November 2020 "Regulations on Loans and Their Interest Rate Subsidies to enterprises for the promotion of the competitiveness"). In December 2020, the Ministry of Education and Science transferred financing in the amount of EUR 644 thousand to the program of Study and Student lending for studies in Latvia from the funds of credit institutions guaranteed from the State budget (Cabinet Regulation No. 231 of 21 April 2020 "Regulations on Granting Study Loans and Student Loans from the Funds of Credit Institutions Guaranteed from the State Budget"). It is expected that the financing will be transferred to the Group's reserve capital following the decision of the shareholders' meeting, which is planned in the first quarter of 2021. Reserve capital of the Group / Company was increased by this amount in accordance with the decision of the General Meeting of Shareholders of the Group / Company of 22 March 2021.

\*\*\*\* Support programme funding contains EUR 21,921 thousand allocated for management costs of the Group / Company to be compensated from support programme funding.

## 20 Support programme funding (cont'd)

Movement in the Group's / Company's support programme funding in twelve months of 2021, 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
	31.12.2020.									31.12.2021.
<b>Loans</b>										
ERDF II	1 571	-	(293)	-	-	-	60	-	241	1 579
ESF II	912	-	-	-	-	-	29	(7)	35	969
Microcredits of Swiss programme	3 444	-	(3 374)	-	-	-	-	-	7	77
ERDF I	107	-	-	-	-	-	6	-	6	119
ESF I	293	-	-	-	-	-	21	(29)	29	314
ERDF II (second round)	5 676	-	-	-	-	-	39	11	36	5 762
Incubators (from ESF II)	82	-	-	-	-	-	-	-	-	82
ERAF II 2 Public fund	271	-	-	-	-	-	-	(59)	14	226
Fund of Funds programme – Start-up loans	2 416	-	-	-	-	-	-	(25)	88	2 479
Fund of Funds programme – Microcredits	272	-	-	-	-	-	-	(3)	13	282
Fund of Funds programme – Parallel loans	1 125	-	437	-	-	-	-	-	152	1 714
Energy Efficiency Programme for Multi-apartment Buildings – Loan Fund	3 706	4 500	(3 000)	-	(49)	-	94	-	31	5 282
Start-up State Aid Cumulation Lending Programme	1 706	-	-	-	-	-	-	(97)	(3)	1 606
Other loans to start-ups	1 416	-	-	-	(11)	-	35	10	18	1 468
Mezzanine Programme – Loans	849	-	207	-	(83)	-	158	-	1 307	2 438
Guarantees and interest grants programme	4 251	-	-	-	-	-	-	18	-	4 269
SME energy efficiency loans	3 723	-	-	-	-	-	-	-	(350)	3 373
Parallel loans	1 762	-	-	-	-	-	-	-	83	1 845
Loans for enterprises in rural territories	7 724	-	-	-	-	-	-	-	14	7 738
Loans to Midcaps	2 435	-	-	-	-	-	-	(2 435)	-	-
Start-up loans to innovative entrepreneurs	500	-	1 000	-	-	-	-	-	(26)	1 474
Loans for improvement of Multi-apartment Buildings and their neighbourhood *	-	-	1 000	-	-	-	-	-	-	1 000
EEE Programme for MSAB-Loan Fund II	-	-	1 000	-	-	-	-	-	-	1 000
Cultural industry support programme *	-	5 184	(2 460)	-	(7)	-	-	-	-	2 717
<b>Total loans</b>	<b>44 241 **</b>	<b>9 684</b>	<b>(5 483)</b>	<b>-</b>	<b>(150)</b>	<b>-</b>	<b>442</b>	<b>(2 616)</b>	<b>1 695</b>	<b>47 813</b>
<b>Guarantees</b>										
Fund of Funds programme - Guarantees	20 619	-	3 000	-	-	-	-	2	105	23 726
Energy Efficiency Programme for Multi-apartment Buildings - Guarantees	5 226	-	2 000	-	(68)	-	145	-	(24)	7 279
Housing Guarantee Programme	4 336	7 372	-	-	-	-	-	-	(2 302)	9 406
Portfolio guarantees for renovation of private houses	-	-	502	-	-	-	-	-	-	502
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	6 675	-	-	-	-	-	-	-	82	6 757
Mezzanine Programme - Guarantees	457	-	(207)	-	(21)	-	76	(146)	543	702
Portfolio Guarantee Fund	2 283	-	-	-	(92)	-	-	-	(636)	1 555
Export guarantees	1 906	-	-	-	-	-	-	-	(65)	1 841
Study and student portfolio guarantees	77	506	-	-	(34)	-	-	-	-	549
Agricultural Guarantees	676	1 937	-	-	-	-	-	(196)	(696)	1 721
<b>Total guarantees</b>	<b>42 255</b>	<b>9 815</b>	<b>5 295</b>	<b>-</b>	<b>(215)</b>	<b>-</b>	<b>221</b>	<b>(340)</b>	<b>(2 993)</b>	<b>54 038</b>

\* Combined financial instrument.

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

## 20 Support programme funding (cont'd)

Movement in the Group's / Company's support programme funding in twelve months of 2021, in thousands of euro: (cont'd)

Financial Instrument / Programme	Financing, net	Finan- cing received	Reallo- cated funding between program- mes	Compen- sated grants	Compen- sated income and expense	Revalua- tion of liabilities	Program- mes' income / profit distrib- ution	Other chan- ges	Changes in provi- sions covered by risk coverage	Financing, net
	31.12.2020.									31.12.2021.
<b>Grants</b>										
Energy Efficiency Programme for Multi-apartment Buildings Grants	40 538	15 000	293	(7 005)	-	-	-	-	-	48 826
Housing grant programme "Balsts"	3 266	7 200	-	(3 116)	-	-	-	-	-	7 350
Grants for renovation of private houses and energy efficiency improvement	-	-	1 872	-	-	-	-	-	-	1 872
Social Entrepreneurship Programme	1 564	2 804	-	(2 365)	(154)	-	-	-	-	1 849
Grants for development of energy efficiency projects	172	292	-	(434)	(30)	-	-	-	-	-
Cultural industry support programme *	-	-	2 460	(595)	(16)	-	-	-	-	1 849
<b>Total grants</b>	<b>45 540</b>	<b>25 296</b>	<b>4 625</b>	<b>(13 515)</b>	<b>(200)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61 746</b>
<b>Venture Capital Funds</b>										
Fund of Funds and venture capital funds	26 654	32 059	(4 437)	-	(2 959)***	(551)	1 318 *****	-	-	52 084
Investment Fund Activity	5 272	-	-	-	(824)****	(1 392)	1 904 *****	2 306	-	7 266
Baltic Innovation Fund	2 000	-	-	-	(238)*****	-	177 *****	-	-	1 939
Baltic Innovation Fund II	2 359	-	-	-	(193)	-	-	-	-	2 166
<b>Total venture capital funds</b>	<b>36 285</b>	<b>32 059</b>	<b>(4 437)</b>	<b>-</b>	<b>(4 214)</b>	<b>(1 943)</b>	<b>3 399</b>	<b>2 306</b> *****	<b>-</b>	<b>63 455</b>
<b>Other Activities</b>										
Energy Efficiency Fund	433	3 540	-	-	(85)	-	-	-	-	3 888
Regional Creative Industries Alliance	-	2	-	-	(2)	-	-	-	-	-
<b>Total other activities</b>	<b>433</b>	<b>3 542</b>	<b>-</b>	<b>-</b>	<b>(87)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 888</b>
Funding allocated to increase reserve capital	23 209	14 267	-	-	-	-	-	(36 024)	-	1 452
<b>Total support programme funding</b>	<b>191 963</b>	<b>94 663</b>	<b>-</b>	<b>(13 515)</b>	<b>(4 866)</b>	<b>(1 943)</b>	<b>4 062</b>	<b>(36 674)</b>	<b>(1 298)</b>	<b>232 392</b>

\* Combined financial instrument.

