JSC DEVELOPMENT FINANCE INSTITUTION ALTUM

Unaudited interim condensed financial report
for the year ended 31 December 2022

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Altum

MISSION We help Latvia grow!

VISION To be a partner and financial expert in economic development

VALUES Excellence / Team / Responsibility

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

Long-term objectives until 2024

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

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

Management Report

Activity during the reporting period

In 2022, the Development Finance Institution Altum (hereinafter – the Company) have ensured stable financial results and earned a profit of EUR 11.1 million.

Key financial and performance indicators of the Group

Based on data from audited financial statements for the respective years

	Company	Group / Company
	2022 12M (unaudited)	**2021 (audited)**
Key financial data		
Net interest income (EUR '000)	16 974	16 717
Operating profit (EUR '000)	11 131	13 829
Profit for the period (EUR '000)	11 131	13 829
Cos to income ratio (CIR)	38.83%	39.46%
Employees	234	226
Total assets (EUR '000)	1 099 829	976 204
Financial debt (EUR '000)	458 375	360 909
Tangible common equity (TCE) / Total tangible managed assets (TMA) *	**26.90%**	**33.82%**
Equity and reserves (EUR '000)	395 630	440 736
Total risk coverage: (EUR '000)	**297 803**	**285 954**
Risk coverage reserve	231 125	159 196
Risk coverage reserve used for provisions	(38 039)	(29 496)
Portfolio loss reserve (specific reserve capital)	109 979	159 700
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	(5 262)	(3 446)
Liquidity ratio for 180 days **	366%	518%
Net Cash flows from operating activities (EUR '000)	89 520	49 555
Net Cash flows from financing activities (EUR '000)	3 526	43 768
Net Cash flow from investing activities (EUR '000)	(8 423)	4 553
Support instruments gross value (EUR '000), of which	**1 064 821**	**979 130**
Financial instruments gross value (EUR '000) ***		
Loans (excluding sales and leaseback transactions)	311 844	315 674
Guarantees	481 013	414 978
Venture capital funds	90 277	85 973
Land Fund, of which:	80 542	79 163
- sales and leaseback transactions	27 089	32 999
- investment properties	53 453	46 164
Total	**963 676**	**895 788**
Number of transactions	33 976	30 978
Volumes issued (EUR '000) (by financial instrument) ***		
Loans (excluding sales and leaseback transactions)	95 820	100 966
Guarantees	153 067	126 997
Venture capital funds	18 526	29 158
Land Fund, of which:	7 414	10 595
- sales and leaseback transactions	3 105	3 254
- investment properties	4 309	7 341
Total	**274 827**	**267 716**
Number of transactions	6 539	6 579
Leverage for raised private funding	123%	177%
Volume of support programmes funding per employee (EUR '000)	4 118	3 964
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1

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

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

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

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

Management Report (cont'd)

Impact of the Russian military invasion of Ukraine

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

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

In the guarantee's portfolio, the direct impact is from the Company's export credit guarantees issued to offset political and buyer risk losses in trade transactions where the Company's clients' counterparties are residents of Ukraine, the Russian Federation and Belarus. In the 1st quarter of 2022, the Company has created impairment overlay of EUR 1,587 thousand for expected credit losses for such high-risk exposures of export credit guarantees (31 December 2022: EUR 0 thousand), while simultaneously taking the necessary measures to reduce the possible impact. Taking The Company has suspended the issuance of new export credit guarantees to Russian Federation and Belarus since February 25, 2022, as well as terminated contracts where possible in agreement with counterparties as a result of which the exposure to the Russian Federation and Belarus was gradually reduced. As a result of the mentioned measures, the Company currently has no high-risk exposure, where clients' business partners are in the Russian Federation or Belarus and which would need to create an impairment overlay.

To assess the indirect impact of the Russian Federation's invasion of Ukraine, the Company analyzes quarterly and, in case of significant changes, reviews the forward-looking macroeconomic indicators used to calculate expected losses, putting forward several scenarios. At the beginning of 2022, it was predicted that geopolitical factors would have a more significant impact in the second half of 2022, however, in the updated macroeconomic forecasts published by the Ministry of Finance and the Bank of Latvia in the 4th quarter of 2022, it was expected that due to the rapidly growing prices of energy resources on the world market and the impact of the decline in purchasing power, as consumption decreases, the rate of economic growth will significantly decrease in early 2023, as a result of which the scenarios used by the Company in the estimation of expected losses were also revised. Changes in the forecasts of macroeconomic indicators in the 12 months of 2022 resulted in an increase in impairment allowances for the expected credit losses by EUR 1,944 thousand for loans and loan commitments. For guarantees, the impact from changes in the forecasts of macroeconomic indicators was small, taking into account that impairment allowances for guarantees are made at the higher value of the estimated expected credit risk losses and the fair value. Changes in macroeconomic forecasts have a smaller impact on the fair value of guarantees.

In order to more fully assess the direct and indirect impact of the geopolitical situation, as well as to identify potential clients in difficulties and provide a further action plan, as well as apply appropriate risk mitigation methods, the Company closely monitors and analyzes the large exposures of loans and credit guarantees every quarter. It is assessed whether the increase in the price of energy resources, as well as the imposed sanctions against the Russian Federation and Belarus, has directly or indirectly affected or can significantly affect the solvency of customers. Along with the aforementioned, in the 4th quarter of 2022, the decision-making procedure and the internal information accounting system were improved to ensure the identification and assessment of these impacts on the loan portfolio at the transaction level. Until sufficient data has been accumulated at the transaction level, the Company carried out an assessment of the portfolio of loans and guarantees by sector, separately assessing how industries will be directly and indirectly affected by the increase in energy prices and the imposed sanctions against the Russian Federation and Belarus. The industries were divided into 3 groups: heavily affected industries, moderately affected industries and less affected industries. The assessment was carried out in the 3rd quarter of 2022, using all available data at the time of the assessment. As a result of this assessment, the Company on 31 December 2022 has created an impairment overlay in amount of EUR 1,902 thousand for loans and EUR 856 thousand for guarantees.. Taking into account the macroeconomic forecasts, including the increase in the prices of energy resources, it is expected that households' expenses related to housing will increase. Although there is a state support mechanism for mitigating the effects of cost increases, households may have difficulties covering housing-related expenses in time and in full. It is expected that such a situation can potentially result in higher defaults in the portfolio of housing guarantees and the need to create additional impairment allowances. If the situation does not stabilize within a reasonable time, claims for warranty compensation payments may increase in the coming years. No immediate increase in claims for guarantee compensation payments is expected, given the specific conditions of these exposures, which stipulate that guarantee compensations are paid after the realization of the collateral, which is carried out over a longer period of time.

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

Management Report (cont'd)

Operational volumes (cont'd)

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

As at 31 December 2022, the Company's gross portfolio of support instruments amounted to EUR 1,064.7 million (31 December 2021: EUR 979.1 million), of which the gross portfolio of financial instruments totalled EUR 963.6 million and consisted of 33,976 projects (31 December 2021: EUR 895.8 million and 30,978 projects).

In the 12 months of 2022, the Company's financial instrument portfolio increased by EUR 67.8 million (+7.6%) and by 2,998 projects (+9.7%). The growth of the Company's financial instruments portfolio in the 12 months of 2022 was lower than in the 12 months of 2021, when due to a sharp rise in the demand for specialised financial instruments to mitigate the negative impact of Covid-19 on the business sector it increased by EUR 92.3 million (+11.5%) and by 4,400 projects (+16.6%), while the demand in 2022 for Covid-19 crisis support instruments continues to decline and the repayments of the principal amounts for a large part of the existing Covid-19 crisis support instruments became due.

Of all the financial instruments, the guarantee portfolio recorded the highest growth in the 12 months of 2022, increasing by EUR 66 million (+15.9%), which is more than in the 12 months of 2021, when it increased by EUR 55.4 million (+15.4%) and by 2,009 projects (+12.9%), which is less than in the 12 months of 2021, when it increased by 4,080 projects (+21.2%). The increase in the guarantee portfolio in the 12 months of 2022 was ensured by Housing Guarantees for Families with Children and Housing Guarantees for Young Professionals (+EUR 23.4 million), loan guarantees for entrepreneurs (+EUR 22 million), as well as by Guarantee Programme for Improving Energy Efficiency in Multi-Apartments Buildings (+EUR 27.4 million). At the same time, as companies have been able to successfully adapt to the new conditions and as the pandemic has been on the decline, demand from companies for Covid-19 crisis support guarantee programmes has fallen sharply, with the portfolio decreasing by EUR 11.4 million in the 12 months of 2022.

In the 12 months of 2022, the loan portfolio decreased by EUR 3.8 million (-1.2%). The greatest impact was caused by the reduction of the Covid-19 crisis related loan portfolio by EUR 26.9 million. The largest increase in the loan portfolio in the 12 months of 2022 was driven by loans for acquisition of agricultural land intended for agricultural production (+EUR 9.4 million), SME growth loans issued to companies for implementing energy efficiency projects (+EUR 8.4 million) and loans for new companies and startups (+EUR 3.3 million).

The low activity in transactions with the Land Fund observed in 2021 continued in 2022 - in the 12 months of 2022, the Land Fund's portfolio increased by EUR 1.4 million (+1.7%) and by 34 projects (+3.7%), which is less than in the respective period of 2021, when the Land Fund's portfolio increased by EUR 10.9 million (+16%) and by 200 projects (+27.7%).

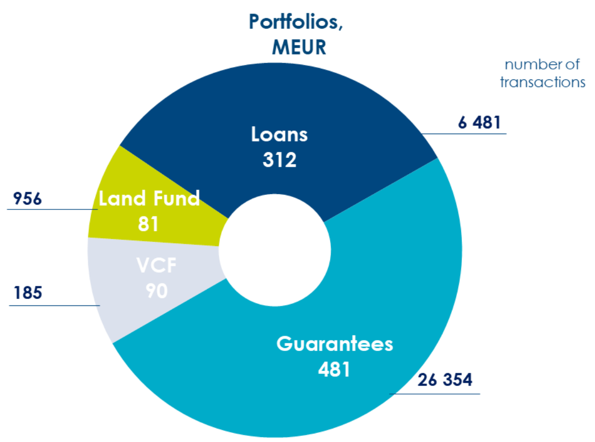
As at 31 December 2022, the balance sheet of the Land Fund included 956 properties with a total land area of 23,888 ha and amounting to EUR 80.5 million, including investment properties with a total area of 14,240 ha and amounting to EUR 53.5 million (31 December 2021: 13,778 ha; EUR 46.2 million), and leaseback transactions for 9,648 ha amounting to EUR 27 million (31 December 2021: 9,661 ha, EUR 33 million).

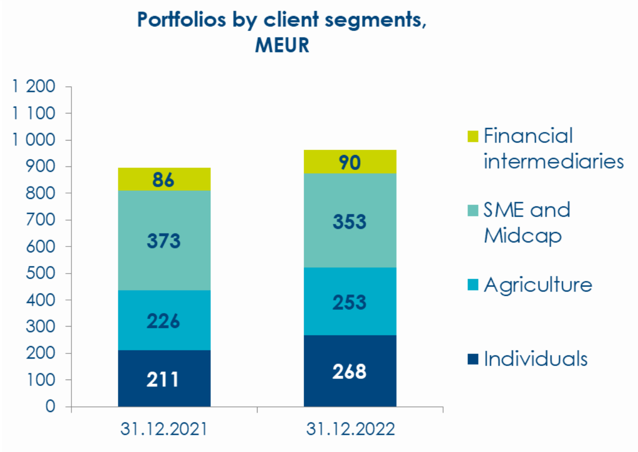
In the 12 months of 2022, the venture capital funds increased by EUR 3 million (+5%), which is significantly less than in the respective period of 2021, when the volume of the venture capital funds increased by EUR 12.8 million (+17.5%). The small increase in the venture capital funds can be explained by the lower volumes of new transactions in the 12 months of 2022 compared to the 12 months of 2021, respectively EUR 18.5 million and EUR 29.2 million, as well as the exit of investments of the 2nd and 3rd generation venture capital funds, that relates to the expiration of these venture capital funds.

Management Report (cont'd)

Operational volumes (cont'd)

By segment the largest portfolio of the Company is formed in the SMEs and Midcaps segment – 36.6%, while the Agriculture segment accounts for – 26.2%, Individuals – 27.8% and Financial intermediaries – 9.4%.





Company 31/12/2022

In the 12 months of 2022, the largest volume growth was in the Individuals segment, the portfolio growth remained stable in the 12 months of 2022 – EUR 56.8 million (+26.9%), exceeding the increase in the 12 months of 2021 – 46.9 million euro (+28.6%) which was due to the steady demand for state aid programmes for the acquisition and improvement of housing. In the Agriculture segment, the portfolio increased by EUR 26.9 million (11.9%), which is significantly more than in the 12 months of 2021, when the volume of this segment increased by EUR 16.7 million (+8%). There was a slight increase in the 12 months of 2022 in the Financial Intermediaries segment – EUR 4.3 million (+5%), which is significantly less than in the respective period of 2021, when the portfolio growth in this segment was by EUR 12.7 million (+17.4%). Given that the demand for Covid-19 crisis support instruments continued to decline and the repayments of the principal amounts for a large part of the existing Covid-19 crisis support instruments became due, the SMEs and Midcaps segment volume decreased by EUR 20.1 million (-5.4%), which is in contrast to the EUR 15.9 million (+4.5%) increase in the 12 months of 2021 influenced by the high demand for Covid-19 crisis support instruments from this segment.

Volume of new transactions

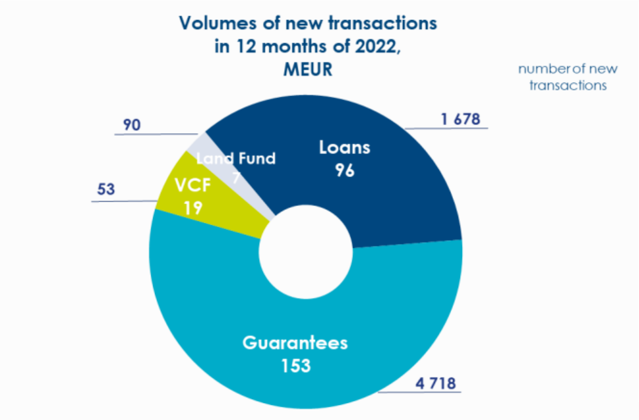
In the 12 months of 2022, the total funding disbursed for the implementation of the support programmes amounted to EUR 274.8 million, breaking down as follows: 55.7% (EUR 153.1 million) for guarantee programmes, 34.9% (EUR 95.8 million) in loan programmes, 2.7% (EUR 7.4 million) in the Land Fund transactions, and 6.7% (EUR 8.5 million) in investments in the venture capital funds. Totally, 6,539 projects were supported. In the 12 months of 2022, the volume of the new transactions was more by 2.7% (+EUR 7.1 million) compared to the respective period in 2021 as its increase in the Company's ordinary support programmes has been slightly higher than the fall in demand for the Covid-19 crisis support programmes. On the other hand, the impact of the Russian Federation invasion of Ukraine have not yet noticeably affected the volume of new transactions in the 12 months of 2022 (+EUR 0.9 million), however, its impact will be felt in 2023.

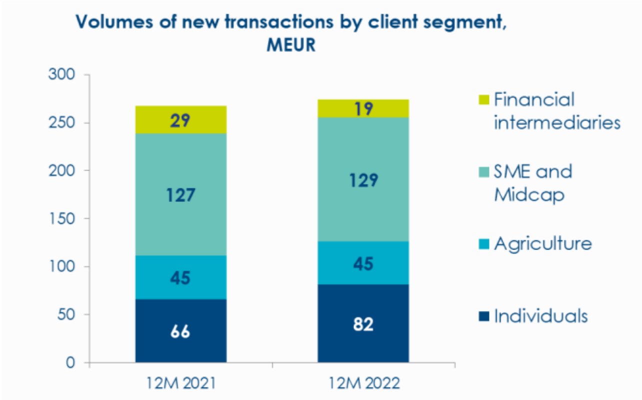
In the 12 months of 2022, the largest volume of the new transactions was recorded in the following segments: SMEs and Mid-caps – 47.3%; Individuals – 29.7%; Agriculture –16.2%; and Financial Intermediaries – 6.8%.

Management Report (cont'd)

Volume of new transactions (cont'd)

In the 12 months of 2022, new transactions experienced the largest increase in the Individuals segment, where their volume was by 23.5% (+EUR 15.5 million) higher than in the 12 months of 2021. In the SMEs and Midcaps segment, the volume of new transactions was by 2.6% (+EUR 3.2 million) higher than in the 12 months of 2021, as the Covid-19 crisis support programmes were closed in 2022 (issuance of new deals under the Covid-19 crisis support programmes was stopped on 30 June 2022) and were no more of interest, but with the rapidly changing geopolitical situation, the demand for new support instruments is growing.





Company 31/12/2022

In the 12 months of 2022, there were issued new guarantees for EUR 153.1 million or by 20.5% (+EUR 26.1 million) more than in the 12 months of 2021, indicating the increased lending activity of commercial banks that had declined during the Covid-19 pandemic. In the 12 months of 2022, the largest increase in the guarantee portfolio was in the loan guarantees for entrepreneurs (EUR 567 million), Housing Guarantees for Families with Children and Housing Guarantees for Young Professionals (EUR 37.1 million) and in programme for energy efficiency in multi-apartment buildings (EUR 30.9 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 69.3 million of guarantees extended in the 12 months of 2022 (in the 12 months of 2021: EUR 65.3 million).