\*\*\* include EUR 2,095 thousand management fees for the 4th generation venture capital funds (see Note 12).

\*\*\*\* include EUR 522 thousand management fees for the 2nd and 3rd generation venture capital funds (see Note 12).

\*\*\*\*\* include EUR 198 thousand management fees for the Baltic Innovation Fund (see Note 12).

\*\*\*\*\* include EUR 313 thousand mezzanine interest received from investments in 4th generation venture capital funds in 12 months of 2021 (see Note 12).

\*\*\*\*\* include EUR 489 thousand mezzanine interest received and EUR 1,415 thousand realised gain on investments in 2nd and 3rd generation venture capital funds in 12 months of 2021 (see Note 12).

\*\*\*\*\* include EUR 153 thousand realised gain on investment in Baltic Innovation Fund in 12 months of 2021 (see Note 12).

\*\*\*\*\* include deferred payments in amount of EUR 738 thousand (deferred income) from exited investments in 2nd and 3rd generation venture capital funds.

## 20 Support programme funding (cont'd)

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

	Group 01.01.2021.- 31.12.2021. (unaudited)	Group 01.01.2020.- 31.12.2020. (unaudited)	Company 01.01.2021.- 31.12.2021. (unaudited)	Company 01.01.2020.- 31.12.2020. (unaudited)
Revaluation of investments in 2nd and 3rd generation venture capital funds	(1 392)	(1 609)	(1 392)	(1 609)
Realised gain on investments in 2nd and 3rd generation venture capital funds	1 415	64	1 415	64
Mezzanine interest received from investments in 2nd and 3rd generation venture capital funds	489	1 203	489	1 203
Revaluation of investments in 4th generation venture capital funds	(65)	(1 241)	(551)	(1 241)
Mezzanine interest received from investments in 4th generation venture capital funds	313	-	528	-
Realised gain on investment in Baltic Innovation Fund	153	250	153	250
Mezzanine interest received from investments in Baltic Innovation Fund	24	250	24	250
<b>Gains less losses from liabilities at fair value through profit or loss</b>	<b>937</b>	<b>(1 083)</b>	<b>666</b>	<b>(1 083)</b>

## 21 Provisions

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

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
Provisions for financial guarantees	33 603	31 413	33 603	31 413
Group's / Company's share of provisions	5 494	7 343	5 494	7 343
Provisions covered by Portfolio Loss Reserve	4 719	3 576	4 719	3 576
Provisions covered by Risk Coverage Reserve	23 390	20 494	23 390	20 494
Provisions for loan commitments	790	1 014	790	1 014
Group's / Company's share of provisions	140	378	140	378
Provisions covered by Portfolio Loss Reserve	188	309	188	309
Provisions covered by Risk Coverage Reserve	462	327	462	327
Provisions for grant commitments	73	74	73	74
Group's / Company's share of provisions	73	74	73	74
Provisions covered by risk coverage	-	-	-	-
<b>Total provisions</b>	<b>34 466</b>	<b>32 501</b>	<b>34 466</b>	<b>32 501</b>
Group's / Company's share of provisions	5 707	7 795	5 707	7 795
Provisions covered by Portfolio Loss Reserve	4 907	3 885	4 907	3 885
Provisions covered by Risk Coverage Reserve	23 852	20 821	23 852	20 821

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

	Group 01.01.2021.- 31.12.2021. (unaudited)	Group 01.01.2020.- 31.12.2020. (unaudited)	Company 01.01.2021.- 31.12.2021. (unaudited)	Company 01.01.2020.- 31.12.2020. (unaudited)
Provisions at the beginning of the period	31 413	30 606	31 413	30 606
Increase in provisions (Note 10)	16 071	14 442	16 071	14 442
Decrease in provisions (Note 10)	(12 915)	(13 060)	(12 915)	(13 060)
Reclassification (Disbursed guarantee)	(966)	(575)	(966)	(575)
<b>Provisions at the end of the period ended 31 December (audited)</b>	<b>33 603</b>	<b>31 413</b>	<b>33 603</b>	<b>31 413</b>
Group's / Company's share of provisions	5 494	7 343	5 494	7 343
Provisions covered by Portfolio Loss Reserve	4 719	3 576	4 907	3 576
Provisions covered by Risk Coverage Reserve	23 390	20 494	23 852	20 494

## 22 Reserves

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

	Specific reserves for support programmes	Other specific reserves-difference recognised in Group's reorganisation reserve	General reserve capital	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Total reserves
<b>Reserves as of 1 January 2020 (audited)</b>	<b>15 507</b>	<b>(15 580)</b>	<b>16 638</b>	<b>2 638</b>	<b>19 203</b>
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	(1 425)	(1 425)
Distribution of 2019 year profit of the Company	-	-	8 131	-	8 131
Increase of reserve capital	145 626	-	-	-	145 626
<b>Reserves as of 31 December 2020 (audited)</b>	<b>161 133</b>	<b>(15 580)</b>	<b>24 768</b>	<b>1 213</b>	<b>171 534</b>
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	(515)	(515)
Distribution of 2020 year profit of the Company	-	-	5 539	-	5 539
Decrease of Specific Reserves to General reserve capital at allocation of the profit for year 2020	(6 429)	-	6 429	-	-
Increase of reserve capital	45 489	-	-	-	45 489
<b>Reserves as of 31 December 2021 (unaudited)</b>	<b>200 193</b>	<b>(15 580)</b>	<b>36 736</b>	<b>698</b>	<b>222 047</b>

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

	Specific reserves for support programmes	Other specific reserves	General reserve capital	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Total reserves
<b>Reserves as of 1 January 2020 (audited)</b>	<b>15 507</b>	<b>(15 935)</b>	<b>16 991</b>	<b>2 638</b>	<b>19 201</b>
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	(1 425)	(1 425)
Distribution of 2019 year profit of the Company	-	-	8 131	-	8 131
Increase of reserve capital	145 626	-	-	-	145 626
<b>Reserves as of 31 December 2020 (audited)</b>	<b>161 133</b>	<b>(15 935)</b>	<b>25 121</b>	<b>1 213</b>	<b>171 532</b>
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	(515)	(515)
Distribution of 2020 year profit of the Company	-	-	5 539	-	5 539
Decrease of Specific Reserves to General reserve capital at allocation of the profit for year 2020	(6 429)	-	6 429	-	-
Increase of reserve capital	45 489	-	-	-	45 489
<b>Reserves as of 31 December 2021 (unaudited)</b>	<b>200 193</b>	<b>(15 935)</b>	<b>37 089</b>	<b>698</b>	<b>222 045</b>



## 22 Reserves (cont'd)

Breakdown of "Specific reserves for support programmes":

	Reserve capital for non-Covid-19 guarantees programmes				Reserve capital for mitigating of impact of Covid-19				Reserve capital for AIF "Altum capital fund"	Total specific reserves for support programmes
	Housing Guarantee Programme	Study and student portfolio guarantees	Guarantees for agriculture, fisheries and rural development	Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	Loans to MidCaps	Guarantees to MidCaps *	Working capital loans	Loan holiday guarantees		
<b>Specific reserves as of 1 January 2020 (audited)</b>	<b>15 507</b>	-	-	-	-	-	-	-	-	<b>15 507</b>
Increase of specific reserve capital	-	626	-	-	-	20 000	50 000	50 000	25 000	145 626
<b>Specific reserves as of 31 December 2020 (audited)</b>	<b>15 507</b>	<b>626</b>	-	-	-	<b>20 000</b>	<b>50 000</b>	<b>50 000</b>	<b>25 000</b>	<b>161 133</b>
of which:										-
Portfolio Loss Reserve (Specific Reserves)	15 507	626	-	-	-	20 000	29 000	30 000	7 131	102 264
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2020 annual report	-	(392)	-	-	-	-	(2 668)	(3 184)	(185)	(6 429)
Reallocation of reserve capital	-	-	-	2 500	-	-	-	(2 500)	-	-
Increase of specific reserves	2 179	2 141	5 788	2 000	22 565	-	10 816	-	-	45 489
<b>Specific reserves as of 31 December 2021 (unaudited) **</b>	<b>17 686</b>	<b>2 375</b>	<b>5 788</b>	<b>4 500</b>	<b>22 565</b>	<b>20 000</b>	<b>58 148</b>	<b>44 316</b>	<b>24 815</b>	<b>200 193</b>
of which:										-
Portfolio Loss Reserve (Specific Reserves)	17 686	2 375	5 788	4 500	13 800	20 000	42 385	44 316	8 850	159 700
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2021 annual report	-	(1 140)	-	-	-	-	(1 683)	(186)	(437)	(3 446)

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

\*\* 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 Paragraphs 2 and 3 of the Protocol Decision of the Cabinet of Ministers of 6 July 2021 (Protocol No. 51 § 135), 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 58,565 thousand to be diverted to finance the new Investment Loan with a capital discount from the following programs: (i) EUR 22,565 thousand from the Large Loan Program (Loans Midcap), where on January 5, 2022 "Agreement on Termination of Financing for the Financing of the Crisis Loan Program of December 22, 2020" was signed, (ii) EUR 16,000 thousand from the Portfolio Guarantee Program (includes Credit Holiday Guarantees), where on December 30, 2021 "Amendments No. 2 to the Agreement on Increase of Reserve Capital of March 30, 2020" were signed and (iii) EUR 20,000 thousand from the Guarantee Program for Large Enterprises (Guarantee Midcap), where on January 3, 2022 Amendments No. 2 "Amendments to the Agreement on the Reserve Capital Crisis Guarantee Program of August 24, 2020" were signed. On December 30, 2021, the "Agreement on Granting Financing for the Loan Program with Capital Discount for Investment Projects to Promote Competitiveness" envisages, among other things, to transfer EUR 58,565 thousand to Altum's liabilities after the relevant resolution of the Company's shareholders meeting. Pursuant to Cabinet Regulation No. 503 of 6 July 2021 "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 Altum and the capital discount. Thus, the expected reduction of the special reserve capital by reducing the funding for certain support programs and the transfer of the respective funding in the amount of EUR 58,565 thousand to finance a new support program is maintained, maintaining the same funding - financing for a new support program and expected losses. By transferring financing from the special reserve capital, the Portfolio loss reserve will decrease by EUR 49,801 thousand.

## 22 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 to MidCaps	Guarantees to MidCaps	Working capital loans	Loan holiday guarantees		
<b>Portfolio Loss Reserve as of 1 January 2020 (audited)</b>	-	-	-	-	-	-	-	-	-	-
Increase of portfolio loss reserve	15 507	626	-	-	-	20 000	29 000	30 000	7 131	102 264
<b>Portfolio Loss Reserve as of 31 December 2020 (audited)</b>	<b>15 507</b>	<b>626</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20 000</b>	<b>29 000</b>	<b>30 000</b>	<b>7 131</b>	<b>102 264</b>
of which:										
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2020 annual report	-	(392)	-	-	-	-	(2 668)	(3 184)	(185)	(6 429)
Increase / reclassification of Portfolio Loss Reserve	2 179	2 141	5 788	4 500	13 800	-	16 053	17 500	-	61 961
Reallocation of funding within Portfolio Loss Reserve – funding for management fee	-	-	-	-	-	-	-	-	2 060	2 060
Portfolio Loss Reserve used to cover credit loss upon approval of the 2020 annual report	-	(392)	-	-	-	-	(2 668)	(3 184)	(185)	(6 429)
Decrease of Portfolio Loss Reserve according to the List of the Partners and their Commitments	-	-	-	-	-	-	-	-	(156)	(156)
<b>Portfolio Loss Reserve as of 31 December 2021 (unaudited)</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:										
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)

Subitem Reserve capital for non-Covid-19 programmes includes the following increases in the Specific Reserve capital for non-Covid-19 programmes in the 12 months of 2021:

- An increase of EUR 2,179 thousand for housing guarantees in accordance with the decision of the General Meeting of Shareholders of the Group of 22 March 2021, adopted on the basis of the Cabinet of Ministers Regulations No.95 of 20 February 2018 "Regulations on state aid for the purchase or construction of a dwelling" and the Cabinet of Ministers Order No. 55 of 22 September 2020.
- An increase for study and student portfolio guarantees for the total amount of EUR 2,141 thousand includes an increase of reserve capital in amount of EUR 1,986 thousand in accordance with the decision of the General Meeting of Shareholders of the Group of 22 March 2021 and in amount of EUR 155 thousand in accordance with the decision of the General Meeting of Shareholders of the Group of 15 December 2021, both adopted on the basis of the Cabinet of Ministers Regulations No.231 of 21 April 2020 "Regulations on study and student lending for studies in Latvia from the resources of credit institutions, which are guaranteed by the state budget" and the Cabinet of Ministers Order No. 73 of 17 November 2020. Part of that amount in amount of EUR 644 thousand was accounted as part of support programme funding as of 31 December 2020 (see Note 20).