Up until 31 December 2022, a total of 22,643 guarantees for EUR 179.2 million of the state aid for housing acquisition was granted within the framework of the Programme for Housing Guarantees for Families with Children. In the 12 months of 2022, guarantees issued under this programme worth EUR 28.5 million (in the 12 months of 2021: EUR 34.2 million), which is by 16.7% less against the respective period in 2021. The decrease in volumes is due to the sharp rise in construction costs, creating considerable uncertainty in the real estate market. Some potential buyers are postponing the purchase of a property, but this process is likely to be short-lived as price increase will continue, so each month of postponement will increase the purchase price. The guarantees of the Programme help saving for the first instalment required to obtain a mortgage loan and are used by families all over Latvia. In turn, a total of 4,297 guarantees worth EUR 43.7 million were issued to young professionals, of which 913 guarantees worth EUR 8.6 million were issued in the 12 months of 2022 (in the 12 months of 2021: EUR 8.8 million).

In the 12 months of 2022, the volume of new loans issued amounted to EUR 95.8 million, which is by 5.1% (-EUR 5.1 million) less than in the respective period in 2021, as the demand for Covid-19-related loans decreased and the increase in the volume of new transactions under the ordinary support programmes has been lower than the fall in demand for the Covid-19 crisis support programmes. In the 12 months of 2022, the largest amount of new loans was issued under the SME Growth Loan Programme (EUR 31.9 million), loans for acquisition of agricultural land for the purpose of agricultural production (EUR 17.6 million) and working capital loans for agricultural enterprises (EUR 10.4 million).

Management Report (cont'd)

Volume of new transactions (cont'd)

Having launched the European Investment Fund (EIF) COSME and EaSI counter guarantees for loans up to EUR 25 thousand the Company has already supported 445 projects (COSME – 62 projects, EaSI – 383 projects) in total amount of EUR 7.3 million. If the loan is compatible with COSME or EaSI guarantee terms and conditions, the start-up and micro loans, working capital loans to farmers or small loans in rural areas are granted without additional collateral, based solely on a personal guarantee and at a lower interest rate compared to other types of unsecured loans.

In the 12 months of 2022, the Company's investments made in the venture capital funds amounted to EUR 18.5 million, of which EUR 7.5 million (in the 12 months of 2021: EUR 8 million) - in the 4th generation venture capital funds, EUR 3 million and EUR 2.2 million (in the 12 months of 2021: EUR 2.2 million and EUR 1.2 million) in the Baltic Innovation Fund and the Baltic Innovation Fund 2 respectively, EUR 2.1 million (in the 12 months of 2021: EUR 14.9 million) – in the Altum Capital Fund and EUR 3.8 million (in the 12 months of 2021: EUR 2.9 million) in the Three Seas Initiative Investment Fund.

The volume of new transactions of the Land Fund experienced large fluctuations in the 12 months of 2022 - if at the end of 2021 and in the first three months of 2022 an active land market was observed, the number of transactions with investment properties increased and interest in leaseback transactions gradually returned, then in the 2nd and 3rd quarter, in response to the geopolitical situation in Europe, the land market became markedly inactive, including demand for leaseback practically stopped. On the other hand, in the 4th quarter, the volume and number of transactions with investment properties increased again, while the demand for leaseback transactions continued to remain at a low level, which was also impacted by the relatively good harvest year for farmers and active lending by banks, as a result, farmers were able to buy available land on the market by themselves, without involving the Land Fund in transactions. In these circumstances, the Land Fund concluded land acquisitions and sales and leaseback transactions for the total amount of EUR 7.4 million, down by 30% (-EUR 3.2 million) compared to the 12 months of 2021.

Non-financial instrument portfolio

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

Up until 31 December 2022, the EEPMB programme had awarded a total of 676 grants for EUR 169.95 million, of which 231 grants for EUR 72.2 million were granted in the 12 months of 2022. As of 18 December 2020, the programme was suspended and no new applications were accepted and currently the evaluation of the projects, awarding of grants and implementation of projects are carried out.

Under the support programme for increasing the energy efficiency of private houses, up until 31 December 2022 a total of 1,288 grant agreements worth EUR 4 million were signed, of which 803 grants worth EUR 2.6 million were signed in the 12 months of 2022 (in the 12 months of 2021: 485 grants worth EUR 1.4 million).

Up until 31 December 2022, a total of 200 grants for EUR 12.4 million were granted under the Social Entrepreneurship Programme, of which 53 grants worth EUR 3.2 million were granted in the 12 months of 2022 (in the 12 months of 2021: 40 grants worth EUR 2.5 million).

In order to promote and support planning of the energy efficiency projects, the Company, acting in co-operation with the European Investment Bank, provides to companies a supplementary support grant earmarked for covering the costs related to expertise and drafting of energy efficiency projects. Up until 31 December 2022, there were a total of 69 grants granted for EUR 0.8 million.

Within the framework of the support programme BALSTS, the Company accepts the applications for the issuance of non-refundable state subsidies or grants for the purchase or construction of housing for families with three or more children. Up until 31 December 2022, a total of 958 grants for EUR 8 million were granted, of which 389 grants for EUR 3.2 million were granted in the 12 months of 2022 (in the 12 months of 2021: 508 grants worth EUR 4.2 million).

As at 31 December 2022, the portfolio of grants amounted to EUR 101.1 million.

Management Report (cont'd)

New products and increasing operational efficiency

In order to find solutions at EU level to the current crisis situation and to support businesses in continuing their economic activity while adapting to new market conditions, including supply chain disruptions, on 23 March 2022 the European Commission approved the Temporary Crisis Framework for State aid measures. On 2 June 2022, the Saeima adopted the "Law on Support for Overcoming the Economic Consequences of Sanctions and Countermeasures Applied Due to Russian Federation's Military Aggression Against Ukraine", simultaneously approving EUR 94.9 million financing for companies that suffered from the consequences of Russian Federation's military aggression in Ukraine, which includes EUR 39 million for investment and working capital loans, EUR 22.5 million for credit guarantees and EUR 1.3 million for export credit guarantees as well as EUR 32.1 million through the equity fund (the equity fund was not implemented as a separate programme, as funding was reallocated to other support programmes). Funding is available for viable companies for adapting their business model, improving export capacity, conquering new markets, new technologies and process optimization, product development in the context of the crisis of Russian Federation military aggression against Ukraine. In cooperation with the Ministry of Economy, the new loan and guarantee support programmes to mitigate the effects of Russian Federation's military aggression against Ukraine on the economy and to implement market reorientation. It will provide immediate support to businesses for working capital and liquidity stabilisation through loans and guarantees, while the state ensures conditions for economic stability for long-term development:

- On June 14, 2022, the Cabinet of Ministers approved the loan program, within the framework of which it is planned to issue approximately 500 loans, the maximum loan amount will be up to EUR 3 million, maturity for working capital loan will be up to 3 years, for investment loans - up to 5 years. At the same time, the Cabinet of Ministers approved changes in the export credit guarantee programme, clarifying the conditions for receiving export credit guarantees, including that in the future the possibilities of providing export credit guarantees will not be limited, except that guarantees will not be provided for transactions with Russian Federation, Belarus and Ukraine, and extended the term for providing guarantees - short-term export credit guarantees will be available to companies until the end of 2023.
- On 21 June 2022, the Cabinet of Ministers approved the guarantee support programme, within the framework of which approximately 300-400 guarantees can be issued, the maximum amount of guarantee for one customer will be up to EUR 10 million, the term of the guarantees - up to 6 years, taking into account the business operations and working capital cycle.

In the 3rd quarter of 2022, part of the program's funding in amount of EUR 52.5 million was redistributed to the program of large investment loans with a capital rebate for MidCaps, thus EUR 21.5 million is available for working capital and investment loans, EUR 12.5 million for guarantees, while the financing of the equity fund will not be implemented. Financing of the loan and guarantee programmes for companies will be available until 31 December 2023. Acceptance of applications for loans and guarantees began in November 2022. Until the end of 2022, as part of the loan programme, the Company has issued new loans for a total amount of EUR 5.3 million.

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

- On June 7, 2022, the Cabinet of Ministers approved the energy efficiency programme for companies, within the framework of which EUR 80.5 million of the RRF funding will be available to companies for increasing energy efficiency and wider use of renewable energy technologies. Funding to companies will be available in a form of the Company's loan or a parallel loan with a capital rebate for principal repayment, the maximum loan amount is EUR 5 million, loan term – up to 20 years. The capital rebate will be 30%, but no more than EUR 1.5 million and will be awarded when the project has been implemented and the target indicators have been achieved. In September 2022, the program was supplemented with guarantees for the purchase of electric cars for companies, with funding of EUR 5 million for this purpose. Acceptance of applications for the 1st selection round began on October 4, 2022 and ended on January 4, 2023.

Management Report (cont'd)

New products and increasing operational efficiency (cont'd)

- On July 5, 2022, the Cabinet of Ministers approved the digitization programme for companies, within the framework of which EUR 45.1 million of the RRF funding will be available to companies for digital transformations of companies, i.e. for promotion of digitization, automation and robotization. Funding to companies will be available in a form of the Company's loan or a parallel loan with a capital rebate for repayment of the principal amount, the maximum loan amount is EUR 7 million, loan term – up to 10 years. Capital rebate will be up to 35%, but no more than EUR 1.0 million and it will be applied if the preconditions of the digital development roadmap issued by the European Digital Innovation Center (EDIC) are fulfilled and a positive EDIC post-assessment is received no later than 6 months after the completion of the project. Acceptance of applications for this program will start in the 1st quarter of 2023
- On July 14, 2022, the Cabinet of Ministers approved the energy efficiency program for multi-apartment buildings, within the framework of which EUR 57.3 million of the RRF funding will be available to improve the energy efficiency of multi-apartment buildings and transition to the use of renewable energy technologies. The programme is intended for apartment owners of multi-apartment residential buildings and its purpose is to make investments in the sector of multi-apartment residential buildings in order to promote the resolution of the housing issue in Latvia, help to achieve the set climate goals in reducing gas emissions and reduce the level of energy poverty. Funding will be available in a form of loan or guarantee with a capital rebate for repayment of the principal amount of the loan, the maximum loan amount is EUR 3.75 million, loan term – up to 20 years, maximum guarantee amount – up to 80% of the loan, guarantee term – up to 20 years. Capital rebate will be up to 49% and it will be applied if the project results in at least 30% of primary energy savings. Acceptance of applications started on November 22, 2022, at the time of preparation of the financial report applications from 10 applicants have been received.
- On July 14, 2022, the Cabinet of Ministers approved the low-rent housing construction program, within the framework of which EUR 42.9 million of the RRF funding will be available for the construction of residential rental houses in the regions, in order to promote the availability of low-rent housing that meets construction standards and energy efficiency requirements. Funding to companies will be available in a form of the Company's loan or a parallel loan with a capital rebate for repayment of the principal amount, the term of the loan is up to 30 years. The capital rebate will be up to 30% and will be applied when the building has been put into operation and at least 90% of the apartments have been rented. Acceptance of applications for the program started on December 8, 2022, at the time of preparation of the financial report applications have been received from 6 applicants.

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

- the Large Investment Loan Programme offering a capital rebate for medium-sized and large enterprises: under the programme, entrepreneurs will have access to a loan with a capital rebate of up to EUR 10 million The Company will provide project funding with a loan amounting to the potential capital rebate, the remainder to be raised from other funders. The new programme differs from previous business support programmes to the effect that it includes a capital rebate or a complete or partial reduction (discharge) of the loan principal. A company can qualify for a loan with a capital rebate by achieving the project's objectives and meeting certain criteria. The capital rebate is planned to be applied gradually over three years after the end of the project implementation and monitoring period. The call for applications opened on 19 January 2022. At the time of preparing the financial statements, the Company is still evaluating 16 projects - 3 projects from the first round of project selection (attributable amount of capital rebate EUR 17.9 million) and 13 projects from the closed round of project selection (attributable amount of capital rebate EUR 83.3 million). So far, a positive decision has been made on 5 applications (the amount of the capital rebate EUR 4.932.1 million), 4 project applicants have withdrawn their applications (the amount of the capital rebate EUR 40 million), while a negative decision on refusal has been made on 6 applications to finance an investment project (relevant amount of capital rebate EUR 41 million). General interest from applicants exceeded the available funding of the programme more than 3 times. On October 18, 2022, the Cabinet of Ministers decided to increase the funding of the programme from EUR 99.6 million to EUR 152.1 million, redistributing additional funding EUR 52.5 million from the allocated, but unused funding for Covid-19 support measures. The first loan in this programme was issued in December of 2022.

Management Report (cont'd)

New products and increasing operational efficiency (cont'd)

- In 2023, the Company, in cooperation with the Ministry of Economy and the Ministry of Finance, plan to finalize work started in previous years on the creation of the Baltic Small and Medium Enterprises Initial Public Offering Fund (SME IPO Fund) with the aim of starting the operation of the SME IPO fund in 2023. The aim of the SME IPO fund is to support and diversify Baltic SMEs, as well as small mid-caps and innovative mid-caps access to financing and to develop the Baltic capital market in accordance with the EU capital market goals.
- the Energy Efficiency Support Programme for Private Houses: envisages granting portfolio guarantees, technical assistance and grants for increasing the energy efficiency of private houses. The maximum amount of technical assistance per beneficiary is EUR 1,000, while a grant for increasing the energy efficiency class of a residential house is expected in the amount of EUR 5,000 per beneficiary. Considering the individual's interest in the support provided under this programme, proposals were developed and, on 8 March 2022, the Cabinet of Ministers approved respective amendments granting additional funding of EUR 3.27 million for continuing the programme as well as extending the range of potential beneficiaries and including support for the installation of solar panels in private houses, which is currently attracting a lot of interest. At the same time, amendments to Cabinet Regulation No 500 "General Construction Regulations", dated 19 August 2014, were approved to facilitate the installation of solar panels. From now on, private house owners are eligible for support not only for improving energy efficiency, but also for the installation of microgeneration technologies, i.e., solar panels and small scale wind turbines. The call for applications opened on 27 April 2022.
- the Programme for Multi-apartment Building Renovation Loans: under which it is established a Renovation Fund for financing renovation and other related costs for Multi-apartment buildings. The programme is open for applications from 8 September 2021 and has a total funding of EUR 31 million, available as a loan. The funding is intended for repairs of common areas and improvement of the surroundings as well as for replacing water pipes or roofs, installing a children playground or a sports field, renovating the facade of the building and other works that improve the condition of the building and create a more pleasant living environment. On 15 February 2022, applying for the programme was opened to the owners of rental and historic building as there were found ways to extend support for the renovation of residential buildings. Thus, the Repair Fund will also be available for the renovation of historic pre-war tenement houses and restoration of unoccupied houses, which so far had a limited access to funding.
- The programme of small loans in rural areas: Amendments are made to the Cabinet Regulation on the funding from the European Agricultural Fund for Rural Development (EAFRD) amounting to EUR 20 million. The range of beneficiaries has also been expanded by increasing the applicant's maximum turnover from EUR 100 thousand to EUR 150 thousand.
- the Social Entrepreneurship Programme: on 28 February 2022, the Company resumed accepting applications for grants under the Social Entrepreneurship Programme. The Ministry of Welfare has allocated funding of EUR 3 million for the continuation of the programme, both for the implementation of projects that were previously submitted and for new business projects.

In the 12 months of 2022, proceeding with the centralised reviewing of the applications for micro loans (up to EUR 25 thousand) introduced within the framework of automation and increasing of the Company's operational efficiency, 22% (in 12 months of 2021: 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. The decrease in the number of applications in the centralised reviewing can be explained by the significant increase in the costs of the applied projects, as a result of which the amount of loan applications exceeds the limit set for the centralised reviewing by EUR 25 thousand. Compared to the performance indicators for the respective period of 2021, in the 12 months of 2022, the amount of loans granted in the regions increased by 22% or EUR 12.1 million and the number of loans granted increased by 19%, while the loans granted under the centralised reviewing (up to EUR 25 thousand) decreased by 19% or EUR 951 thousand, in turn the number of loans granted decreased by 23%, which is due to a decrease in the total number of loan applications in this segment by 22% in the 12 months of 2022 compared to the 12 months of 2021. The average loan amount in the regions increased from EUR 85 thousand in the 12 months of 2021 to EUR 87 thousand in the 12 months of 2022, while the average loan amount reviewed remotely on a centralised basis in the 12 months of 2022 was EUR 14.8 thousand (in 12 months of 2021: EUR 14.1 thousand).

Management Report (cont'd)

Green Funding

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

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

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

Rating

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

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

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

Risk Management

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

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

In view of the Company's activities in high-risk areas when implementing the state aid programmes, as at 31 December 2022 the Company has the risk coverage of EUR 298 million (31 December 2021: EUR 286 million) to cover the expected credit loss of the State aid programmes. The expected loss is assessed before implementing the respective aid programme and a portion of the public funding received within this programme is earmarked for the Risk Coverage. The Risk Coverage consists of the sum of the Risk Coverage Reserve and Portfolio Loss Reserve (Special Reserve Capital) less provisions for expected credit losses.

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

In view of the invasion of Ukraine by the Russian Federation, which resulted in the EU and the rest of the world imposing sanctions against the Russian Federation and the Republic of Belarus and their right holders and in order to reduce the risk of sanctions, the Company imposed additional control measures both during the issuance of financial instruments and the monitoring of business relationships, in addition, changes have been made to the Company's policy of legalization of proceeds of crime and the prevention of terrorist financing and proliferation and compliance with sanctions by determining that the Company refrains from cooperation with companies, where the owners, beneficial owners or officers are citizens of the Russian Federation or Belarus.

Management Report (cont'd)

Risk Management (cont'd)

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

In addition to the above, the Company has taken the necessary measures during 2022 to identify potential clients in difficulties and to assess whether the increase in the price of energy resources, as well as the imposed sanctions against the Russian Federation and the Republic of Belarus, has directly or indirectly affected or may significantly affect the solvency of clients, as well as to ensure the quantification of direct and indirect impacts and the establishment of appropriate impairment allowances.

Contribution to Sustainability

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

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

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

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

On the other hand, in the AIF "Altum Capital Fund" managed by Altum, investments have been made since the summer of 2021, paying due attention to the ESG performance of the target company and the expected impact of related economic changes on the company's supply and value chains. In compliance with the requirements of The Sustainable Finance Disclosure Regulation, the Fund policy was published at the end of 2022, which reflects how the Company assesses the principal adverse effects of the Company's investment decisions on sustainability factors (Principal Adverse Impact report), in accordance with the requirements of Article 4 of SFDR.

On November 16, 2022, Altum joined the initiative of the Institute for Corporate Sustainability and Responsibility and signed the SUSTAINABILITY CODE (hereinafter - the Code). The purpose of the Code is to promote the provision of truthful information, including the exclusion of green deception, thus protecting the interests of consumers and promoting fair competition, as well as reducing the negative impact of business in environmental, social and governance aspects. The principles of this Code apply to every company and its signatories confirm their readiness to implement them in order to promote the development of the business environment and create common value by observing and promoting responsible and ethical behavior. Currently, a total of 18 organizations from all over Latvia have signed the Code.

Management Report (cont'd)

Contribution to Sustainability (cont'd)

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

In September 2022, Altum received the Latvian Corporate Governance Award 2022 in the nomination "Risk Management Strategist", proving Altum's ability to successfully identify, assess, manage and control potential risks, events or situations, ensuring confidence in the achievement of the company's strategic goals, as well as successfully starting to implement the priority medium-term strategy direction - sustainable financing and integration of ESG aspects in credit risk management and business processes.

Future Outlook

At the beginning of 2023, the Company, in cooperation with the Ministry of Economy, will start the development of programmes in order to start the implementation of financial instrument support programmes under the new EU Cohesion Policy programming period 2021-2027. The funding available within the planning period of the new EU Cohesion Policy 2021-2027 will not only complement the already available RRF funding in areas such as increasing energy efficiency (buildings, energy-efficient equipment, electric cars) and the use of renewable energy technologies (solar panels, etc.) for companies and increasing energy efficiency of apartment buildings at home, but the new funding will also be available for new directions such as technology transfer and prototyping, innovation and digitization.

In order to prepare for the InvestEU Programme 2021–2027, the preparations undertaken already in 2019 for pillar assessment of the Company was continued. Pillar assessment is a prerequisite for the Company to be able to apply for the InvestEU implementing partner role and, in the future, also for the role of cooperation partner in the implementation of EU funds thus increasing the scope of new specialized and customized financial instruments to the companies in Latvia. The Company is purposefully moving towards the pillar assessment of the Company - an application on the InvestEU pillar assessment was prepared in Q3 2021, at the beginning of 2023, an independent auditor selected in the selection process will carry out the pillar assessment, while the decision on submitting the application for the InvestEU implementing partner role has not yet been made.

Reinis Bērziņš
Chairman of the Management Board

27 February 2023

Supervisory Board and Management Board

Supervisory Council

Name, Surname	Position	Appointment Date	Date of expiry of the term of the mandate
Līga Kļaviņa	Chairperson of the Council	28.12.2019.	27.12.2022.
Jānis Šnore	Member of the Council	28.12.2019.	27.12.2022.
Ilze Baltābola	Member of the Council	22.03.2022.	21.03.2023. *

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

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

Management Board

Name, Surname	Position	Appointment Date	Date of expiry of the term of the mandate
Reinis Bērziņš	Chairman of the Board	27.05.2021.	26.05.2024.
Jēkabs Krieviņš	Member of the Board	27.05.2021.	26.05.2024.
Inese Zīle	Member of the Board	27.05.2021.	26.05.2024.
Aleksandrs Bimbirulis	Member of the Board	26.06.2020.	31.03.2022.
Ieva Jansone-Buka	Member of the Board	18.03.2021.	17.03.2024.
Juris Jansons	Member of the Board	09.01.2023	08.01.2026

There were changes in the Management Board of the Company during the reporting period. Aleksandrs Bimbirulis has left the position of a Member of the Management Board on 31 March 2022. The Council approved Juri Jansons as a member of the Board on 9 January 2023.

Statement of Management's responsibility

Riga 27 February 2023

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 17 to 76 for the period 1 January 2022 to 31 December 2022. The Management confirms that the Company's financial statements were prepared on a going concern basis in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

Reinis Bērziņš
Chairman of the Management Board

Statement of Comprehensive Income

All amounts in thousands of euro

	Notes	Company 01.01.2022.- 31.12.2022. (unaudited)	Company 01.01.2021.- 31.12.2021. (audited)	Group 01.01.2021.- 31.12.2021. (audited)
Interest income	4	19 934	18 857	18 857
Interest expense	5	(2 960)	(2 140)	(2 140)
Net interest income		16 974	16 717	16 717
Income for implementation of state aid programmes	6	6 093	4 446	5 718
Expenses to be compensated for implementation of state aid programmes	7	(5 091)	(3 829)	(5 101)
Net income for implementation of state aid programmes		1 002	617	617
Gains from trading securities and foreign exchange translation		97	51	51
Share of (losses) of investment in associate and other investments	12	(1 539)	(1 382)	(1 382)
Remeasurement gain of investment in associate at fair value through profit or loss	12	48	2 817	2 817
Gains less losses from liabilities at fair value through profit or loss	20	2 339	1 321	1 591
Other income	8	6 207	3 221	3 221
Other expense	9	(1 427)	(1 509)	(1 509)
Operating income before operating expenses		23 701	21 853	21 853
Staff costs		(6 511)	(5 795)	(5 795)
Administrative expense		(1 829)	(1 893)	(1 893)
Amortisation of intangible assets and depreciation of property, plant and equipment		(863)	(935)	(935)
Impairment gain / (loss), net	10	(3 367)	599	599
Profit before corporate income tax		11 131	13 829	13 829
Profit for the period		**11 131**	**13 829**	**13 829**
Other comprehensive income:		(1 197)	(515)	(515)
Items to be reclassified to profit or loss in subsequent periods Net loss from financial assets measured at fair value through other comprehensive income		(1 197)	(515)	(515)
Total comprehensive income for the period		**9 934**	**13 314**	**13 314**
Profit is attributable to:				
Owners of the Company		-	-	5 539
Non-controlling interest		-	-	-
Profit for the period		**-**	**-**	**5 539**
Total comprehensive income is attributable to:				
Owners of the Company		-	-	4 113
Non-controlling interest		-	-	-
Total comprehensive income for the period		**-**	**-**	**4 113**

The accompanying notes on pages 21 through 76 form an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Management Board

Olga Alksne
Chief Accountant

27 February 2023

Statement of Financial Position

All amounts in thousands of euro

	Notes	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Assets			
Due from credit institutions and the State Treasury	11	571 667	455 006
Financial assets at fair value through other comprehensive income - investment securities		9 515	14 051
Financial assets at amortised cost:			
Investment securities		39	37
Loans and receivables	14	317 859	330 530
Grants	15	58 280	45 397
Deferred expense		344	642
Accrued income		927	1 424
Other investments	13	15 246	8 936
Investments in associates			
Investments accounted for using the equity method	12	51 149	51 727
Investments accounted for using the FVTPL method	12	14 232	13 222
Investment property	16	53 453	46 164
Property, plant and equipment		4 448	4 570
Intangible assets		1 140	1 256
Other assets	17	1 530	3 242
Total assets		**1 099 829**	**976 204**
Liabilities			
Due to credit institutions	18	36 290	53 416
Due to general government entities	19	153 784	121 348
Financial liabilities at amortised cost - Issued debt securities		85 513	85 558
Deferred income		5 052	5 747
Accrued expense		661	806
Provisions	21	43 270	34 466
Support programme funding	20	375 874	230 287
Other liabilities		3 755	3 840
Total liabilities		704 199	535 468
Equity			
Share capital		204 862	204 862
Reserves	22	180 136	221 347
Revaluation reserve of financial assets measured at fair value through other comprehensive income	22	(499)	698
Retained earnings		11 131	13 829
Net assets attributable to the Company's owners		395 630	440 736
Total equity		395 630	440 736
Total equity and liabilities		**1 099 829**	**976 204**

The accompanying notes on pages 21 through 76 form an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Management Board

Olga Alksne
Chief Accountant

27 February 2023

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
As at 1 January 2021 (audited)	**204 862**	**170 319**	**1 213**	**5 539**	**381 933**
Profit for the period	-	-	-	13 829	13 829
Other comprehensive income	-	-	(515)	-	(515)
Total comprehensive income	-	-	(515)	13 829	13 314
Increase of reserve capital (Note 22)	-	45 489	-	-	45 489
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2020	-	6 429	-	-	6 429
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2020	-	(6 429)	-	-	(6 429)
Distribution of 2020 profit	-	5 539	-	(5 539)	-
As at 31 December 2021 (audited)	**204 862**	**221 347**	**698**	**13 829**	**440 736**
Profit for the period	-	-	-	11 131	11 131
Other comprehensive income	-	-	(1 197)	-	(1 197)
Total comprehensive income	-	-	(1 197)	11 131	9 934
Increase of reserve capital (Note 22)	-	3 525	-	-	3 525
Decrease of reserve capital by increasing financing of support programs	-	(58 565)	-	-	(58 565)
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2021	-	3 446	-	-	3 446
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2021	-	(3 446)	-	-	(3 446)
Distribution of 2021 profit	-	13 829	-	(13 829)	-
As at 31 December 2022 (unaudited)	**204 862**	**180 136**	**(499)**	**11 131**	**395 630**

Consolidated Statement of Changes in Equity

All amounts in thousands of euro

	Attributable to owners of the Company					
	Share capital	Reserves	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Retained earnings	Non-controlling interest	Total equity
As at 1 January 2021 (audited)	**204 862**	**170 321**	**1 213**	**5 539**	**659**	**382 594**
Profit for the period	-	-	-	13 829	13 829	13 829
Other comprehensive income	-	-	(515)	-	(515)	(515)
Total comprehensive income	-	-	(515)	13 829	13 314	13 314
Increase of reserve capital (Note 22)	-	45 489	-	-	-	45 489
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2020	-	6 429	-	-	-	6 429
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2020	-	(6 429)	-	-	-	(6 429)
Distribution of 2020 profit of the Company	-	5 539	-	(5 539)	-	-
Non-controlling interest	-	(2)	-	-	(659)	(661)
As at 31 December 2021 (audited)	**204 862**	**221 347**	**698**	**13 829**	**-**	**440 736**

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

The accompanying notes on pages 21 through 76 form an integral part of these financial statements.

Statement of Cash Flows

All amounts in thousands of euro

	Notes	Company 01.01.2022.- 31.12.2022. (unaudited)	Company 01.01.2021.- 31.12.2021. (audited)	Group 01.01.2021.- 31.12.2021. (audited)
Cash and cash equivalents at the beginning of period		455 007	359 949	359 949
Cash flows from operating activities				
Profit before taxes		11 131	13 829	13 829
Amortisation of intangible assets and depreciation of property, plant and equipment		863	935	935
Interest income	4	(19 934)	(18 857)	(18 857)
Interest received		19 872	16 334	16 334
Interest expenses	5	2 960	2 140	2 140
Interests paid		(2 951)	(1 297)	(1 297)
(Decrease) / Increase in impairment allowances	10	3 367	(599)	(599)
(Decrease) of cash and cash equivalents from operating activities before changes in assets and liabilities		**15 308**	**12 485**	**12 485**
(Increase) / Decrease of loans	14	9 986	(17 262)	(17 262)
(Increase) of grants	15	(12 985)	(14 447)	(14 447)
Increase of due to credit institutions and general government entities	18,19	15 257	5 388	5 388
Demand deposits with credit institutions (increase)		(32 000)	-	-
Increase / (Decrease) in deferred income and accrued expense		(840)	626	626
(Increase) / Decrease in deferred expense and accrued income		795	(545)	(545)
Decrease of other assets	17	1 903	394	394
Increase in other liabilities		92 096	62 916	62 916
Net cash flows from operating activities		**89 520**	**49 555**	**49 555**
Cash flows from investment activities				
Sale of investment securities		3 603	23 500	23 500
Acquisition of property, plant and equipment and intangible assets		(636)	(824)	(824)
Purchase of investment properties	16	(5 758)	(7 150)	(7 150)
Sale of investment properties	16	954	211	211
Other investments	13	(6 194)	(4 723)	(4 723)
Investments in associates, net		(392)	(6 355)	(6 355)
Investments of subsidiaries in underlying undertakings		-	(2 924)	-
Investments in subsidiaries		-	-	(2 924)
Net cash flows from investing activities		**(8 423)**	**1 735**	**1 735**
Cash flows from financing activities				
Issued debt securities		-	20 845	20 845
Increase of reserve capital	22	3 526	22 923	22 923
Net cash flow from financing activities		**3 526**	**43 768**	**43 768**
Increase in cash and cash equivalents		84 623	95 058	95 058
Cash and cash equivalents at the end of period		**539 630**	**455 007**	**455 007**

The accompanying notes on pages 21 through 76 form an integral part of these financial statements.

Approval of the Financial Statements

The Management of the Company has approved these unaudited interim condensed financial statements on 27 February 2023.

1 General Information

(1) Corporate Information

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

As at 31 December 2021, the Company's subsidiaries are not classified as subsidiaries based on the annual assessment of whether there is control or significant influence over the subsidiaries. In accordance with the Company's accounting policies, the subsidiary is included in the consolidated financial statements until the date that control ceases. Thus, the consolidated financial statements for 2022 are no longer prepared and the Statement of Financial Position as at 31 December 2021 is only the financial position of the Company. The company consolidated its financial statements until December 30, 2021. The data as of 31 December 2021 are the same as the consolidated ones, so they are combined in one column.

Comparatives on the Group's financial performance for the 12 months of 2021 are included in the Statement of Comprehensive Income, Statement of Changes in Equity and the Cash Flow Statement, respectively, as well as in the relevant notes to the financial statements.

JSC Development Finance Institution Altum is a Latvia state-owned company that ensures access of the enterprises and households to the financial resources by means of support financial instruments - loans, guarantees, investments in venture capital funds - in the areas defined as important and to be supported by the state, thus developing the national economy and enhancing mobilization of the private capital and financial resources. On 16 December 2022, the international credit rating agency Moody's Investors Service reaffirmed the Company's long-term credit rating of Baa1 with a stable outlook, which is at the same level as it was approved on 25 March 2019. The baseline credit assessment (BCA) has also been approved at Baa3, along with a short-term rating of P-2. The rating assigned to the Company by Moody's is one of the highest credit ratings assigned to Latvian capital companies.

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

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

The Company holds investment in alternative investment fund "Altum Capital Fund" (the Fund) registered on 31 July 2020. The Fund is created with the aim to support well-managed, perspective Mid-cap companies to overcome the effect of Covid-19 that as a result of the virus impact are ready to adjust their operations by changing their business model, adjusting product development, introducing new technology and expanding to new export markets. The Fund's committed capital was fully subscribed on September 16, 2020, reaching EUR 100 million, of which the majority (EUR 51.1 million or 51.1%) were largest private pension funds and EUR 48.9 million consists of public funding invested by the Company. The Company is also the manager of the Fund registered with the Financial and Capital Market Commission on 26 May 2020. The investment period agreed with the EC ended on 30 June 2022, after its end, new investments were no longer approved, but investments in the portfolio's companies approved until 30 June 2022 continued. The amount of the Fund's investments in existing portfolio companies amounted to EUR 34.4 million on 31 December 2022., while the total amount of the Fund's investments will reach EUR 41.8 million after making all the investments.