## 22 Reserves (cont'd)

- An increase of EUR 2,000 thousand for guarantees for clients of state aid accumulation, grace period and large economic operators in accordance with the decision of the General Meeting of Shareholders of the Group of 5 July 2021, adopted on the basis of the Cabinet of Ministers Regulations No.383 of 16 June 2020 "Provisions on guarantees for entrepreneurs to improve competitiveness" and the Cabinet of Ministers Order No.18 of 18 February 2021.
- Increase for guarantees for agriculture, fisheries and rural development in amount of EUR 5,788 thousand in accordance with the decision of the Extraordinary General Meeting of Shareholders of the Group of 15 December 2021, adopted on the basis of the amendments of 29 June 2021 to the Cabinet of Ministers Regulations No. 9 of 8 January 2019 "Agricultural, Fisheries and Rural Development Guarantee Programs Regulations "and Minutes No. 50 of the Meeting of the Cabinet of Ministers of June 29, 2021

Subitem *Reserve capital for mitigating of impact of Covid-19* includes the following increases in the Specific Reserve capital for mitigating of impact of Covid-19 in the 12 months of 2021:

- An increase of EUR 22,565 thousand for guarantees to MidCaps in accordance with the decision of the General Meeting of Shareholders of the Group of 22 March 2021, adopted on the basis of the Cabinet of Ministers Order No.70 of 10 November 2020 and the Cabinet of Ministers Regulations No.677 of 10 November 2020 "Regulations on loans and their interest rate subsidies to entrepreneurs to support competitiveness". That amount was accounted as part of support programme funding as of 31 December 2020 (see Note 20).
- An increase for working capital loans for the total amount of EUR 10,816 thousand includes an increase of reserve capital in amount of EUR 10,000 thousand in accordance with the decision of the General Meeting of Shareholders of the Group of 5 July 2021, adopted on the basis of the Cabinet of Ministers Regulations No. 383 of 16 June 2020 "Regulations on Working Capital Loans to Economic Operators Affected by the Spread of Covid-19" and the Cabinet of Ministers Order No. 18 of 18 February 2021, and in amount of EUR 816 thousand in accordance with the decision of the General Meeting of Shareholders of the Group of 5 July 2021, adopted on the basis of the Cabinet of Ministers Regulations No. 86 of 4 February 2021 "Regulations for arts, entertainment and leisure businesses affected by the Spread of Covid-19".

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

## 23 Off-balance sheet items and contingent liabilities

All amounts in thousands of euro

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
Contingent liabilities:				
Outstanding guarantees	414 090	359 605	414 090	359 605
Financial commitments:				
Loan commitments	25 572	39 348	25 572	39 348
Grant commitments	11 089	6 798	11 089	6 798
Commitments to investments in subsidiaries	-	-	15 460	10 415
Commitments to AIF "Altum capital fund"	33 450	48 772	33 450	48 772
Commitments to investments in associates	38 966	44 935	38 966	44 935
Commitments to other investments	36 739	38 220	36 739	38 220
<b>Total contingent liabilities and financial commitments</b>	<b>559 906</b>	<b>537 678</b>	<b>575 366</b>	<b>548 093</b>

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

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

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
Unutilised loan facilities	25 572	39 348	25 572	39 348
Impairment allowances	(790)	(1 014)	(790)	(1 014)
<b>Total unutilized loan facilities, net</b>	<b>24 782</b>	<b>38 334</b>	<b>24 782</b>	<b>38 334</b>

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

	Group 31.12.2021. (unaudited)	Group 31.12.2020 (audited)	Company 31.12.2021. (unaudited)	Company 31.12.2020 (audited)
Grant commitments	11 089	6 798	11 089	6 798
Impairment allowances	(73)	(74)	(73)	(74)
<b>Total grant commitments, net</b>	<b>11 016</b>	<b>6 724</b>	<b>11 016</b>	<b>6 724</b>

Breakdown of the Group's off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 31 December 2021, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
<b>Contingent liabilities</b>							
Outstanding guarantees	261 227 *	-	-	4	18 488	134 371	414 090
<b>Financial commitments</b>							
Loan commitments	25 572	-	-	-	-	-	25 572
Grant commitments	11 089	-	-	-	-	-	11 089
Commitments to AIF "Altum capital fund"	164	11 738	19 961	261	1 002	324	33 450
Commitments to investments in associates	284	1 169	1 559	4 781	27 276	3 897	38 966
Commitments to other investments	363	485	848	4 171	25 145	5 727	36 739
<b>Total financial commitments</b>	<b>37 472</b>	<b>13 392</b>	<b>22 368</b>	<b>9 213</b>	<b>53 423</b>	<b>9 948</b>	<b>145 816</b>
<b>Total contingent liabilities and financial commitments</b>	<b>298 699</b>	<b>13 392</b>	<b>22 368</b>	<b>9 217</b>	<b>71 911</b>	<b>144 319</b>	<b>559 906</b>

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

Breakdown of the Group's off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 31 December 2020, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
<b>Contingent liabilities</b>							
Outstanding guarantees	240 592 *	-	-	2	119 011	-	359 605
<b>Financial commitments</b>							
Loan commitments	39 348	-	-	-	-	-	39 348
Grant commitments	6 798	-	-	-	-	-	6 798
Commitments to AIF "Altum capital fund"	-	11 996	12 157	21 964	2 040	615	48 772
Commitments to investments in associates	-	1 146	1 528	4 965	27 411	9 885	44 935
Commitments to other investments	-	635	847	7 753	23 201	5 784	38 220
<b>Total financial commitments</b>	<b>46 146</b>	<b>13 777</b>	<b>14 532</b>	<b>34 682</b>	<b>52 652</b>	<b>16 284</b>	<b>178 073</b>
<b>Total contingent liabilities and financial commitments</b>	<b>286 738</b>	<b>13 777</b>	<b>14 532</b>	<b>34 684</b>	<b>171 663</b>	<b>16 284</b>	<b>537 678</b>

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

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

Breakdown of the Company's off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 31 December 2021, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
<b>Contingent liabilities</b>							
Outstanding guarantees	261 227 *	-	-	4	18 488	134 371	414 090
<b>Financial commitments</b>							
Loan commitments	25 572	-	-	-	-	-	25 572
Grant commitments	11 089	-	-	-	-	-	11 089
Commitments to investments in subsidiaries	131	618	1 237	4 198	7 730	1 546	15 460
Commitments to AIF "Altum capital fund"	164	11 738	19 961	261	1 002	324	33 450
Commitments to investments in associates	284	1 169	1 559	4 781	27 276	3 897	38 966
Commitments to other investments	363	485	848	4 171	25 145	5 727	36 739
<b>Total financial commitments</b>	<b>37 603</b>	<b>14 010</b>	<b>23 605</b>	<b>13 411</b>	<b>61 153</b>	<b>11 494</b>	<b>161 276</b>
<b>Total contingent liabilities and financial commitments</b>	<b>298 830</b>	<b>14 010</b>	<b>23 605</b>	<b>13 415</b>	<b>79 641</b>	<b>145 865</b>	<b>575 366</b>

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

Breakdown of the Company's off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 31 December 2020, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	Total
<b>Contingent liabilities</b>							
Outstanding guarantees	240 592 *	-	-	2	119 011	-	359 605
<b>Financial commitments</b>							
Loan commitments	39 348	-	-	-	-	-	39 348
Grant commitments	6 798	-	-	-	-	-	6 798
Commitments to investments in subsidiaries	417	417	833	2 500	5 207	1 041	10 415
Commitments to AIF "Altum capital fund"	-	11 996	12 157	21 964	2 040	615	48 772
Commitments to investments in associates	-	1 146	1 528	4 965	27 411	9 885	44 935
Commitments to other investments	-	635	847	7 753	23 201	5 784	38 220
<b>Total financial commitments</b>	<b>46 563</b>	<b>14 194</b>	<b>15 365</b>	<b>37 182</b>	<b>57 859</b>	<b>17 325</b>	<b>188 488</b>
<b>Total contingent liabilities and financial commitments</b>	<b>287 155</b>	<b>14 194</b>	<b>15 365</b>	<b>37 184</b>	<b>176 870</b>	<b>17 325</b>	<b>548 093</b>

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

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 Group / Company to allocate financial resources to the fund.