1 General Information (cont'd)

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

Legal Tittle	Legal Address	Investment % in share capital
Venture capital funds that were classified as Subsidiaries until 31 December 2021, following a control assessment as of 31 December 2021 and thereafter, classified as Associates		
KS Overkill Ventures Fund I	Dzirnavu iela 105, Rīgas, Latvija, LV-1011	100
KS Buildit Latvia Pre-Seed Fund	Elizabetes iela 20, Rīga, Latvija, LV-1050	100
KS Commercialization Reactor Pre-seed Fund	Brīvības gatve 300 -9, Rīga, Latvija	100
KS INEC 1	Vīlandes iela 3 - 7, Rīga, Latvijas, LV-1010	75
KS INEC 2	Vīlandes iela 3 - 7, Rīga, Latvija, LV-1010	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	Elizabetes iela 20, Rīga, Latvija, LV-1050	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	Ščecinas iela 4, Rīga, Latvija, LV-1014	67
KS Imprimatur Capital Seed Fund (fund is in the process of liquidation)	Ščecinas iela 4, Rīga, Latvija, LV-1014	100
KS ZGI-3	Daugavgrīvas iela 21, Rīga, Latvija, LV-1048	95
KS FlyCap investment Fund	Matrožu iela 15A, Rīga, Latvija, LV-1048	95
KS Expansion Capital fund	Vīlandes iela 3 - 7, Rīga, Latvija, LV-1010	95
Baltic Innovation Fund	European Investment Fund, 37B, avenue J.F. Kennedy, L-2968 Luxembourg	20
KS AIF "Altum capital fund"	Doma laukums 4, Rīga, Latvija, LV-1050	48.9

2 Accounting Policies

(1) Basis of presentation

These unaudited interim condensed financial statements for the year ended 31 December 2022 were prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted in the European Union. These financial statements are to be used together with the complete financial statements for the year 2021 prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union.

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

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

Several new standards and interpretations have been published, adopted by the EU and become effective for the financial reporting periods beginning on or after 1 January 2022:

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

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

3 Risk Management

The major risks that the Company is exposed to are credit, liquidity and operational risks. These unaudited interim condensed financial statements do not include all information on risk management and disclosures required in the annual financial statements. They are to be viewed together with the complete financial statements for the year 2021.

(1) Credit Risk

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

	Stage 1		**Stage 2**		**Stage 3**		**POCI**		**Total**	
	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)
Financial assets at AC										
Due from credit institutions and the Treasury	571 682	455 007	-	-	-	-	-	-	571 682	455 007
Impairment allowances	(15)	(1)	-	-	-	-	-	-	(15)	(1)
Total net due from credit institutions and the Treasury	**571 667**	**455 006**	**-**	**-**	**-**	**-**	**-**	**-**	**571 667**	**455 006**
Investment securities	-	-	-	-	3 927	3 704	-	-	3 927	3 704
Impairment allowances	-	-	-	-	(3 888)	(3 667)	-	-	(3 888)	(3 667)
Total net investment securities	**-**	**-**	**-**	**-**	**39**	**37**	**-**	**-**	**39**	**37**
Loans and receivables	250 575	256 865	56 895	67 091	31 061	24 717	402	-	338 933	348 673
Impairment allowances*	(4 106)	(3 545)	(4 751)	(4 425)	(11 815)	(10 173)	(402)	-	(21 074)	(18 143)
Total net loans and receivables	**246 469**	**253 320**	**52 144**	**62 666**	**19 246**	**14 544**	**-**	**-**	**317 859**	**330 530**
Grants	58 716	45 729	-	-	-	-	-	-	58 716	45 729
Impairment allowances	(436)	(332)	-	-	-	-	-	-	(436)	(332)
Total net grants	**58 280**	**45 397**	**-**	**-**	**-**	**-**	**-**	**-**	**58 280**	**45 397**
Other financial assets	1 393	2 531	-	-	2 138	2 634	-	-	3 531	5 165
Impairment allowances	-	(21)	-	-	(2 029)	(1 930)	-	-	(2 029)	(1 951)
Total net other financial assets	**1 393**	**2 510**	**-**	**-**	**109**	**704**	**-**	**-**	**1 502**	**3 214**
Total financial assets at AC	**882 366**	**760 132**	**56 895**	**67 091**	**37 126**	**31 055**	**402**	**-**	**976 789**	**858 278**
Impairment allowances	(4 557)	(3 899)	(4 751)	(4 425)	(17 732)	(15 770)	(402)	-	(27 442)	(24 094)
Total net financial assets at AC	**877 809**	**756 233**	**52 144**	**62 666**	**19 394**	**15 285**	**-**	**-**	**949 347**	**834 184**

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: (cont'd)

	Stage 1		**Stage 2**		**Stage 3**		**POCI**		**Total**	
	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)
Financial assets at FVOCI										
Investment securities	9 515	14 051	-	-	-	-	-	-	9 515	14 051
Impairment allowances	-	-	-	-	-	-	-	-	-	-
Total net investment securities	**9 515**	**14 051**	**-**	**-**	**-**	**-**	**-**	**-**	**9 515**	**14 051**
Total financial assets at FVOCI	**9 515**	**14 051**	**-**	**-**	**-**	**-**	**-**	**-**	**9 515**	**14 051**
Impairment allowances	-	-	-	-	-	-	-	-	-	-
Total net financial assets at FVOCI	**9 515**	**14 051**	**-**	**-**	**-**	**-**	**-**	**-**	**9 515**	**14 051**
Off-balance sheet items and contingent liabilities										
Outstanding guarantees	443 277	378 876	29 811	32 885	7 925	3 217	-	-	481 013	414 978
Impairment allowances *	(32 768)	(28 088)	(4 046)	(3 505)	(5 004)	(2 010)	-	-	(41 818)	(33 603)
Total net outstanding guarantees	**410 509**	**350 788**	**25 765**	**29 380**	**2 921**	**1 207**	**-**	**-**	**439 195**	**381 375**
Loan commitments	60 106	21 730	1 125	3 755	2	87	-	-	61 233	25 572
Impairment allowances *	(1 014)	(484)	(61)	(287)	(1)	(19)	-	-	(1 076)	(790)
Total net loan commitments	**59 092**	**21 246**	**1 064**	**3 468**	**1**	**68**	**-**	**-**	**60 157**	**24 782**
Grant commitments	47 824	11 089	-	-	-	-	-	-	47 824	11 089
Impairment allowances	(376)	(73)	-	-	-	-	-	-	(376)	(73)
Total net grant commitments	**47 448**	**11 016**	**-**	**-**	**-**	**-**	**-**	**-**	**47 448**	**11 016**
Total off-balance items and contingent liabilities	**551 207**	**411 695**	**30 936**	**36 640**	**7 927**	**3 304**	**-**	**-**	**590 070**	**451 639**
Impairment allowances	(34 158)	(28 645)	(4 107)	(3 792)	(5 005)	(2 029)	-	-	(43 270)	(34 466)
Total net off-balance items and contingent liabilities	**517 049**	**383 050**	**26 829**	**32 848**	**2 922**	**1 275**	**-**	**-**	**546 800**	**417 173**

* Includes net impairment allowances of EUR 5,262 thousand covered by Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2022 annual report. In the distribution of the 2022 profit, it will be directly attributed to the Portfolio Loss Reserve, thus the 2022 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 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	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
As at 31 December 2021 (audited)	**3 545**	**4 425**	**10 173**		**18 143**	**256 865**	**67 091**	**24 717**		**348 673**
Transfers between stages:										
from Stage 1 to Stage 2	(394)	833	-	-	439	(25 457)	22 493	-	-	(2 964)
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(179)	(242)	3 943	-	3 522	(6 062)	(9 308)	12 559	-	(2 811)
from Stage 3 to Stage 2	-	25	(264)	-	(239)	-	1 074	(1 310)	-	(236)
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	53	(315)	-	-	(262)	12 618	(16 152)	-	-	(3 534)
New originated or purchased	1 020	378	264	413	2 075	63 610	6 704	412	413	71 139
Derecognised during the period	(276)	(490)	(541)	-	(1 307)	(29 630)	(6 205)	(1 613)	-	(37 448)
Changes to ECL measurement model assumptions (PD, LGD)	(141)	(202)	(277)	-	(620)	-	-	-	-	-
Changes to ECL measurement model assumptions (macroeconomic factors)	822	687	122	-	1 631	-	-	-	-	-
Other movements	174	696	-	-	870	-	-	-	-	-
Write-offs	-	-	(1 117)	-	(1 117)	-	-	(1 117)	-	(1 117)
Change of outstanding balance **	(518)	(1 044)	(488)	(11)	(2 061)	(21 369)	(8 802)	(2 587)	(11)	(32 769)
As at 31 December 2022 (unaudited)	**4 106 ***	**4 751**	**11 815**	**402**	**21 074**	**250 575**	**56 895**	**31 061**	**402**	**338 933**

* Includes the impairment overlay EUR 2,170 thousand that represents an additional loss reserve for SME and Midcaps portfolio
** Change of outstanding balance includes cash flows from repayment of principal

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

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2021 (audited)	**28 088**	**3 505**	**2 010**	**33 603**	**378 876**	**32 885**	**3 217**	**414 978**
Transfers between stages:								
from Stage 1 to Stage 2	(1 512)	1 852	-	340	(16 631)	15 843	-	(788)
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(76)	(702)	3 012	2 234	(967)	(4 732)	5 023	(676)
from Stage 3 to Stage 2	-	17	(87)	(70)	-	88	(136)	(48)
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	583	(929)	(8)	(354)	6 052	(5 982)	(8)	62
New originated or purchased	10 739	316	265	11 320	131 066	1 620	469	133 155
Derecognised during the period	(2 594)	(630)	(314)	(3 538)	(47 566)	(8 021)	(410)	(55 997)
Changes to ECL measurement model assumptions (PD, LGD)	207	45	251	503	-	-	-	-
Changes to ECL measurement model assumptions (macroeconomic factors)	70	11	2	83	-	-	-	-
Other movements	(954)	856	-	(98)	-		-	-
Paid-out guarantees	(4)	(19)	(55)	(78)	(270)	(216)	(94)	(580)
Write-offs	-	-	-	-	-	-	-	-
Change of outstanding balance **	(1 779)	(276)	(72)	(2 127)	(7 283)	(1 674)	(136)	(9 093)
As at 31 December 2022 (unaudited)	**32 768 ***	**4 046**	**5 004**	**41 818**	**443 277**	**29 811**	**7 925**	**481 013**

* includes the impairment overlay EUR 856 thousand that represents an additional loss reserve for SME and Midcaps portfolio
** Change of outstanding balance includes cash flows from repayment of principal of underlying loan

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

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

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Performing	314 185	326 852
Past due up to 30 days	11 577	10 540
Past due from 31 to 60 days	2 136	2 346
Past due from 61 to 90 days	503	727
Past due over 90 days	10 532	8 208
Total gross loans, without interest accrued on the loans	**338 933**	**348 673**
Impairment allowances	(21 074)	(18 143)
Total net loans	**317 859**	**330 530**

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

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

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Real estate (loans)	196 417	189 991
Real estate (leaseback)	27 089	32 993
Movable property	47 171	43 239
Guarantees	3 534	4 974
Total collateral	**274 211**	**271 197**
Loan portfolio, gross *	338 933	348 673
Impairment allowances	(21 074)	(18 143)
Loan portfolio, net	317 859	330 530
Exposed	**13.73%**	**17.95%**

* includes loans in amount of EUR 31,218 thousand to mitigate the impact of Covid-19 for which no real estate or movable property is required as collateral while credit risk is covered by risk coverage (Portfolio Loss Reserve).

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

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

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Assets exposed to credit risk		
Due from credit institutions and the Treasury	571 667	455 006
Financial assets at fair value through other comprehensive income - investment securities	9 515	14 051
Financial assets at amortised cost:		
Investment securities	39	37
Loans and receivables	317 859	330 530
Grants	58 280	45 397
Other investments	15 246	8 936
Investments in associates	65 381	64 949
Other assets	1 530	3 242
Total	**1 039 517**	**922 148**
Off-balance sheet items exposed to credit risk		
Contingent liabilities (Note 21)	481 013	414 978
Financial commitments (Note 21)	214 255	161 276
Total	**695 268**	**576 254**

As at 31 December 2022, part of the Company's assets in amount of EUR 187,053 thousand (31 December 2021: EUR 152,296 thousand) were pledged. Detailed information on the Company's outstanding loan agreement as at 30 September 2022 is provided in Note 18 and Note 19.

Article 31 of the Law on State Budget 2022 provides that guarantees issued by Altum in amount of EUR 270 000 thousand is backed by the state according to Agriculture and Rural Development Law and Development Finance Institution Law. Actual amount of issued guarantees issued under these conditions as at 31 December 2022 was EUR 236,350 thousand (31 December 2021: EUR 268,256 thousand).

3 Risk Management (cont'd)

(2) Liquidity Risk

Maturity profile of the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 31 December 2022, in thousands of euro:

	Up to 1 year *	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	**Total**
Due to credit institutions	14 443	21 881	-	-	-	36 324
Due to general governments	11 649	38 052	88 834	26 534	141 889	306 958
Issued debt securities	1 605	86 226	-	-	-	87 831
Support programme funding **	68 076	30 127	211 914	46 571	19 186	375 874
Other liabilities	2 966	789	-	-	-	3 755
Total financial liabilities	**98 739**	**177 075**	**300 748**	**73 105**	**161 075**	**810 742**
Off-balance sheet items and contingent liabilities	453 774	87 645	153 849	-	-	695 268
Total financial liabilities, off-balance items and contingent liabilities * **	**552 513**	**264 720**	**454 597**	**73 105**	**161 075**	**1 506 010**
Due from credit institutions and the Treasury	571 667	-	-	-	-	571 667
Investment securities	76	9 478	-	-	-	9 554
Liquid assets	**571 743**	**9 478**	**-**	**-**	**-**	**581 221**

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

Maturity profile of the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 31 December 2022 and supporting analysis is presented in table below.

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

*** Since part of off-balance sheet items and contingent liabilities is backed by funding recognized as financial liabilities, EUR 117,443 thousand are included in both the Company's financial liabilities and the Company's off-balance sheet items and contingent liabilities.

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Maturity profile of the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 31 December 2022, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Total up to 1 year
Due to credit institutions	-	1 615	5 631	7 197	14 443
Due to general governments	2 055	366	2 821	6 407	11 649
Issued debt securities	721	161	241	482	1 605
Support programme funding	1 404	5 078	-	61 594	68 076
Other liabilities	2 946	11	-	9	2 966
Total financial liabilities	**7 126**	**7 231**	**8 693**	**75 689**	**98 739**
Off-balance sheet items and contingent liabilities *	417 734	6 970	10 015	19 055	453 774
Total financial liabilities, off-balance items and contingent liabilities	**424 860**	**14 201**	**18 708**	**94 744**	**552 513**
Due from credit institutions and the Treasury	539 667	-	-	32 000	571 667
Investment securities	39	-	-	37	76
Liquid assets	**539 706**	**-**	**-**	**32 037**	**571 743**

* Split of off-balance sheet items and contingent liabilities by type of financial instrument – outstanding financial guarantees, loan commitments and grant commitments as well as commitments to 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 305,468 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 61,233 thousand (up to 1 year) – from financial facilities (either received by the Company or available to the Company upon request) concluded with financial institutions and the Treasury (see Notes 18 and 19) and respective loan support programme funding (see Note 20).

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

Commitments to investments in associates in amount of EUR 29,228 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 20).

Commitments to AIF "Altum capital fund" in amount of EUR 3,121 thousand (up to 1 year) – from specific reserve capital (see Note 22) and additional funding from shareholders expected in 2021.

Commitments to other investments in amount of EUR 6,900 thousand (up to 1 year) – for Baltic Innovation Fund 2 from support programme funding and repayments on different support programmes (see Note 20) and the 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 2021, in thousands of euro:

	Up to 1 year *	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	**Total**
Due to credit institutions	13 443	39 997	-	-	-	53 440
Due to general governments	6 547	30 634	31 219	18 781	36 605	123 786
Issued debt securities	854	87 623	-	-	-	88 477
Support programme funding **	2 895	62 750	126 942	27 087	10 613	230 287
Other liabilities	3 000	840	-	-	-	3 840
Total financial liabilities	**26 739**	**221 844**	**158 161**	**45 868**	**47 218**	**499 830**
Off-balance sheet items and contingent liabilities	350 748	79 640	145 866	-	-	576 254
Total financial liabilities, off-balance items and contingent liabilities * **	**377 487**	**301 484**	**304 027**	**45 868**	**47 218**	**1 076 084**
Due from credit institutions and the Treasury	455 006	-	-	-	-	455 006
Investment securities	3 592	10 496	-	-	-	14 088
Liquid assets	**458 598**	**10 496**	**-**	**-**	**-**	**469 094**

* 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 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
Total financial liabilities	**3 144**	**5 248**	**6 281**	**12 066**	**26 739**
Off-balance sheet items and contingent liabilities *	299 718	14 010	23 605	13 415	350 748
Total financial liabilities, off-balance items and contingent liabilities	**302 862**	**19 258**	**29 886**	**25 481**	**377 487**
Due from credit institutions and the Treasury	455 006	-	-	-	455 006
Investment securities	1 072	-	-	2 520	3 592
Liquid assets	**456 078**	**-**	**-**	**2 520**	**458 598**

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

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

Outstanding financial guarantees in amount of EUR 261,119 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 20) and Specific reserve capital (see Note 22). Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses.

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

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

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

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

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

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

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Breakdown of the Company's assets and liabilities by maturity profile as at 31 December 2022 based on the time remaining from the reporting date to their contractual maturity, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	**Total**
Assets							
Due from credit institutions and the Treasury	539 667	-	-	32 000	-	-	571 667
Investment securities	39	-	-	37	9 478	-	9 554
Loans *	13 075	16 063	18 606	31 364	125 886	112 865	317 859
Grants	871	220	10 040	2 014	44 569	566	58 280
Deferred expense and accrued income	-	143	-	1 128	-	-	1 271
Other investments	-	-	-	-	-	15 246	15 246
Investments in associates	3 733	-	-	11 453	21 299	28 896	65 381
Investment property	-	-	-	-	-	53 453	53 453
Property, plant and equipment	-	-	-	-	-	4 448	4 448
Intangible assets	-	-	-	-	-	1 140	1 140
Other assets	981	99	21	45	384	-	1 530
Total assets	**558 366**	**16 525**	**28 667**	**78 041**	**201 616**	**216 614**	**1 099 829**
Liabilities							
Due to credit institutions	-	1 605	5 625	7 187	21 873	-	36 290
Due to general governments	1 428	366	1 773	4 300	42 019	103 898	153 784
Issued debt securities	(1)	505	2	38	84 969	-	85 513
Deferred income and accrued expense	251	652	802	534	2 631	843	5 713
Provisions	43 270	-	-	-	-	-	43 270
Support programme funding	1 404	5 078	-	61 594	30 127	277 671	375 874
Other liabilities	2 946	11	-	9	789	-	3 755
Total liabilities	**49 298**	**8 217**	**8 202**	**73 662**	**182 408**	**382 412**	**704 199**
Net liquidity	**509 068**	**8 308**	**20 465**	**4 379**	**19 208**	**(165 798)**	**395 630**

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

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

3 Risk Management (cont'd)

(3) Covid-19 impact

(i) Covid-19 impact on loan portfolio

Analysis of the Company's loan portfolio by client segments as at 31 December 2022, in thousands of euro:

	Stage 1		Stage 2		Stage 3		Total gross loans	Total impairment allowance
	Gross loans	Impairment allowance	Gross loans	Impairment allowance	Gross loans	Impairment allowance		
Financial Intermediaries*	46	1	-	-	-	-	46	1
Agriculture*	139 654	540	12 913	313	6 942	2 073	159 509	2 926
SME and Midcaps	81 255	2 077	43 781	3 740	22 333	9 813	147 369	15 630
of which,				-	-	-		
Covid-19 crisis related working capital loans	11 234	498	12 902	874	7 082	4 525	31 218	5 897
Daily loan products	70 021	1 579	30 879	2 866	15 251	5 288	116 151	9 733
Private individuals	3 318	12	201	3	1 401	328	4 920	343
Land Fund	26 302	2	-	-	787	3	27 089	5
Total segments, gross	**250 575**	**2 632**	**56 895**	**4 056**	**31 463**	**12 217**	**338 933**	**18 905**
Impairment overlay **	-	269	-	-	-	-	-	269
Total segments, net	**250 575**	**2 901**	**56 895**	**4 056**	**31 463**	**12 217**	**338 933**	**19 174**

* In 2022, the classification of customer segments is changed, determining that loans with the support program code "Agricultural Credit Fund Loans", classified as Financial Intermediaries in 2021, are assigned to the segment Agriculture.

** 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 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	269	10 778	192	6 000	1 534	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
Total segments, gross	**256 865**	**2 244**	**67 091**	**4 425**	**24 717**	**10 173**	**348 673**	**16 842**
Impairment overlay *	-	1 301	-	-	-	-	-	1 301
Total segments, net	**256 865**	**3 545**	**67 091**	**4 425**	**24 717**	**10 173**	**348 673**	**18 143**

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

3 Risk Management (cont'd)

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

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

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

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 2022, in thousands euro:

	Gross loans	Changes to 31.12.2021.	Granted in 2022 12M	Granted in 2021 12M	Impairment allowance	Changes to 31.12.2021.	Net loans	% of Total Gross loans, SME & Midcap
Covid-19 more exposed industries								
Retail	2 053	(2 142)	555	1 768	393	84	1 660	1.4%
Tourism services	1 711	(861)	572	521	194	(68)	1 517	1.2%
Land transport services	1 468	(572)	250	1 625	91	16	1 377	1.0%
Hotels and restaurants	1 259	(1 562)	344	600	265	58	994	0.9%
Art, entertainment and leasure	1 224	(366)	2 676	1 518	152	10	1 072	0.8%
Beauty	64	(36)	-	100	4	(1)	60	0.0%
Total Covid-19 more exposed industries	**7 779**	**(5 539)**	**4 397**	**6 132**	**1 099**	**99**	**6 680**	**5.3%**
Covid-19 less exposed industries								
Manufacturing	6 714	(8 163)	426	5 596	915	(98)	5 799	4.6%
Construction	5 491	(2 364)	617	2 906	2 197	1 435	3 294	3.7%
Wholesale	5 164	(5 614)	245	1 771	972	38	4 192	3.5%
Transport, warehousing and communications	2 247	(844)	759	1 040	372	202	1 875	1.5%
Information technologies and communication	1 041	(1 342)	30	640	44	(11)	997	0.7%
Professional, science and technical services	857	(1 004)	-	547	162	89	695	0.6%
Municipal authorities	598	(301)	-	305	30	(5)	568	0.4%
Real estate	357	(133)	-	100	17	3	340	0.2%
Electricity, gas and water utilities	108	(349)	-	34	25	8	83	0.1%
Health and social care	52	(106)	-	45	2	(2)	50	0.0%
Forestry	-	(1 432)	-	218	-	(94)	-	0.0%
Other industries	810	(423)	250	310	62	28	748	0.5%
Total Covid-19 less exposed industries	**23 439**	**(22 075)**	**2 327**	**13 512**	**4 798**	**1 593**	**18 641**	**15.9%**
Total Covid-19 crisis related working capital loans	**31 218**	**(27 614)**	**6 724**	**19 644**	**5 897**	**1 692**	**25 321**	**21.2%**

The support instruments related to the mitigation of the consequences of Covid-19 were issued in Latvia until 30 June 2022, in compliance with the regulatory framework established by the EU. It should be noted that the portfolio of the Covid loan product is amortizing rapidly, as the average remaining loan term is 1.4 years.

3 Risk Management (cont'd)

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

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

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

	Gross loans	Changes to 31.12.2021.	Granted in 2022 12M	Granted in 2021 12M	Impairment allowance	Changes to 31.12.2021.	Net loans	% of Total Gross loans, SME & Midcap
Covid-19 more exposed industries								
Hotels and restaurants	3 510	(1 090)	767	1 947	259	(76)	3 251	2.4%
Retail	2 722	843	1 781	604	126	16	2 596	1.8%
Art, entertainment and leasure	2 083	242	985	598	444	149	1 639	1.4%
Beauty and sports	639	(5)	186	55	273	22	366	0.4%
Land transport services	530	(5)	339	264	27	6	503	0.4%
Tourism services	310	(23)	-	-	83	(23)	227	0.2%
Total Covid-19 more exposed industries	**9 794**	**(38)**	**4 058**	**3 468**	**1 212**	**94**	**8 582**	**6.6%**
Covid-19 less exposed industries								
Manufacturing	48 811	(3 686)	15 649	20 815	3 604	(490)	45 207	33.1%
Real estate	15 321	2 091	5 167	5 387	1 475	(472)	13 846	10.4%
Electricity, gas and water utilities	8 527	2 865	3 967	596	869	17	7 658	5.8%
Health and social care	7 189	1 451	3 099	2 420	494	306	6 695	4.9%
Wholesale	6 134	(1 255)	1 476	3 008	579	22	5 555	4.2%
Municipal authorities	5 073	35	1 570	1 577	110	90	4 963	3.4%
Construction	4 473	141	1 949	2 344	225	12	4 248	3.0%
Transport, warehousing and communications	2 723	1 533	2 010	792	280	89	2 443	1.8%
Professional, science and technical services	2 547	(506)	770	1 143	73	37	2 474	1.7%
Fishery	1 680	(404)	36	761	342	223	1 338	1.1%
Information technologies and communication	945	369	517	196	278	214	667	0.6%
Forestry	-	(2 691)	-	1 320	-	(54)	-	0.0%
Other industries	2 934	8	1 258	1 648	192	7	2 742	2.0%
Total Covid-19 less exposed industries	**106 357**	**(49)**	**37 468**	**42 007**	**8 521**	**1**	**97 836**	**72.2%**
Total daily (ordinary) loan products	**116 151**	**(87)**	**41 526**	**45 475**	**9 733**	**95**	**106 418 ***	**78.8%**

* excludes impairment overlay in amount of EUR 269 thousand represents an additional loss reserve for SME and Midcaps portfolio over the modelled ECL amounts to account for other economic uncertainties

The situation caused by Covid-19 has not eased the credit application evaluation process applicable to the daily support product portfolio, including the accepted credit risk level, the applicable credit rating, the expected debt servicing capacity, collateral evaluation processes. Such a process also applies to specific support instruments related to the mitigation of the consequences of Covid-19 - working capital loans.

It should be noted that as a result of the credit relief provided to the SME segment (Covid-19 moratorium), the quality of the credit portfolio has not deteriorated when customers return to the usual payment schedule after the end of the credit relief.

The largest exposures of the Company's loan portfolio by segments/sectors in 2022 and the impact of Covid-19 on them:

- In the agricultural segment, in 2022, there was an increase in the prices of raw materials and energy resources, and this was followed by an increase in sales prices. The companies of the agricultural segment have concluded the 2022 season with reasonably good financial results. It should also be mentioned that the agricultural segment is heavily subsidized and loans to this segment are mostly secured by agricultural land, which is conservatively valued. Therefore, the Company does not see a deterioration in the quality of the credit portfolio of this segment, which would have been affected by the Covid-19 crisis.

3 Risk Management (cont'd)

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

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

- Manufacturing in the SME segment. Taking into account the restrictions on the entertainment, catering, tourism and other service industries, public consumption trends were significantly affected, and a larger part of income was directed to the purchase of various goods, which strengthened the sales volumes of processing companies. The sub-sector of the manufacturing industry, which experienced the sharpest fluctuations during 2022, is woodworking - on the one hand, the trend continued in 2022 with rapidly growing sales prices, but on the other hand, the economic sanctions against Belarus and Russian Federation have created new challenges in the availability of raw materials and additional risks for companies in the sector , including possible sharp changes in product prices following demand corrections. The manufacturing industry shows reasonably good results. Therefore, it can be concluded that the negative impact of Covid-19 on the operations of companies in the sector has been insignificant.
- The second largest industry in terms of loan portfolio volume in the SME segment is real estate operations. The most affected were real estate portfolios, where the hotel business is located, as well as shopping centers. Positive trends were observed in the 2nd and 3rd quarters of 2022, as the Covid restrictions were significantly reduced. On the other hand, in the office segment, the majority of office workers have had to work remotely and for many, working from home is still everyday, therefore the question of the need for offices in the future has become relevant in the real estate industry. Covid restrictions had an insignificant impact on the warehouse segment, as thanks to the boom in e-commerce, the volume of delivered goods has increased significantly. At the same time, the demands of buyers to ensure the speed of delivery of goods create an additional demand for warehouse space.
- The third largest sector by the size of the loan portfolio is energy. Recently, a transformation of the industry has been observed, with more and more investments being diverted to electricity and heat generation projects from renewable resources. In 2022, the industry experienced large price fluctuations both in raw material purchases and sales prices. In the summer of 2022, there was great uncertainty about the availability of fossil fuels, thus the record price of oil, natural gas, electricity and energy wood was reached. Thanks to the rapid diversification of supply chains and the relatively warm weather conditions, the prices of raw materials started to fall in the 4th quarter of 2022. In the near future, a stable flow of investments in new energy projects is predicted, thanks to which the prices of electricity and thermal energy could stabilize in the long term. It should be noted that the negative impact of Covid-19 on the operations of companies in the sector has been insignificant and the sharp fluctuations experienced by the sector in 2022 are related to the Russian Federation invasion of Ukraine and the sanctions against Russian Federation.
- In the wholesale sector, similarly to the manufacturing sector, the impact of the Covid-19 crisis has been different depending on the sub-sector. For example, lumber wholesalers have similar challenges to manufacturers in the woodworking industry. Fuel and fuel traders have been able to take advantage of the positive effect of rising prices, however, additional rising prices could have a negative impact on demand in the long term. On the positive side, most companies in this industry have reasonably high equity ratios and the owners were able to financially support the companies.
- The relatively largest exposures of the loan portfolio from the sectors most affected by Covid-19 are in the Accommodation and catering services and retail trade sectors. In the summer of 2022, companies in the accommodation and catering services sector were able to promptly respond to the growing demand, thus ensuring a significant increase in turnover, which, however, did not reach pre-pandemic levels. In the retail sector, the reporting period was challenging for all sub-sectors, especially in the 2nd and 3rd quarter of 2022, rapidly rising prices, which continued in the 4th quarter as well, could have a negative impact on consumer demand in the long term, but this trend has not been formed under the influence of Covid-19.

Basically, with the end of the restrictions of Covid-19 and the recovery of supply chains that were disrupted during Covid-19, it can be considered that the negative impact of Covid-19 on the economic activity of companies has ended. Regarding the Russian Federation invasion of Ukraine, the sanctions directed against Russian Federation, their indirect impact on companies through the rapid increase in energy resource prices, the shortage of raw materials and changes in supply chains, see below in detail Annex 3 (4) note Impact of the Russian Federation invasion of Ukraine.

3 Risk Management (cont'd)

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

(ii) Covid-19 impact on guarantee portfolio

Analysis of the Company's guarantees portfolio by client segments as at 31 December 2022, in thousands of euro:

	Stage 1		**Stage 2**		**Stage 3**		**Total outstanding guarantees**	**Total impairment allowance**
	Outstanding guarantees	Impairment allowance	Outstanding guarantees	Impairment allowance	Outstanding guarantees	Impairment allowance		
Agriculture	10 409	1 568	2 213	113	179	130	12 801	1 811
SME and Midcaps	170 602	10 251	27 271	3 033	7 512	4 645	205 385	17 929
of which,								
*Covid-19 crisis related guarantees **	*3 933*	*271*	*8 658*	758	3 842	2 544	16 433	3 573
Daily guarantees products	*166 669*	*9 980*	*18 613*	2 275	3 670	2 101	188 952	14 356
Private individuals	262 266	20 949	327	44	234	229	262 827	21 222
Total segments, gross	**443 277**	**32 768**	**29 811**	**3 190**	**7 925**	**5 004**	**481 013**	**40 962**
Impairment overlay	-	-	-	-	-	-	-	-
Total segments, net	**443 277**	**32 768**	**29 811**	**3 190**	**7 925**	**5 004**	**481 013**	**40 962**

* Includes SME loan credit holiday guarantees and portfolio guarantees.

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

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

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

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

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

3 Risk Management (cont'd)

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

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

Split of specific Covid-19 related support guarantee instruments for the SME and Midcap client segment guarantee portfolio by industries as at 31 December 2022, in thousands euro:

	Gross outstanding guarantees	Changes to 31.12.2021.	Issued in 2022 12M	Issued in 2021 12M	Impairment allowance	Changes to 31.12.2021.	Net outstanding guarantees	% of Total gross outstanding guarantees, SME & Midcap
Covid-19 more exposed industries								
Hotels and restaurants	3 780	(1 379)	-	-	446	(204)	3 334	1.8%
Passenger transport services	1 344	(1 696)	-	1 457	162	(263)	1 182	0.7%
Retail	996	-	-	304	30	(31)	966	0.5%
Art, entertainment and leasure	323	(29)	-	-	29	(2)	294	0.2%
Total Covid-19 more exposed industries	**6 443**	**(3 104)**	**-**	**1 761**	**667**	**(500)**	**5 776**	**3.1%**
Covid-19 less exposed industries								
Wholesale	6 012	(1 118)	-	4 735	2 607	1 650	3 405	2.9%
Manufacturing	1 547	(6 011)	-	2 794	77	(555)	1 470	0.8%
Municipal authorities	1 381	(580)	-	1 352	185	(100)	1 196	0.7%
Construction	778	(12)	-	-	10	(29)	768	0.4%
Health and social care	206	(16)	-	-	12	(8)	194	0.1%
Forestry	33	(339)	-	-	10	(45)	23	0.0%
Information technologies and communication	33	(8)	-	32	5	(2)	28	0.0%
Electricity, gas and water utilities	-	(239)	-	-	-	(27)	-	0.0%
Total Covid-19 less exposed industries	**9 990**	**(8 323)**	**-**	**8 913**	**2 906**	**884**	**7 084**	**4.9%**
Total specific COVID-19 related guarantee products *	**16 433**	**(11 427)**	**-**	**10 674**	**3 573**	**384**	**12 860**	**8.0%**

* Includes SME loan credit holiday guarantees and portfolio guarantees.

The support instruments related to the mitigation of the consequences of Covid-19 were issued in Latvia until June 30, 2022, in compliance with the regulatory framework established by the EU. It should be noted that the product portfolio of Covid guarantees is depreciating rapidly, as the average remaining guarantee period is 1.6 years.