Subitem *Commitments to venture capital funds* are contingent liabilities, which are based on agreements between the Group / Company and the venture capital fund which put an obligation on the Group / Company to allocate financial resources to the fund. Additional information on classification of venture capital funds is available in Note 1.

## 24 Related party transactions

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

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

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

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

	People with significant control (PSC)		Transactions with shareholders		Associates		Other companies owned by the Group's shareholders	
	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)
Investments in venture capital funds	-	-	-	-	45 772	47 988	-	-
Investments in AIF "Altum capital fund"	-	-	-	-	14 871	-	-	-
Due to general governments	-	-	-	-	-	-	3 321	4 047
Support programme funding	-	-	225 032	192 243	-	-	51 559	35 317
Off-balance sheet financial liabilities for venture capital funds	-	-	-	-	38 966	39 316	-	-
Off-balance sheet financial liabilities for AIF "Altum capital fund"	-	-	-	-	33 450	33 450	-	-

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

	Transactions with shareholders		Associates		Other companies owned by the Group's shareholders		Investments in subsidiaries	
	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)
Investments in venture capital funds	-	-	45 772	47 988	-	-	-	-
Investments in AIF "Altum capital fund"	-	-	14 871	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	6 563	4 879
Due to general governments	-	-	-	-	3 321	4 047	-	-
Support programme funding	225 032	192 243	-	-	51 559	35 317	-	-
Off-balance sheet financial liabilities for venture capital funds	-	-	38 966	44 935	-	-	-	-
Off-balance sheet financial liabilities for AIF "Altum capital fund"	-	-	33 450	48 772	-	-	-	-
Off-balance sheet financial liabilities for investments in subsidiaries	-	-	-	-	-	-	15 460	10 415

## 24 Related party transactions (cont'd)

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

	Received State aid funding		Issued State aid funding or funding paid back	
	01.01.2021.- 31.12.2021. (unaudited)	01.01.2020.- 31.12.2020. (audited)	01.01.2021.- 31.12.2021. (unaudited)	01.01.2020.- 31.12.2020. (audited)
<b>Transactions with shareholders</b>				
Ministry of Finance of the Republic of Latvia	35 931	42 077	(17 378)	423
Ministry of Agriculture of the Republic of Latvia	7 000	-	-	-
Ministry of Economics of the Republic of Latvia	33 744	173 526	(2 435)	-
<b>Associates</b>				
Venture capital funds	21 572	-	(7 530)	-
<b>Other companies owned by the Group's shareholders</b>				
Central Finance and Contracting Agency of the Republic of Latvia	51 559	19 327	-	-
Ministry of Education and Science of the Republic of Latvia	2 003	1 375	-	-
Ministry of Culture of the Republic of Latvia	3 815	-	(2 185)	-
Ministry of Wealth Fair of the Republic of Latvia	2 454	1 399	-	-

The remuneration of the members of the Supervisory Council, Audit Committee and the Management Board of the Company in the twelve months of 2021 amounted to EUR 713 thousand (twelve months of 2020: EUR 629 thousand), incl. social insurance contributions.

## 25 Fair values of assets and liabilities

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

	Carrying Amount		Fair Value	
	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)
<b>Assets</b>				
Due from credit institutions and the Treasury	455 006	359 949	455 006	359 949
Financial assets at fair value through profit or loss	7 144	5 425	7 144	5 425
Financial assets at fair value through other comprehensive income - investment securities	14 051	36 958	14 051	36 958
Financial assets at amortised cost:				
Investment securities	37	441	91	1 142
Individuals	330 530	313 268	321 991	304 292
Companies	25 475	30 370	24 896	22 023
Loans	305 055	282 898	297 094	282 270
Grants	45 397	31 107	45 397	31 107
Investments in associates (investments in Baltic Innovation Fund)	13 222	15 019	13 222	15 019
Investment properties	46 164	36 758	46 164	36 758
Other assets	3 214	3 643	3 214	3 643
<b>Total assets</b>	<b>914 765</b>	<b>802 568</b>	<b>906 280</b>	<b>794 293</b>
<b>Liabilities</b>				
Due to credit institutions	53 416	65 855	53 416	65 855
Due to general governments	121 348	103 520	121 348	101 838
Financial liabilities at amortised cost - Issued debt securities	85 558	65 522	85 558	65 522
Support programme funding	232 392	191 963	232 392	191 963
<b>Total liabilities</b>	<b>492 714</b>	<b>426 860</b>	<b>492 714</b>	<b>425 178</b>

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

	Carrying Amount		Fair Value	
	31.12.2021. (unaudited)	31.12.2020. (audited)	31.12.2021. (unaudited)	31.12.2020. (audited)
<b>Assets</b>				
Due from credit institutions and the Treasury	455 006	359 949	455 006	359 949
Financial assets at fair value through profit or loss	7 144	5 425	7 144	5 425
Financial assets at fair value through other comprehensive income - investment securities	14 051	36 958	14 051	36 958
Financial assets at amortised cost:				
Investment securities	37	441	90	1 133
Individuals	330 530	313 268	321 991	304 292
Companies	25 475	30 370	24 897	22 023
Loans	305 055	282 898	297 093	282 270
Grants	45 397	31 107	45 397	31 107
Investments in associates (investments in Baltic Innovation Fund)	13 222	15 019	13 222	15 019
Investments in subsidiaries	6 563	4 879	6 563	4 879
Investment properties	46 164	36 758	46 164	36 758
Other assets	3 214	3 608	3 214	3 608
<b>Total assets</b>	<b>914 184</b>	<b>801 987</b>	<b>905 698</b>	<b>793 703</b>
<b>Liabilities</b>				
Due to credit institutions	53 416	65 855	53 416	65 855
Due to general governments	121 348	103 520	121 348	101 838
Financial liabilities at amortised cost - Issued debt securities	85 558	65 522	85 558	65 522
Support programme funding	232 392	191 963	232 392	191 963
<b>Total liabilities</b>	<b>492 714</b>	<b>426 860</b>	<b>492 714</b>	<b>425 178</b>