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 2022, in thousands euro:

	Gross outstanding guarantees	Changes to 31.12.2021.	Issued in 2022 12M	Issued in 2021 12M	Impairment allowance	Changes to 31.12.2021.	Net outstanding guarantees	% of Total gross outstanding guarantees, SME & Midcap
Covid-19 more exposed industries								
Retail	8 792	3 132	1 971	1 766	945	256	7 847	4.3%
Passenger transport services	1 558	332	106	441	(122)	(146)	1 680	0.8%
Hotels and restaurants	517	(6)	8	45	95	34	422	0.3%
Art, entertainment and leasure	216	(84)	24	182	18	(5)	198	0.1%
Total Covid-19 more exposed industries	**11 083**	**3 374**	**2 109**	**2 434**	**936**	**139**	**10 147**	**5.4%**
Covid-19 less exposed industries								
Manufacturing	56 630	694	6 403	20 713	4 345	265	52 285	27.6%
Wholesale	47 671	4 446	4 637	13 921	2 670	761	45 001	23.2%
Construction	40 874	9 630	2 994	5 361	4 092	1 857	36 782	19.9%
Forestry	10 874	1 902	-	1 977	297	(81)	10 577	5.3%
Transport, warehousing and communications	5 426	(947)	-	396	569	19	4 857	2.6%
Real estate	3 418	(1 608)	40	1 704	393	(14)	3 025	1.7%
Professional, science and technical services	5 623	1 084	1 575	1 242	489	174	5 134	2.7%
Information technologies and communication	2 488	(368)	92	1 059	176	23	2 312	1.2%
Municipal authorities	2 229	57	359	1 006	229	6	2 000	1.1%
Electricity, gas and water utilities	1 610	802	726	386	74	39	1 536	0.8%
Health and social care	639	45	137	164	61	(2)	578	0.3%
Other industries	387	(115)	20	89	25	(8)	362	0.2%
Total Covid-19 less exposed industries	**177 869**	**15 622**	**16 983**	**48 018**	**13 420**	**3 039**	**164 449**	**86.6%**
Total daily (ordinary) guarantee products	**188 952**	**18 996**	**19 092**	**50 452**	**14 356**	**3 178**	**174 596**	**92.0%**

The situation caused by Covid-19 has not eased the process of evaluating the guarantees applicable to everyday guarantee products, including the assumed level of credit risk, the credit rating applied to customers, the expected ability to service debt. This process also applies to specific support instruments related to mitigating the consequences of COVID-19 - credit holiday guarantees, portfolio guarantees.

The largest exposures of the Company's guarantee portfolio by segments/sectors in 2022 and the impact of Covid-19 on them:

- Manufacturing industry in the SME segment is the largest sector not only in the SME loan portfolio, but also in the SME guarantee portfolio. For a description of this sector, see the loan portfolio sector analysis above.
- The second largest sector in terms of the volume of the guarantee portfolio is wholesale. For a description of this sector, see the loan portfolio sector analysis above.

3 Risk Management (cont'd)

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

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

- Construction, which is the third largest sector in the SME guarantee portfolio, was affected both directly and indirectly by the Covid-19 crisis. Due to restrictions on movement and illness of employees, the construction process was delayed in many companies and the cash flow of the company suffered accordingly. In 2022, the easing of travel conditions allows Latvian companies to return to the Scandinavian market. Many industries that were directly affected by Covid-19 refused to implement construction projects or postponed them to a later period. However, in general, the industry shows good results in 2022. In the near term, the main challenges are adapting to changes in material supply chains and new payment conditions, which disrupt the usual project financing balance, as well as the challenge will be the rising costs of construction materials, which can cause significant losses to those construction companies whose projects the customers refuse to revise estimates and increase project financing.
- Regarding the retail sector, which has the largest exposure of the guarantee portfolio among the sectors most affected by Covid-19, see above under the analysis of the loan portfolio sectors.

Basically, with the end of the restrictions of Covid-19 and the recovery of supply chains that were disrupted during Covid-19, it can be considered that the negative impact of Covid-19 on the economic activity of companies has ended. Regarding the Russian Federation invasion of Ukraine, the sanctions directed against Russian Federation, their indirect impact on companies through the rapid increase in energy resource prices, the shortage of raw materials and changes in supply chains, see below in detail Annex 3 (4) note *Impact of the Russian invasion of Ukraine*.

(4) Impact of the Russian military invasion of Ukraine

The ongoing war in Ukraine and the related sanctions directed against the Russian Federation, as well as against Belarus, create social and economic effects in Latvia and the region, as well as affect the Company. This leads to significant adjustments to the accounting value of assets and liabilities during 2022.

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

In the guarantee portfolio, there is a direct impact from the export credit guarantees issued by the Company for the compensation of losses of political and buyer risks in trade transactions where the business partners of the Company's clients are residents of Ukraine, the Russian Federation and Belarus. In the 1st quarter of 2022, impairment overlay of 1,587 thousand euros was established for expected credit losses for such high-risk exposures of export credit guarantees , while simultaneously Company was taking the necessary measures to reduce the possible impact. Since 25 February 2022, the company suspended the issuance of new export guarantees to the Russian Federation and Belarus, as well as in agreement with customers, where possible, terminated contracts, as a result of which the amount of risk transactions to the Russian Federation and Belarus was gradually reduced. As a result of the above-mentioned measures, the Company currently has no high-risk exposure where the customer's business partners are in the Russian Federation or Belarus and for which it would be necessary to create impairment overlay Of the exposures for which an impairment overlay was made, only one case resulted in a compensation of EUR 262 thousand.

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

Direct impact - cutting off cooperation with Russia and Belarus as well as scaling back activities in war-torn Ukraine have affected two portfolio companies. Both companies used to generate a significant part of their revenues in these countries and have applied measures to sever their links with the aggressor countries and to develop or stabilise their activities in the new reality.

3 Risk Management (cont'd)

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

The value of the Company's investment in AIF Altum Capital Fund decreased by EUR 234 thousand in 12 months of 2022 as a result of the portfolio revaluation.

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

At the beginning of 2022, it was forecasted that geopolitical factors would have a stronger impact in the second half of 2022. However, in Q4 2022, the Ministry of Finance and the Bank of Latvia published updated macroeconomic forecasts predicting a slowdown in economic growth in early 2023 due to the sharp increase in global energy prices and the significant decrease in consumption due to the fall in purchasing power, as a result, there were revised the scenarios the Company used for estimating expected losses. In parallel to the revision of the macroeconomic forecasts, the Company improved its expected loss methodology by including three economic scenarios in the forecasts used to estimate expected losses starting from Q3 2022:

- a baseline scenario, which forecasts the most likely future economic development, taking into account the impact of the Russian Federation invasion of Ukraine and the sharp increase in commodity and energy prices, as well as the impact on Latvia's economic growth rates of sanctions imposed against Russian Federation and Belarus,
- an adverse scenario, which foresees a less likely but potentially negative change, reflecting the larger and more persistent impact of the geopolitical crisis and sanctions, commodity and energy price increases compared to the baseline scenario,
- an optimistic scenario, which is less likely but potentially more favourable than the baseline scenario.

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

	2022	2023	2024	2025
GDP annual growth rate, in %				
Base case scenario *	2.90	0.40	3.70	3.40
Adverse scenario	1.20	-2.00	3.70	3.40
Optimistic scenario	4.40	2.50	3.70	3.40
Weighted average **	**2.70**	**0.10**	**3.70**	**3.40**

* The baseline scenario combines two external scenarios:

(i) the macroeconomic development scenario of the Ministry of Finance (published on 6 December 2022) projects GDP slower growth – the sanctions imposed against Russian Federation and Belarus, the difficulties in doing business with Ukraine, and sharp price increase, especially of energy prices, will result in GDP growth falling to 1.6% in 2022 and in 2023 in GDP falling by 0.6% (the December 2021 forecast was 5.4% growth in 2022 and GDP growth 3.5% in 2023). The GDP growth in 2024 and 2025, is forecasted to 3% per year;

(ii) the Bank of Latvia's macroeconomic scenario (published on 16 December 2022) projects that the Russian Federation invasion of Ukraine and sanctions and the associated fall in exports, disruptions to imports of raw materials and supplies, an intensification of global price increase for energy and other commodities and supplies, and a fall in business and consumer confidence will reduce Latvia's GDP growth rate in 2022 to 2.1% (in December 2021, GDP growth was forecast to be 4.2%). In 2023, a moderate GDP slowdown is forecast -0.3% (the December forecast for 2023 was a growth of 4.0%). In 2024 and 2025, economic growth is projected to recover more rapidly, by 4.4% and 3.5%, respectively, as confidence improves. A 50% probability of the scenario was applied to each of the external scenarios, those of the Ministry of Finance and the Bank of Latvia.

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

Changes in the forecasts for macroeconomic indicators in the first 12 months of 2022 resulted in an increase in the ECL allowances for loans and loan commitments by EUR 1,944 thousand. Changes in macroeconomic forecasts had negligible impact on guarantees, given that allowances for them are made at the higher of the estimated ECL and fair value. Changes in macroeconomic forecasts have less impact on the fair value of the guarantees.

3 Risk Management (cont'd)

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

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

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

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

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

In the light of macroeconomic projections, including rising prices of energy resources, households are expected to face higher housing-related expenditure. Although there is a public support mechanism to cushion the impact of rising costs, households may find it difficult to cover their housing costs in full and on time. This is expected to potentially result in higher defaults in the housing guarantee portfolio and the need to make additional allowances. If the situation does not stabilise in the foreseeable future, claims for guarantee indemnities may increase in the coming years. We do not expect an immediate increase in claims for guarantee indemnities, given the specific terms of these exposures, which require that guarantee indemnities are paid upon the realisation of collateral that is carried out over an extended period of time.

Investments of venture capital funds have both direct and indirect effects as a result of the war in Ukraine. The venture capital funds co-financed by Altum operate in accordance with the current sanctions regulation and actively monitor changes in the binding regulatory acts. According to the estimates of fund managers, the impact on the investments of venture capital funds and their value due to the Ukrainian war is currently evaluated as negative, but relatively low.

3 Risk Management (cont'd)

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

In the medium and long term, under the influence of macroeconomic changes (including factors such as inflation, supply disruptions, lack of raw materials, etc.), changes in the investment values of venture capital funds may be significant and may require a reorientation of the company's operations, at the same time, together with changes in the market situation, macroeconomic changes may open up new opportunities for individual companies and stimulate faster growth. Altum's assessment of venture capital fund investments is based on Altum's conservative approach on a quarterly basis, performing an individual assessment of all venture capital fund investments, taking into account the specific situation of each investment.

During the initial risk assessment in the first quarter of 2022 due to the consequences of the war in Ukraine, the initial estimates from fund managers and Altum's calculations indicated that the impact on the portfolio's fair value could be within -5%. During 2022, risk capital funds co-financed by Altum have experienced a drop in value at the fund level of 3,886 thousand euro, or -11.0% of the total portfolio value. Based on the quarterly investment reports of the fund managers and the additional information provided, Altum's estimate of the decrease in fair value as a result of the war between the Russian Federation and Ukraine at the fund level is 2,073 thousand euro, or -5.9% of the total portfolio value in the same period of time, which results in a decrease in fair value recognized at the Altum level of 1,960 thousand euro. Since Altum's internal venture capital evaluation procedures and policy have historically been more conservative in evaluating the valuations submitted by fund managers and their assumptions, the impact of the fair value of the portfolio is not as significant as for fund managers.

Both the fund managers and Altum do not expect additional significant economic disruptions in the near future due to the consequences of the Ukrainian war, which would significantly affect the fluctuations in the fair values of the portfolios in the future. Under the management of fund managers, portfolio company teams have been able to adapt to the global geopolitical situation, which has been achieved by redeploying suppliers from war-torn areas, as well as vertical integration in the supply chain, which significantly reduces geographic risks and helps companies achieve higher profitability in the long term. When evaluating investments, Altum already takes into account future perspectives, and the fair value of companies that have not been able to adapt to the new reality is already adjusted accordingly in time.

The biggest risk that both the fund managers and Altum anticipate in 2023 is the geopolitical risk attributed to the Baltic and Eastern European countries in connection with the relatively nearby war in Ukraine and the possibility that this war may spread beyond the borders of Ukraine. This risk mainly affects venture capital funds co-financed by Altum in two ways - in the realization of investments and in attracting new rounds of financing. With the start of the war in Ukraine, investors are more carefully and in detail evaluating the possibilities of participating in financing rounds and buying companies in Latvia and elsewhere in the region. Signs of this risk were already visible starting from the 2nd quarter of 2022, when investors suddenly became more cautious, either wanting to extend the period of in-depth research, or immediately refusing to make investments. Although the leading mood among investors was pessimistic, the risk materialized only for several early-stage investments, which usually have low free liquidity to cover project implementation expenses (runway). At the same time, several investment realizations have been carried out, where the fair value was not affected, taking into account Altum's conservative investment evaluation approach.

While there is still uncertainty in the venture capital market due to the war in Ukraine, not knowing when it might end, and companies facing various types of challenges, this is also a time of opportunity. The best business ideas and the strongest teams will survive this time - as weaker teams and ideas disappear, stronger teams and ideas have the opportunity to attract new talent to their companies. In addition, as there is particular pressure on price increases and supply shortages, it also creates a need for new ideas, which can also attract venture capital. Altum's co-financed venture capital funds, when making investment choices and making decisions, have also placed a strong emphasis on the sustainability of companies in the last year, so that the risks of external factors could not shake them.

4 Interest income

All amounts in thousands of euro

	Company 01.01.2022.- 31.12.2022. (unaudited)	Group / Company 01.01.2021.- 31.12.2021. (audited)
Interest on loans and guarantees *	19 624	18 475
Interest on securities at fair value	258	370
Interest income from deposits	52	-
Interest on securities at amortised cost	-	12
Total interest income	**19 934**	**18 857**

* The Company's sub-item *Interest income on loans and guarantees* does not include interest income from loans and premium income on issued guarantees as well as commissions which, in accordance with the program agreements concluded with the Ministry of Economics, stipulates that the funding allocated by the Ministry of Economics (recognized in balance sheet item Support Programs Funding) must be increased by the respective program income. Accordingly, this type of income is not recognized as interest income, but is recognized as an increase in Support Programs Funding which in the 12 months of 2022 amounts to EUR 2,651 thousand (12 months of 2021: EUR 1.280 thousand).

5 Interest expense

All amounts in thousands of euro

	Company 01.01.2022.- 31.12.2022. (unaudited)	Group / Company 01.01.2021.- 31.12.2021. (audited)
Interest on balances due to credit institutions	1 659	760
Interest on issued debt securities	896	844
Allocation of state support programmes profit to support programme funding *	348	504
Other commission expense	57	32
Total interest expense	**2 960**	**2 140**

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

6 Income for implementation of state support programmes

All amounts in thousands of euro

	Company 01.01.2022.- 31.12.2022. (unaudited)	Group / Company 01.01.2021.- 31.12.2021. (audited)
Compensation of expenses for management of state support programmes	2 458	2 088
Compensation of venture capital fund management fees	2 629	1 711
Compensation of expenses for management of state support programmes of the previous years	582	316
Compensation of expenses of capital congestion	424	331
Total income from implementation of state support programmes	**6 093**	**4 446**

7 Expenses to be compensated for implementation of state support programmes

All amounts in thousands of euro

	Company 01.01.2022.- 31.12.2022. (unaudited)	**Group / Company** 01.01.2021.- 31.12.2021. (audited)
Compensated staff costs	1 814	1 675
Compensated administrative expense	644	413
Compensated venture capital fund management fees	2 633	1 741
Total compensated expense for implementation of state support programmes	**5 091**	**3 829**

8 Other income

All amounts in thousands of euro

	Company 01.01.2022.- 31.12.2022. (unaudited)	**Group / Company** 01.01.2021.- 31.12.2021. (audited)
Income from lease payments for operating leases	1 853	1 393
Income from payments for financial leases	3	5
Profit from investment property revaluation	2 321	804
Profit from sale of investment property	474	191
Profit from sale of repossessed collateral	7	8
Other commission income	4	22
Income from management of the AIF "Altum capital fund"	485	620
Other operating income	1 060	178
Total other income	**6 207**	**3 221**

* *Other operating income* includes EUR 1,000 thousand, profit from 1st generation venture capital fund realization.