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

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

	Level 1		Level 2		Level 3		Total	
	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)
<b>Assets measured at fair value</b>								
Financial assets at fair value through profit or loss	-	-	-	-	7 144	5 425	7 144	5 425
Financial assets at fair value through other comprehensive income - investment securities	3 516	24 035	10 535	12 923	-	-	14 051	36 958
Investments in associates (investments in BIF)	-	-	-	-	13 222	15 019	13 222	15 019
Investment properties	-	-	-	-	46 164	36 758	46 164	36 758
<b>Assets with fair values disclosed</b>								
Due from credit institutions and the Treasury	-	-	455 006	316 631	-	43 318	455 006	359 949
<b>Financial assets at amortised cost:</b>								
Investment securities	-	-	91	1 142	-	-	91	1 142
Loans	-	-	-	-	321 991	304 292	321 991	304 292
Grants	-	-	-	-	45 397	31 107	45 397	31 107
Other assets	-	-	-	-	3 214	3 643	3 214	3 643
<b>Total assets</b>	<b>3 516</b>	<b>24 035</b>	<b>465 632</b>	<b>330 696</b>	<b>437 132</b>	<b>439 562</b>	<b>906 280</b>	<b>794 293</b>
<b>Liabilities measured at fair value</b>								
Support programme funding	-	-	-	-	232 392	191 963	232 392	191 963
<b>Liabilities with fair value disclosed</b>								
Due to credit institutions	-	-	-	-	53 416	65 855	53 416	65 855
Due to general governments	-	-	-	-	121 348	101 838	121 348	101 838
Financial liabilities at amortised cost - Issued debt securities	-	-	-	-	85 558	65 522	85 558	65 522
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>492 714</b>	<b>425 178</b>	<b>492 714</b>	<b>425 178</b>

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

	Level 1		Level 2		Level 3		Total	
	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)	31.12.2021. (unaudited)	31.12.2020 (audited)
<b>Assets measured at fair value</b>								
Financial assets at fair value through other comprehensive income - investment securities	3 516	24 035	10 535	12 923	-	-	14 051	36 958
Investments in subsidiaries	-	-	-	-	6 563	4 879	6 563	4 879
Investments in venture capital funds – associates (investments in BIF)	-	-	-	-	13 222	15 019	13 222	15 019
Investment properties	-	-	-	-	46 164	36 758	46 164	36 758
<b>Assets with fair values disclosed</b>								
Due from credit institutions and the Treasury	-	-	455 006	316 631	-	43 318	455 006	359 949
<b>Financial assets at amortised cost:</b>								
Investment securities	-	-	90	1 133	-	-	90	1 133
Loans	-	-	-	-	321 991	304 292	321 991	304 292
Grants	-	-	-	-	45 397	31 107	45 397	31 107
Other assets	-	-	-	-	3 214	3 608	3 214	3 608
<b>Total assets</b>	<b>3 516</b>	<b>24 035</b>	<b>465 631</b>	<b>330 687</b>	<b>436 551</b>	<b>438 981</b>	<b>905 698</b>	<b>793 703</b>
<b>Liabilities measured at fair value</b>								
Support programme funding	-	-	-	-	232 392	191 963	232 392	191 963
<b>Liabilities with fair value disclosed</b>								
Due to credit institutions	-	-	-	-	53 416	65 855	53 416	65 855
Due to general governments	-	-	-	-	121 348	101 838	121 348	101 838
Financial liabilities at amortised cost - Issued debt securities	-	-	-	-	85 558	65 522	85 558	65 522
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>492 714</b>	<b>425 178</b>	<b>492 714</b>	<b>425 178</b>

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

### Assets

Where possible, the fair value of securities is estimated on the basis of quoted market prices. For determining the fair value of other securities, the Management has applied the discounted cash flow method where the cash flow forecasts are based on assumptions and up-to-date market information available at the time of measurement. The fair value of loans with interest payable at fixed rates by specified dates was determined by applying the discounted cash flow method, whilst in regard to the fair value of loans with their basic interest rate tied to variable market rates, the Group / 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 Group / Company classify the fair value measurements based on the fair value hierarchy, reflecting the significance of the input data. The fair value hierarchy of the Group / Company has 3 levels:

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

### Debt securities

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

### Derivatives

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

### Investments in venture capital funds

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

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

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

### Investment properties

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

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

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

### Assets held for sale

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

## 26 Segment Information

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

## 26 Segment Information (cont'd)

Analysis of the operating segments of the Group for the period from 1 January 2021 till 31 December 2021, in thousands of euro:

	Loan service	Guarantee service	Venture capital fund service	Grant service	Land Fund service	Management of AIF "Altum capital fund"	Other services	Total
Interest income	13 439	3 125	26	-	2 256	-	11	18 857
of which, interest on loans and guarantees (Note 4)	13 269	2 939	-	-	2 256	-	11	18 475
Interest expense	(1 446)	(30)	-	-	(664)	-	-	(2 140)
Net interest income	11 993	3 095	26	-	1 592	-	11	16 717
Income for implementation of state aid programmes	216	1 102	2 006	1 056	-	-	66	4 446
Expenses to be compensated for implementation of state aid programmes	(215)	(476)	(2 016)	(1 056)	-	-	(66)	(3 829)
Net income for implementation of state aid programmes	1	626	(10)	-	-	-	-	617
Gains from debt securities and foreign exchange translation	23	24	4	-	-	-	-	51
Share of (losses) of investment in associates	-	-	876	-	-	-	-	876
Share of gain of investment in associates at fair value through profit or loss	-	-	2 817	-	-	-	-	2 817
Gains less losses from liabilities at fair value through profit or loss	-	-	(937)	-	-	-	-	(937)
Other income	-	-	158	21	2 389	620	33	3 221
Other expense	(273)	(46)	(9)	(32)	(368)	(620)	(9)	(1 357)
<b>Operating income / (loss) before operating expenses</b>	<b>11 744</b>	<b>3 699</b>	<b>2 925</b>	<b>(11)</b>	<b>3 613</b>	<b>-</b>	<b>35</b>	<b>22 005</b>
Staff costs	(3 408)	(951)	(214)	(778)	(242)	-	(202)	(5 795)
Administrative expense	(992)	(337)	(96)	(337)	(84)	-	(47)	(1 893)
Amortisation of intangible assets and depreciation of property, plant and equipment	(447)	(198)	(45)	(174)	(36)	-	(35)	(935)
(Impairment) gain, net	983	299	-	(155)	14	-	(542)	599
Profit or (loss) from assets held for sale revaluation	-	-	-	-	-	-	-	-
<b>Total segment profit/(loss)</b>	<b>7 880</b>	<b>2 512</b>	<b>2 570</b>	<b>(1 455)</b>	<b>3 265</b>	<b>-</b>	<b>(791)</b>	<b>13 981</b>
Financial assets at fair value through profit or loss	-	-	47 421	-	-	-	-	47 421
Other investments	-	-	13 222	-	-	-	-	13 222
Investments in associates	-	-	8 936	-	-	-	-	8 936
Additions of property and equipment, intangible assets and investment property	161	61	14	75	2 179	-	12	2 502
<b>Total segment assets</b>	<b>465 460</b>	<b>157 082</b>	<b>163 649</b>	<b>63 101</b>	<b>87 226</b>	<b>456</b>	<b>42 068</b>	<b>979 042</b>
<b>Total segment liabilities</b>	<b>235 612</b>	<b>93 963</b>	<b>65 319</b>	<b>62 819</b>	<b>75 576</b>	<b>-</b>	<b>4 204</b>	<b>537 493</b>