9 Other expense

All amounts in thousands of euro

	Company 01.01.2022.- 31.12.2022. (unaudited)	**Group / Company** 01.01.2021.- 31.12.2021. (audited)
Maintenance and service costs of Land Fund	477	330
Debt collection costs	211	167
Maintenance costs of repossessed collateral	1	1
Depreciation of right-of-use assets	157	145
Commission expense on investments in securities	93	92
AIF "Altum capital fund" management costs	485	620
Other commission expense	3	2
Financing fair value discount	-	152
Total other expense	**1 427**	**1 509**

10 Impairment losses, net

All amounts in thousands of euro

	Company 01.01.2022.- 31.12.2022. (unaudited)	Group / Company 01.01.2021.- 31.12.2021. (audited)
Impairment losses on:	17 540	13 907
Loans, net	8 775	7 523
impairment losses	*6 252*	*6 072*
impairment losses covered by Portfolio Loss Reserve	*3 947*	*3 559*
impairment losses covered by Risk Coverage Reserve	*(1 424)*	*(2 108)*
Grants	258	199
impairment losses	*255*	*199*
impairment losses covered by Portfolio Loss Reserve	*3*	
Other assets	-	479
impairment losses	*67*	*479*
impairment losses covered by Risk Coverage Reserve	*(67)*	*-*
Due from credit institutions and the Treasury	15	-
Financial assets related to loan agreements	69	107
Guarantees, net	7 376	4 735
impairment losses	*19 777*	*13 230*
impairment losses covered by Portfolio Loss Reserve	*4 287*	*2 841*
impairment losses covered by Risk Coverage Reserve	*(16 688)*	*(11 336)*
Loan commitments, net	672	792
impairment losses	*1 472*	*1 116*
impairment losses covered by Portfolio Loss Reserve	*87*	*239*
impairment losses covered by Risk Coverage Reserve	*(887)*	*(563)*
Grant commitments	375	72
Reversal of impairment on:	(13 172)	(13 746)
Loans, net	(5 117)	(8 037)
reversal of impairment	*(5 376)*	*(10 114)*
reversal of impairment covered by Portfolio Loss Reserve	*(1 971)*	*(1 881)*
reversal of impairment covered by Risk Coverage Reserve	*2 230*	*3 958*
Disbursed guarantee compensations	(2)	(59)
reversal of impairment	*(107)*	*(83)*
reversal of impairment covered by Portfolio Loss Reserve	*(2)*	*(3)*
reversal of impairment covered by Risk Coverage Reserve	*107*	*27*
Grants	(156)	(101)
impairment loss	*(156)*	*(101)*
reversal of impairment covered by Portfolio Loss Reserve	*-*	*-*
Other assets	(21)	(13)
reversal of impairment	(88)	(13)
compensation of decrease in value from Risk Coverage Reserve	67	-
Financial assets related to loan agreements	(238)	(15)
Debt securities	(8)	(16)
Guarantees, net	(7 324)	(4 943)
reversal of impairment	*(13 608)*	*(11 407)*
reversal of impairment covered by Portfolio Loss Reserve	*(1 706)*	*(1 509)*
reversal of impairment covered by Risk Coverage Reserve	*7 990*	*7 973*
Loan commitments, net	(236)	(547)
reversal of impairment	*(303)*	*(542)*
reversal of impairment covered by Portfolio Loss Reserve	*(143)*	*(162)*
reversal of impairment covered by Risk Coverage Reserve	*210*	*157*
Grant commitments	(70)	(15)
Total impairment losses / (reversal), net	4 368	161
Recovery of loans written off in previous periods	(1 001)	(760)
Total impairment losses and (income) from recovery of loans written-off	**3 367**	**(599)**

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

11 Due from credit institutions and the Treasury

All amounts in thousands of euro

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Due from credit institutions and State Treasury	571 682	455 007
cash and cash equivalent	*539 630*	*455 007*
Impairment allowances	(15)	(1)
Net due from credit institutions and State Treasury	**571 667**	**455 006**

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

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

Ratings	Aaa	Aa1-Aa3	A1-A3	Baa1-Baa3	Ba1-Ba3	B1-B3	Caa-C	Withdrawn rating (*WR*)	Total
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	-	437 249	17 757	-	-	-	-	455 006
Total gross as at 31 December 2021 (audited)	**-**	**-**	**437 249**	**17 757**	**-**	**-**	**-**	**-**	**455 006**
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	-	559 156	12 511	-	-	-	-	571 667
Total gross as at 31 December 2022 (unaudited)	**-**	**-**	**559 156**	**12 511**	**-**	**-**	**-**	**-**	**571 667**

As at 31 December 2022, the Company held accounts with 4 banks and the Treasury of the Republic of Latvia. The average interest rate on balances of position *Due from credit institutions and the Treasury* as at 31 December 2022 was 0.08% (31 December 2021: -0.01%).

12 Investments in Associates

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

		Equity of venture capital fund		Carrying Amount	
		Company	Group / Company	Company	Group / Company
Company or venture capital fund generation	**Country of incorporation**	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)
The 2nd generation VCFs	LV	9 794	16 929	6 855	11 885
The 3rd generation VCFs	LV	9 815	13 310	8 331	10 473
The 4th generation VCFs	LV	27 456	20 073	19 075	14 371
AIF “Altum capital fund”	LV	34 529	19 008	16 888	14 998
Baltic Innovation Fund *	LU	91 287	85 544	14 232	13 222
Total investments in associates		**172 881**	**154 864**	**65 381**	**64 949**

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

12 Investments in Associates (cont'd)

As at 31 December 2022 the total venture capital fund's portfolio value at cost value was EUR 74,858 thousand (31 December 2021: EUR 85,973 thousand).

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

	Investments in venture capital funds		**Investments in AIF "Altum capital fund"**		**Investments in Baltic Innovation Fund**		**Total**	
	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)
Carrying amount at the beginning of period	36 729	32 969	14 998	-	13 222	15 019	64 949	47 988
Invested	7 489	4 233	2 240	14 918	2 700	1 817	12 429	20 968
Refunded	(9 293)	(7 431)	(945)	(282)	(1 799)	(6 900)	(12 037)	(14 613)
Reclassified (increase of support programme funding, see Note 20)	-	6 563	-	-	-	-	-	6 563
Mezzanine interest received and realised gain on exit	1 675	1 730	945	282	-	-	2 620	2 012
Realised gain from refunded	-	-	-	-	61	469	61	469
Share of net gain / (loss) of investment in associate *	(2 339)	(1 335)	(350)	80	-	-	(2 689)	(1 255)
Loss from investment in associate at fair value through profit or loss	-	-	-	-	48	2 817	48	2 817
Net carrying amount at the period ended at 31 December (audited)	**34 261**	**36 729**	**16 888**	**14 998**	**14 232**	**13 222**	**65 381**	**64 949**

* includes changes in revaluation of investment.

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

	Investments in VCF		**Investments in AIF "Altum capital fund"**		**Investments in Three Seas Initiative Investment Fund**		**Total**	
	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)
Net share of gain / (loss) of investment in associates	(2 339)	(1 335)	(350)	80	-	-	(2 689)	(1 255)
Net income / (expense), excluding revaluation gain / (loss)	-	-	945	(75)	-	-	945	(75)
Share of net gain / (loss) of investment in Three Seas Initiatives Investment Fund	-	-	-	-	205	(52)	205	(52)
Total on 31 December 2021 (audited)	**(2 339)**	**(1 335)**	**595**	**5**	**205**	**(52)**	**(1 539)**	**(1 382)**

12 Investments in Associates (cont'd)

In the 12 months of 2022, the Company's expenses included:

- Management fees for the 2nd and 3rd generation venture capital funds amounted EUR 425 thousand (12 months of 2021: EUR 522 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the 4th generation venture capital funds amounted EUR 1,820 thousand (12 months of 2021: EUR 834 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the Baltic Innovation Fund amounted EUR 141 thousand (12 months of 2021: EUR 198 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the AIF "Altum capital fund" amounted EUR 298 thousand (12 months of 2021: EUR 404 thousand) (see Note 22).

Part of the investments of the 4th generation VCF until 31 December 2021 were classified as participation in the share capital of subsidiaries, after the control assessment as of 31 December 2021 such investments were classified as investments in associates and the management fee of such VCFs for 12 months of 2022 is reflected in the above breakdown.

13 Other Investments

Total cost of other investments on 31 December 2022 was EUR 15,419 thousand (31 December 2021: EUR 8,793 thousand). The initial cost of the investment also includes the fund management fee in the amount of EUR 913 thousand (31 December 2021: EUR 250 thousand), which is later recognized as an expense, and thus is not included in the investment's book value at the end of the reporting period.

All amounts in thousands of euro

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Baltic Innovation Fund 2	4 478	1 982
Three Seas Initiatives Investment Fund	10 768	6 954
Total other investments	**15 246**	**8 936**

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

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

In the 12 months of 2022, the Company's expenses included:

- Management fees for the Baltic Innovation Fund II amounted EUR 222 thousand (12 months of 2021: EUR 112 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the Three Seas Initiatives Investment Fund amounted EUR 281 thousand (12 months of 2021: EUR 225 thousand) which were compensated from the risk coverage reserve.

14 Loans

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

Loans by the borrower profile, in thousands of euro:

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
SME and Midcaps	147 369	175 016
Agriculture	159 509	134 079
Private individuals	4 920	6 513
Financial Intermediaries	46	66
Land Fund	27 089	32 999
Total gross loans	**338 933**	**348 673**
Impairment allowances	(21 074)	(18 143)
Total net loans	**317 859**	**330 530**

Breakdown of loans by industries, in thousands of euro:

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Agriculture and forestry	173 937	170 808
Manufacturing	58 511	67 635
Retail and wholesale	16 968	24 241
Real estate	15 790	13 719
Construction	10 554	12 238
Municipal authorities	8 744	6 120
Hotels and restaurants	7 767	8 843
Transport, warehousing and communications	7 408	5 896
Electricity, gas and water utilities	7 025	6 856
Health and social care	5 910	7 498
Professional, science and technical services	3 592	4 914
Information technologies and communication	2 095	2 084
Fishing	1 986	2 959
Other industries	13 724	8 344
Private individuals	4 922	6 518
Total gross loans	**338 933**	**348 673**
Impairment allowances	(21 074)	(18 143)
Total net loans	**317 859**	**330 530**

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

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Number of customers	40	42
Total credit exposure of customers (EUR '000)	59 416	67 623
Percentage of total gross portfolio of loans	17.53%	19.39%

14 Loans (cont'd)

Movement in impairment allowances, in thousands of euro:

	Company 01.01.2022.- 31.12.2022. (unaudited)	Group / Company 01.01.2021.- 31.12.2021. (audited)
Impairment allowances at the beginning of the period	18 143	20 713
Increase in impairment allowances (Note 10)	10 199	9 631
Decrease in impairment allowances (Note 10)	(7 347)	(11 995)
Write-off of loans	(1 117)	(1 080)
Reclassification (increase of impairment allowances due to changes in off-balance sheet and balance sheet)	1 196	874
Impairment allowances at the end of the period ended 31 December (audited)	**21 074**	**18 143**
Company's share of impairment allowances	10 497	9 334
Impairment allowances covered by Portfolio Loss Reserve	5 999	4 144
Impairment allowances covered by Risk Coverage Reserve	4 578	4 665

As at 31 December 2022 the average annual interest rate for the loan portfolio of the Company was 5.59% (31 December 2021: 4.05%).

15 Grants

All amounts in thousands of euro

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Energy Efficiency Programme for Multi-apartment Buildings	55 582	43 153
Social Entrepreneurship Programme	892	1 290
Grants for development of energy efficiency projects	188	41
Housing grant programme "Balsts"	1 384	1 042
Grants for private house renovation	-	167
Grants for energy efficiency improvement of family buildings	1	-
Grants for cultural industry support programme *	669	36
Total grants, gross	**58 716**	**45 729**
Impairment allowances	(436)	(332)
Total grants, net	**58 280**	**45 397**

* The grant component of the combined financial instrument.

15 Grants (cont'd)

Movement in the Company's net book value of grants in 12 months of 2022, in thousands of euro:

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Carrying amount		
Carrying amount at the beginning of period	45 729	31 282
Changes	12 987	14 447
Carrying amount at the end of period	58 716	45 729
Impairment allowances		
At the beginning of period	(332)	(175)
Changes	(102)	(215)
Reclassification (increase of impairment allowances due to changes in off-balance sheet and balance sheet)	(2)	58
Carrying amount at the end of period	(436)	(332)
Grants net book at the beginning of the period	**45 397**	**31 107**
Grants net book value at the end of the period ended 31 December	**58 280**	**45 397**

16 Investment Properties

All amounts in thousands of euro

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Carrying amount at the beginning of period	46 164	36 759
Acquired during the reporting period *	5 758	7 150
Recognized on termination of reverse leases	164	1 662
Disposals during the reporting period	(954)	(211)
Net gain from fair value adjustment	2 321	804
Carrying amount at the end of the period	**53 453**	**46 164**

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

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

17 Other Assets

All amounts in thousands of euro

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Financial assets	3 531	5 165
Other assets (repossessed collateral)	28	28
Total other assets, gross	**3 559**	**5 193**
Impairment allowances for financial assets	(2 029)	(1 951)
Company's share of provisions	*(582)*	*(786)*
Impairment allowances covered by Portfolio Loss Reserve	*(273)*	*(186)*
Provisions covered by risk coverage	*(1 174)*	*(979)*
Total financial assets, net	**1 502**	**3 214**
Total other assets, net	**1 530**	**3 242**

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

Movement in the Company's net book value of financial assets in 12 months of 2022, in thousands of euro:

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
Financial assets				
At the beginning of period	1 590	870	2 705	5 165
Changes	279	(622)	(1 291)	(1 634)
As at 31 December 2022 (unaudited)	1 869	248	1 414	3 531
Impairment provision				
At the beginning of period	(1 590)	(330)	(31)	(1 951)
Changes in impairment allowances	(279)	179	22	(78)
As at 31 December 2022 (unaudited)	(1 869)	(151)	(9)	(2 029)
Net book value at the beginning of period (audited)	**-**	**540**	**2 674**	**3 214**
Net book value as at 31 December 2022 (unaudited)	**-**	**97**	**1 405**	**1 502**

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

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

18 Due to Credit Institutions

All amounts in thousands of euro

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Due to credit institutions registered in OECD countries	36 290	53 416
Total due to credit institutions	**36 290**	**53 416**

Balances due to credit institutions registered in the OECD countries include loan received by the Company from the European Investment Bank (EIB) of EUR 36,290 thousand (31 December 2021: EUR 53,416 thousand), of which EUR 40 thousand constitutes accrued interest expenses (31 December 2021: EUR 14 thousand).

On October 2, 2009, an agreement was signed with the European Investment Bank for a loan of EUR 100,000 thousand to finance projects under the SMEs Growth Loan Programme. As at 31 December 2022 the principal amount of the loan EUR 6,250 thousand (31 December 2021: EUR 12,153 thousand), the accrued interest on the loan amounts to EUR 40 thousand (31 December 2021: EUR 14 thousand), the final repayment date 20 August 2024. The Ministry of Finance of the Republic of Latvia has issued a guarantee for the loan, as a collateral serves the commercial pledge to the right of the Company's claims. As at 31 December 2022, the amount of the secured claim was EUR 6,290 thousand (31 December 2021: EUR 12,166 thousand).

On July 8, 2020, Altum signed an agreement with the European Investment Bank for a loan of EUR 80,000 thousand to finance working capital and investment loans to small and medium-sized enterprises, including those affected by the Covid-19. As at 31 December 2022 the principal amount of the loan EUR 30,000 thousand (31 December 2021: EUR 41,250 thousand), the final repayment date 20 November 2025. As at 31 December 2022, according to the loan agreement the Company is available the financing in the amount of EUR 35,000 thousand, utilization deadline is 5 January 2024. On 10 December 2021, Altum signed an agreement with the European Investment Bank for an additional loan of EUR 40,000 thousand to finance working capital and investment loans to small and medium-sized enterprises, the absorption of which had not been started until December 31, 2022, utilization deadline is 10 December 2023. The volume and pace of drawdown under both agreements is subordinated to the further volume of new lending transactions. The loans are unsecured.

As at 31 December 2022, the average interest rate for the balances *Due to credit institutions* was 0.30% (31 December 2021: 0.08%).

19 Due to General Governments

All amounts in thousands of euro

	Company 30.09.2022. (unaudited)	Group / Company 31.12.2021 (audited)
Loans received from Rural Support Service	3 318	3 321
Loans received from the Treasury	152 517	118 027
Total due to general governments	**155 835**	**121 348**

Item *Loans from Rural Support* 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 2022 the Company liabilities to Rural Support Service consist of the principal amount of EUR 3,072 thousand (31 December 2021: EUR 3,104 thousand) and accrued interest – EUR 246 thousand (31 December 2021: EUR 217 thousand). The final repayment date is 31 December 2025. The loan from Rural Support Service is unsecured.

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

- Agricultural land acquisition programme: as at 31 December 2022 the principal amount of the loan EUR 81,718 thousand (31 December 2021: EUR 69,077 thousand), the final repayment date 20 January 2058. As a collateral serves the commercial pledge to the right of the Company's claims resulting from loans granted by the Company under the programme. As at 31 December 2022, according to the loan agreement the Company is available the financing in the amount of EUR 18,282 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As at 31 December 2022, the amount of the secured claim was EUR 98,070 thousand (31December 2021: EUR 82,893 thousand).

19 Due to General Governments (cont'd)

- SME development programme: as at 31 December 2022 the principal amount of the loan EUR 53,555 thousand (31 December 2021: EUR 32,103 thousand), the final repayment date 20 December 2043. As a collateral serves the commercial pledge to the right of the Company's claims resulting from loans granted by the Company under the programme. As at 31 December 2022, according to the loan agreement the Company still is available the financing in the amount of EUR 1,445 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As at 31 December 2022, the amount of the secured claim was EUR 64,271 thousand (31 December 2021: EUR 38,524 thousand).
- Parallel loan programme: as at 31 December 2022 the principal amount of the loan EUR 4,600 thousand (31 December 2021: EUR 4,600 thousand), the final repayment date 20 January 2039. As a collateral serves the commercial pledge to the right of the Company's claims resulting from loans granted by the Company under the programme. As at 31 December 2022, according to the loan agreement the Company still is available the financing in the amount of EUR 15,400 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As at 31 December 2022, the amount of the secured claim was EUR 5,521 thousand (31 December 2021: EUR 5,520 thousand).
- Programme of Small Loans for Rural Areas: as at 31 December 2022 the principal amount of the loan EUR 2,079 thousand (31 December 2021: EUR 2,327 thousand), the final repayment date 31 January 2039. As a collateral serves the commercial pledge to the right of the Company's claims resulting from loans granted by the Company under the programme. As at 31 December 2022, according to the loan agreement the Company still is available the financing in the amount of EUR 3,921 thousand, the size and pace of the drawdown the loan relates to the further volume of new loan transactions. As at 31 December 2022, the amount of the secured claim was EUR 2,495 thousand (31 December 2021: EUR 2,792 thousand).
- Latvian Land Fund (the financing for the Fund's transactions): the loan amount has been used in 2020 and as at 31 December 2022 the principal amount of the loan EUR 8,502 thousand (31 December 2021: EUR 9,919 thousand), the final repayment date 29 December 2028. As a collateral serves the mortgage on the real estate purchased with the financing received under the loan. As at 31 December 2022, the amount of registered mortgage was EUR 10,406 thousand (31 December 2021: EUR 10,400 thousand).