## 26 Segment Information (cont'd)

Analysis of the operating segments of the Group for the period from 1 January 2020 till 31 December 2020, 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	11 881	2 975	42	-	1 536	-	8	16 442
of which, interest on loans and guarantees (Note 4)	11 169	2 095	-	-	1 505	-	7	14 776
Interest expense	(1 288)	(35)	-	-	(547)	-	-	(1 870)
Net interest income	10 593	2 940	42	-	989	-	8	14 572
Income for implementation of state aid programmes	478	742	4 063	1 173	-	-	70	6 526
Expenses to be compensated for implementation of state aid programmes	(119)	(452)	(4 120)	(1 173)	-	-	(86)	(5 950)
Net income for implementation of state aid programmes	359	290	(57)	-	-	-	(16)	576
Gains from debt securities and foreign exchange translation	(24)	(28)	(1)	-	(3)	-	-	(56)
Share of (losses) of investment in associates	-	-	(2 094)	-	-	-	-	(2 094)
Share of gain of investment in associates at fair value through profit or loss	-	-	288	-	-	-	-	288
Gains less losses from liabilities at fair value through profit or loss	-	-	1 908	-	-	-	-	1 908
Other income	-	-	566	7	1 811	282	387	3 053
Other expense	(266)	(42)	(4)	(33)	(436)	(247)	(37)	(1 065)
<b>Operating income / (loss) before operating expenses</b>	<b>10 662</b>	<b>3 160</b>	<b>648</b>	<b>(26)</b>	<b>2 361</b>	<b>35</b>	<b>342</b>	<b>17 182</b>
Staff costs	(3 417)	(694)	(71)	(595)	(270)	-	(369)	(5 416)
Administrative expense	(988)	(282)	(39)	(370)	(77)	(4)	(71)	(1 831)
Amortisation of intangible assets and depreciation of property, plant and equipment	(452)	(179)	(32)	(179)	(38)	-	(36)	(916)
(Impairment) gain, net	(2 238)	(1 521)	8	(228)	219	-	280	(3 480)
Profit or (loss) from assets held for sale revaluation	-	-	-	-	-	-	-	-
<b>Total segment profit/(loss)</b>	<b>3 567</b>	<b>484</b>	<b>514</b>	<b>(1 398)</b>	<b>2 195</b>	<b>31</b>	<b>146</b>	<b>5 539</b>
Financial assets at fair value through profit or loss	-	-	5 425	-	-	-	-	5 425
Other investments	-	-	7 503	-	-	-	-	7 503
Investments in associates	-	-	47 988	-	-	-	-	47 988
Additions of property and equipment, intangible assets and investment property	582	167	33	275	11 660	-	41	12 758
<b>Total segment assets</b>	<b>425 364</b>	<b>156 837</b>	<b>126 265</b>	<b>50 485</b>	<b>68 590</b>	<b>-</b>	<b>23 473</b>	<b>850 704</b>
<b>Total segment liabilities</b>	<b>251 157</b>	<b>76 321</b>	<b>36 525</b>	<b>47 715</b>	<b>55 645</b>	<b>-</b>	<b>747</b>	<b>468 110</b>

## 27 Events after the reporting date

The rapid development of the situation in Ukraine and the potential social and economic impact in Latvia and the region may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. In particular management expects the assumptions and estimates used in determining provisions for expected credit losses for loan and guarantee portfolios as well as carrying value of investments in associated companies may be affected. Altum does not issues loans directly to Ukrainian businesses. Altum expects that there might be impact on provisions for expected credit losses for credit export guarantees, where Altum customers' counterparties are Ukrainian residents. The volume of such credit export guarantees reaches 455 thousand euro as at 31 December 2021 with slight decrease down to appr. 400 thousand euro portfolio as at end of February 2022. However, at this stage management is not able to reliably estimate the impact as events are unfolding day-by-day.

## 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

	2021 12M (unaudited)	2021 9M (unaudited)	2021 6M (unaudited)
<b>Key financial data</b>			
Net interest income (EUR '000)	16 717	12 424	8 298
Operating profit (EUR '000)	13 981	9 239	5 947
Profit for the period (EUR '000)	13 981	9 239	5 947
Cos to income ratio (CIR)	39.19%	45.39%	46.24%
Employees	226	224	222
Total assets (EUR '000)	979 042	946 981	896 486
Financial debt (EUR '000)	362 100	339 658	336 856
<b>Tangible common equity (TCE) / Total tangible managed assets (TMA) *</b>	<b>33.83%</b>	<b>34.27%</b>	<b>34.73%</b>
Equity and reserves (EUR '000)	441 549	431 063	414 970
<b>Total risk coverage: (EUR '000)</b>	<b>286 868</b>	<b>280 575</b>	<b>232 725</b>
Risk coverage reserve	160 110	158 856	127 364
Risk coverage reserve used for provisions	(29 496)	(29 382)	(29 434)
Portfolio loss reserve (specific reserve capital)	159 700	153 758	135 704
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	(3 446)	(2 657)	(909)
Liquidity ratio for 180 days **	529%	585%	346%
Net Cash flows from operating activities (EUR '000)	52 002	40 696	8 881
Net Cash flows from financing activities (EUR '000)	42 078	16 396	3 580
Net Cash flow from investing activities (EUR '000)	978	7 213	12 710
<b>Support instruments gross value (EUR '000), of which</b>	<b>978 242</b>	<b>973 190</b>	<b>940 594</b>
<b>Financial instruments gross value (EUR '000) ***</b>			
Loans (excluding sales and leaseback transactions)	315 674	325 071	323 275
Guarantees	414 090	395 123	379 602
Venture capital funds	85 973	88 213	83 620
Land Fund, of which:	79 163	73 030	72 411
- sales and leaseback transactions	32 999	34 250	34 263
- investment properties	46 164	38 780	38 148
<b>Total</b>	<b>894 900</b>	<b>881 437</b>	<b>858 908</b>
Number of transactions	30 978	30 045	28 951
<b>Volumes issued (EUR '000) (by financial instrument) ***</b>			
Loans (excluding sales and leaseback transactions)	100 966	81 888	59 492
Guarantees	126 997	93 898	55 671
Venture capital funds	29 158	20 261	13 222
Land Fund, of which:	10 595	4 649	3 870
- sales and leaseback transactions	3 254	2 368	2 214
- investment properties	7 341	2 281	1 656
<b>Total</b>	<b>267 716</b>	<b>200 696</b>	<b>132 255</b>
Number of transactions	6 579	4 964	3 270
Leverage for raised private funding	177%	137%	163%
Volume of support programmes funding per employee (EUR '000)	3 960	3 935	3 869
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1

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

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

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

## OTHER NOTES TO THE INTERIM CONDENSED REPORT

(cont'd)

KEY FINANCIAL AND PERFORMANCE INDICATORS (cont'd)

Based on data from audited financial statements for the respective years

	2021 (unaudited)	2020	2019	2018	2017 (corrected) *	2016 (corrected) *
<b>Key financial data</b>						
Net interest income (EUR '000)	16 717	14 572	11 569	11 302 **	11 602	11 024
Operating profit (EUR '000)	13 981	5 539	8 131	4 092	8 709	2 170
Profit for the period (EUR '000)	13 981	5 539	8 131	4 092	8 709 *	2 170
Cos to income ratio (CIR)	39.19%	47.51%	52.58%	74.84% ***	50.30% *	88.40%
Employees	226	211	203	222	230	242
Total assets (EUR '000)	979 042	850 704	560 061	495 939	453 668 *	443 400 *
Financial debt (EUR '000)	362 100	342 490	217 943	177 249	146 157	141 854
<b>Tangible common equity (TCE) / Total tangible managed assets (TMA) ****</b>	<b>33.83%</b>	<b>33.56%</b>	<b>29.40%</b>	<b>31.70%</b>	<b>35.10% *</b>	<b>36.50%</b>
Equity and reserves (EUR '000)	441 549	382 594	232 738	221 590	222 848 *	210 406 *
<b>Total risk coverage: (EUR '000)</b>	<b>286 868</b>	<b>180 205</b>	<b>87 456</b>	<b>77 815</b>	<b>67 593 *</b>	<b>66 508 *</b>
Risk coverage reserve	160 110	112 567	99 778	85 276	62 651	63 636 *
Risk coverage reserve used for provisions	(29 496)	(28 197)	(27 829)	(19 268)	(4 753)	(4 323)
Portfolio loss reserve (specific reserve capital)	159 700	102 264	15 507	11 807	9 695	7 195
Portfolio loss reserve used to compensate provisions upon approval of the annual report	(3 446)	(6 429)	-	-	-	-
Liquidity ratio for 180 days *****	529%	464%	582%	227%	482% *	449%
Net Cash flows from operating activities (EUR '000)	52 002	21 966	39 813	7 997	(10 146)	34 518
Net Cash flows from financing activities (EUR '000)	42 078	165 800	18 700	12 013	22 299	5 560
Net Cash flow from investing activities (EUR '000)	978	(4 016)	(11 230)	8 307	3 891	759
<b>Support instruments gross value (EUR '000), of which</b>	<b>978 242</b>	<b>872 302</b>	<b>667 649</b>	<b>553 628</b>	<b>465 724</b>	
<b>Financial instruments gross value (EUR '000) ***</b>						
Loans (excluding sales and leaseback transactions)	315 674	302 481	225 144	210 208	207 065	217 429
Guarantees	414 090	359 605	284 232	236 895	182 376	147 175
Venture capital funds	85 973	73 165	68 331	59 698	62 299	64 785
Land Fund, of which:	79 163	68 258	39 634	21 717	11 328	4 635
- sales and leaseback transactions	32 999	31 500	15 268	6 923	520	-
- investment properties	46 164	36 758	24 366	14 794	10 808	4 635
<b>Total</b>	<b>894 900</b>	<b>803 509</b>	<b>617 341</b>	<b>528 518</b>	<b>463 068</b>	<b>434 024</b>
Number of transactions	30 978	26 578	22 437	18 603	14 655	11 561
<b>Volumes issued (EUR '000) (by financial instrument) *****</b>						
Loans (excluding sales and leaseback transactions)	100 966	138 238	64 320	59 608	51 349	59 465
Guarantees	126 997	137 425	98 240	88 765	68 615	56 109
Venture capital funds	29 158	14 014	9 022	4 149	2 638	21 356
Land Fund, of which	10 595	28 191	16 384	10 823	6 359	3 704
- sales and leaseback transactions	3 254	16 796	7 239	6 835	520	-
- investment properties	7 341	11 395	9 145	3 988	5 839	3 704
<b>Total</b>	<b>267 716</b>	<b>317 868</b>	<b>187 966</b>	<b>163 345</b>	<b>128 961</b>	<b>140 634</b>
Number of transactions	6 579	6 147	5 559	5 590	4 839	4 537
Total contribution to the economy, including the contribution of the final recipients (EUR '000)	791 646	696 305	531 661	460 045	370 560	359 706
Leverage for raised private funding	177%	114%	142%	162%	185%	162%
Volume of support programmes funding per employee (EUR '000)	3 960	3 808	3 041	2 381	2 013	1 793
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1	Baa1	Baa1	-

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

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

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

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

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

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



## Definitions of ratios

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

## Definition of ratios (cont'd)

180-day liquidity ratio	<p>"180-days-liquidity ratio" is calculated by dividing the amount of the balances "Due from other credit institutions and the Treasury" with a maturity of up to 1 month and "Financial assets at fair value through other comprehensive income and Investment securities" by the amount of the total liabilities maturing within 6 months and total financial commitments maturing within 6 months (off-balance sheet items). The data required for the calculation of the "180-days liquidity ratio" is disclosed in the following ALTUM Group's Financial statements: Statement of Financial Position and notes – Maturity profile of assets and liabilities under the section of Risk Management, Off-balance sheet items and contingent liabilities. ALTUM uses the "180-days-liquidity ratio" to assess and monitor ALTUM Group's ability to fulfil ALTUM Group's contractual and/or contingent liabilities during 6 (six) month with the currently available liquidity resources. "180-days-liquidity ratio" helps to manage ALTUM Group's liquidity risk in line with ALTUM Group's/ALTUM's funding management objectives and risk framework. Risk and Liquidity Management Committee of ALTUM monitors its level on a quarterly basis.</p>
Support instruments gross value	<p>"Support instruments gross value" is calculated as the sum of the gross values of the portfolios of grants, loans, guarantees, venture capital funds and Land Fund</p>
Total contribution to the economy, including the participation of the final recipients, by volumes issued in the period	<p>The 'Total contribution to the economy, including the participation of the final recipients, by volumes issued in the period' is calculated by adding to the volumes issued by ALTUM the financing provided by the private co-financier and the project promoter.</p>
Leverage for raised private funding	<p>"Leverage for raised private funding" indicates the amount of additional private funds invested in a project in addition to ALTUM's financing. "Leverage for raised private funding" is determined considering the financing invested by a private co-financier and a project's implementer, which, on average, makes up to 50 per cent for loans, up to 70 per cent for guarantees and venture capital (except for housing loan guarantees' programme for the first instalment with a ratio of 795 per cent) in addition to ALTUM's funding.</p>
Employees	<p>Average number of employees in the report period excluding members of the Council and the Audit Committee.</p>
Volume of support programmes funding per employee	<p>"Support programmes funding per employee" is calculated by dividing the gross value of the Financial Instruments Portfolio by the average number of employees during the period, excluding members of the Supervisory Council and the Audit Committee.</p>
Venture capital	<p>The Venture Capital Funds presented at their gross value.</p>