As at 31 December 2022 the accrued interest on the loans received from the Treasury amounts to EUR 11,4 thousand (31 December 2021: EUR 2,2 thousand).

The Company has also concluded the following loan agreements with the Treasury, the absorption of which has not been started until December 31, 2022:

- Micro Loans and Star-up Loans programme: the amount of the loan agreement EUR 23,000 thousand, the final repayment date 20 January 2039, commercial pledge on the Company's claims for the loans under the programme. The size and pace of the drawdown the loan relates to the further volume of new loan transactions. The maximum amount of the secured claim is EUR 27,600 thousand.
- Working capital loan programme for farmers: the amount of the loan agreement EUR 25,612 thousand, the final repayment date 30 June 2025, commercial pledge on the Company's claims for the loans under the programme. The size and pace of the drawdown the loan relates to the further volume of new loan transactions. The maximum secured claim is EUR 30,734 thousand.
- Loan program for construction works of apartment houses and improvement of their territories: the amount of the loan agreement EUR 30,000 thousand, the final repayment date January 20, 2044, commercial pledge on the Company's claims for the loans under the program. The size and pace of the drawdown the loan relates to the further volume of new loan transactions. The maximum secured claim is EUR 36,000 thousand.

20 Support programme funding

The Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Company's credit risk losses as at 31 December 2022, in thousands of euro:

Financial Instrument / Programme	Programme funding	Of which, Risk Coverage Reserve	Fair Value Correction	Provisions covered by risk coverage	Net programme funding
Loans					
ERDF II	8 265	1 275	(1 000)	(102)	7 163
ESF II	851	30	-	(9)	842
Microcredits of Swiss programme (closed programme)	565	35	-	(2)	563
ERDF I	414	-	-	-	414
ESF I	316	5	-	(2)	314
ERDF II (second round)	2 252	115	-	(34)	2 218
Incubators (from ESF II)	83	2	-	-	83
ERDF II 2 Public fund	226	-	-	-	226
Fund of Funds programme – Start-up loans	2 698	1 830	(439)	(187)	2 072
Fund of Funds programme – Microcredits	291	53	(9)	(7)	275
Fund of Funds programme – Parallel loans	4 012	4 012	(433)	(1 205)	2 374
Energy Efficiency Loans for Multi-apartment Buildings (I)	7 245	7 245	(12)	(80)	7 153
Start-up State Aid Cumulation Lending Programme	1 888	1 888	(387)	(407)	1 094
Other loans to start-ups	1 800	116	-	(38)	1 762
Mezzanine Programme – Loans	3 630	3 558	-	(837)	2 793
Guarantees and interest grants programme	4 287	4 287	(1 256)	-	3 031
SME energy efficiency loans	3 723	3 723	(175)	(365)	3 183
ERAF SME growth loans	15 000	900	-	(213)	14 787
ERAF loans for business sustainability	15 000	3 263	-	(269)	14 731
Parallel loans	2 000	2 000	(28)	(297)	1 675
Parallel loans 2	3 286	1 216	-	(424)	2 862
Loans for enterprises in rural territories	7 803	1 707	(196)	(149)	7 458
Start-up loans to innovative entrepreneurs	6 000	1 200	-	(155)	5 845
Multi-apartment building improvement loans*	750	750	-	(8)	742
Rental multi-apartment building improvement loans	4 074	244	-	(36)	4 038
Energy Efficiency Loans for Multi-apartment Buildings (II)	250	250	-	-	250
ERDF Multi-apartment building improvement loans	500	14	-	-	500
Cultural industry support programme **	2 220	-	-	-	2 220
ELFLA Agricultural and rural development loans	4 996	1 199	-	(31)	4 965
Investment Loans with a capital rebate *	99 565	50 778	-	-	99 565
Total loans	**203 990**	**91 695**	**(3 935)**	**(4 857)**	**195 198**

* Combined financial instrument.

** Combined financial instrument. Risk coverage (Portfolio Loss Reserve) of EUR 809 thousand has been included in the reserve for mitigation of the consequences of Covid-19, which is part of the specific reserves attributable to support programs (see Note 22).

20 Support programme funding (cont'd)

The Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Company's credit risk losses as at 31 December 2022, in thousands of euro (cont'd):

Financial Instrument / Programme	Programme funding	Of which, Risk Coverage Reserve	Fair Value Correction	Provisions covered by risk coverage	Net programme funding
Guarantees					
Fund of Funds programme – Guarantees	45 199	45 199	-	(8 385)	36 814
Energy Efficiency Guarantees for Multi-apartment Buildings	8 238	8 214	-	(1 486)	6 752
Housing Guarantee Programme	22 114	22 114	(2 875)	(16 033)	3 206
Housing Guarantee Programme for NAF soldiers	160	160	-	-	160
Portfolio guarantees for renovation of family buildings	502	502	-	-	502
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	8 753	8 753	(1 261)	(1 049)	6 443
Mezzanine Programme – Guarantees	865	848	-	(278)	587
Portfolio Guarantee Fund	9 994	9 664	(237)	(3 399)	6 358
Export credit guarantees	3 390	3 390	(1 841)	(697)	852
Study and student portfolio guarantees ***	658	-	-	-	658
ELFLA Agricultural and rural development guarantees	2 500	2 500	-	-	2 500
Agricultural Guarantees	2 741	2 741	(827)	(1 501)	413
Total guarantees	**105 114**	**104 085**	**(7 041)**	**(32 828)**	**65 245**
Grants					
Energy Efficiency Grants for Multi-apartment Buildings	60 783	-	-	-	60 783
Housing grant programme "Balsts"	4 465	-	-	-	4 465
Grants for energy efficiency improvement of family buildings	1 142	-	-	-	1 142
Social Entrepreneurship Programme	1 657	-	-	-	1 657
Grants for development of energy efficiency project	1 596	-	-	-	1 596
Grants for improving energy efficiency of family buildings	810	-	-	-	810
Grants for Cultural industry support *	1 089	-	-	-	1 089
Total grants	**71 542**	**-**	**-**		**71 542**
Venture Capital Funds					
Fund of Funds and venture capital funds	35 546	30 326	-	-	35 546
Investment Fund Activity	4 887	3 910	-	(354)	4 533
Baltic Innovation Fund	1 794	538	(508)	-	1 286
Baltic Innovation Fund II	1 902	571	(641)	-	1 261
Total venture capital funds	**44 129**	**35 345**	**(1 149)**	**(354)**	**42 626**
Other Activities					
Energy Efficiency Fund	580	-	-	-	580
Regional Creative Industries Alliance	-	-	-	-	-
Total other activities	**580**	**-**	**-**	**-**	**580**
Funding allocated to increase reserve capital	683 ****	-	-	-	683
Total support programme funding	**426 038 *******	**231 125**	**(12 125)**	**(38 039)**	**375 874**

* Combined financial instrument.

*** Risk coverage (Portfolio Loss Reserve) of EUR 3,308 thousand has been included in the reserve for non-Covid-19 programmes, which is part of the specific reserves attributable to support programs (see Note 22)

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

***** Support programme funding contains EUR 13,135 thousand allocated for management costs of the Company to be compensated from support programme funding.

20 Support programme funding (cont'd)

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

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

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

** Combined financial instrument.

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

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

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

20 Support programme funding (cont'd)

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

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

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

** Combined financial instrument.

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

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

20 Support programme funding (cont'd)

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

Movement in the Company's support programme funding in 12 months of 2022, in thousands of euro:

Financial Instrument / Programme	Financing, net 31.12.2021.	Financing received	Reallocated funding between programmes	Compensated grants	Compensated income and expense	Revaluation of liabilities	Programmes' income/ profit distribution	Other changes	Changes in provisions covered by risk coverage	Financing, net 31.12.2022.
Loans										
ERDF II	1 579	-	(2 000)	-	-	-	29	7 490	65	7 163
ESF II	969	-	(1 450)	-	-	-	24	1 321	(22)	842
Microcredits of Swiss programme (closed programme)	77	-	-	-	-	-	-	484	2	563
ERDF I	119	-	-	-	-	-	(35)	327	3	414
ESF I	314	-	-	-	-	-	-	-	-	314
ERDF II (second round)	5 762	-	(4 800)	-	-	-	33	1 223	-	2 218
Incubators (from ESF II)	83	-	-	-	-	-	-	-	-	83
ERDF II 2 Public fund	226	-	-	-	-	-	-	-	-	226
Fund of Funds programme – Start-up loans	2 479	-	-	-	-	-	-	(440)	33	2 072
Fund of Funds programme – Microcredits	282	-	-	-	-	-	-	(9)	2	275
Fund of Funds programme – Parallel loans	1 714	-	(286)	-	-	-	-	(433)	1 379	2 374
Energy Efficiency Loans for Multi-apartment Buildings (I)	5 282	5 000	(3 000)	-	(176)	-	128	(12)	(69)	7 153
Start-up State Aid Cumulation Lending Programme	1 606	-	-	-	-	-	-	(371)	(141)	1 094
Other loans to start-ups	1 468	-	-	-	-	-	32	254	8	1 762
Mezzanine Programme – Loans	2 438	-	47	-	-	-	98	-	210	2 793
Guarantees and interest grants programme	4 269	-	-	-	-	-	18	(1 256)	-	3 031
SME energy efficiency loans	3 373	-	-	-	-	-	-	(175)	(15)	3 183
ERDF SME growth loans	-	-	15 000	-	-	-	-	-	(213)	14 787
ERDF loans for business sustainability	-	-	15 000	-	-	-	-	-	(269)	14 731
Parallel loans	1 845	-	-	-	-	-	-	(28)	(142)	1 675
Parallel loans 2	-	-	3 286	-	-	-	-	-	(424)	2 862
Loans for enterprises in rural territories	7 738	-	-	-	-	-	-	(196)	(84)	7 458
Start-up loans to innovative entrepreneurs	1 474	-	4 500	-	-	-	-	-	(129)	5 845
Multi-apartment building improvement loans*	1 000	-	(250)	-	-	-	-	-	(8)	742
Rental multi-apartment building improvement loans	1 000	-	3 000	-	-	-	74	-	(36)	4 038
Energy Efficiency Loans for Multi-apartment Buildings (II)	-	-	250	-	-	-	-	-	-	250
ERDF Multi-apartment building improvement loans	-	-	500	-	-	-	-	-	-	500
Cultural industry support programme *	2 717	-	(364)	-	(63)	-	-	(70)	-	2 220
ELFLA Agricultural and rural development loans	-	5 000	-	-	(63)	-	59	-	(31)	4 965
Investment Loans with a capital rebate *	-	99 565	-	-	-	-	-	-	-	99 565
Total loans	**47 814 ****	**109 565**	**29 433**	**-**	**(302)**	**-**	**460**	**8 109**	**119**	**195 198**

* Combined financial instrument.

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

20 Support programme funding (cont'd)

Movement in the Company's support programme funding in 12 months of 2022, in thousands of euro: (cont'd)

Financial Instrument / Programme	Financing, net 31.12.2021.	Financing received	Reallocated funding between programmes	Compensated grants	Compensated income and expense	Revaluation of liabilities	Programmes' income / profit distribution	Other changes	Changes in provisions covered by risk coverage	Financing, net 31.12.2022.
Guarantees										-
Fund of Funds programme - Guarantees	23 725	-	15 300	-	-	-	-	-	(2 211)	36 814
Energy Efficiency Guarantees for Multi-apartment Buildings	7 279	-	-	-	(285)	-	230	-	(472)	6 752
Housing Guarantee Programme	9 559	737	-	-	-	-	-	(3 028)	(4 062)	3 206
Housing Guarantee Programme for NAF soldiers	-	160	-	-	-	-	-	-	-	160
Portfolio guarantees for renovation of family buildings*	502	-	-	-	-	-	-	-	-	502
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	6 757	-	1 000	-	-	-	-	(1 261)	(53)	6 443
Mezzanine Programme - Guarantees	702	-	(47)	-	-	-	21	-	(89)	587
Portfolio Guarantee Fund	1 555	-	6 250	-	(137)	-	-	(237)	(1 073)	6 358
Export credit guarantees	1 841	-	1 000	-	-	-	-	(1 841)	(148)	852
Study and student portfolio guarantees	549	156	-	-	(47)	-	-	-	-	658
ELFLA Agricultural and rural development guarantees	-	2 500	-	-	-	-	-	-	-	2 500
Agricultural Guarantees	1 721	-	-	-	-	-	-	(827)	(481)	413
Total guarantees	**54 190**	**3 553**	**23 503**	**-**	**(469)**	**-**	**251**	**(7 194)**	**(8 589)**	**65 245**
Grants										
Energy Efficiency Grants for Multi-apartment Buildings	48 826	33 582	-	(20 631)	(994)	-	-	-	-	60 783
Housing grant programme "Balsts"	7 350	-	-	(2 885)	-	-	-	-	-	4 465
Grants for energy efficiency improvement of family buildings *	1 872	-	-	(730)	-	-	-	-	-	1 142
Social Entrepreneurship Programme	1 849	3 172	-	(3 205)	(159)	-	-	-	-	1 657
Grants for development of energy efficiency project	-	-	3 269	(1 537)	(136)	-	-	-	-	1 596
Grants for improving energy efficiency of family buildings	-	810	-	-	-	-	-	-	-	810
Grants for Cultural industry support *	1 849	-	364	(1 051)	(63)	-	-	(10)	-	1 089
Total grants	**61 746**	**37 564**	**3 633**	**(30 039)**	**(1 352)**	**-**	**-**	**(10)**	**-**	**71 542**
Venture Capital Funds										
Fund of Funds and venture capital funds	52 084	40 000	(53 300)	-	(3 200)***	(2 278)	2 240 *****	-	-	35 546
Investment Fund Activity	5 008	-	-	-	(616)****	(1 382)	1 097 ******	780 ********	(354)	4 533
Baltic Innovation Fund	1 939	-	-	-	(206)	-	61 *******	(508)	-	1 286
Baltic Innovation Fund II	2 166	-	-	-	(264)	-	-	(641)	-	1 261
Total venture capital funds	**61 197**	**40 000**	**(53 300)**	**-**	**(4 286)**	**(3 660)**	**3 398**	**(369)**	**(354)**	**42 626**
Other Activities										
Energy Efficiency Fund	3 888	46	(3 269)	-	(85)	-	-	-	-	580
Regional Creative Industries Alliance	-	3	-	-	(3)	-	-	-	-	-
Total other activities	**3 888**	**49**	**(3 269)**	**-**	**(88)**	**-**	**-**	**-**	**-**	**580**
Funding allocated to increase reserve capital	1 452	683	-	-	-	-	-	(1 452)	-	683
Total support programme funding	**230 287**	**191 414**	**-**	**(30 039)**	**(6 497)**	**(3 660)**	**4 109**	**(916)**	**(8 824)**	**375 874**

* Combined financial instrument.

*** include EUR 1,820 thousand management fees for the 4th generation venture capital funds (see Note 12).

**** include EUR 446 thousand management fees for the 2nd and 3rd generation venture capital funds (see Note 12).

***** include EUR 536 thousand mezzanine interest received and EUR 42 thousand realised gain on investments in 4th generation venture capital funds in 12 months of 2022 (see Note 12).

****** include EUR 225 thousand mezzanine interest received and EUR 872 thousand realised gain on investments in 2nd and 3rd generation venture capital funds in 12 months of 2022 (see Note 12).

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

******** include deferred payments in amount of EUR 12 thousand (deferred income) from exited investments in 2nd and 3rd generation venture capital funds.

20 Support programme funding (cont'd)

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

	Company 01.01.2022.- 31.12.2022. (unaudited)	Group / Company 01.01.2021.- 31.12.2021. (audited)
Revaluation of investments in 2nd and 3rd generation venture capital funds	(2 559)	(1 805)
Realised gain on investments in 2nd and 3rd generation venture capital funds	863	(429)
Mezzanine interest received from investments in 2nd and 3rd generation venture capital funds	234	489
Revaluation of investments in 4th generation venture capital funds	(1 455)	(65)
Realised gain on investments in 4th generation venture capital funds	42	313
BIF realised gain	-	153
Mezzanine interest received from investments in 4th generation venture capital funds	536	24
Gains less losses from liabilities at fair value through profit or loss	**(2 339)**	**(1 320)**

21 Provisions

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

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Provisions for financial guarantees	41 818	33 603
Company's share of provisions	*2 683*	*5 494*
Provisions covered by Portfolio Loss Reserve	*7 481*	*4 719*
Provisions covered by Risk Coverage Reserve	*31 654*	*23 390*
Provisions for loan commitments	1 076	790
Company's share of provisions	*431*	*140*
Provisions covered by Portfolio Loss Reserve	*12*	*188*
Provisions covered by Risk Coverage Reserve	*633*	*462*
Provisions for grant commitments	376	73
Company's share of provisions	*376*	*73*
Provisions covered by risk coverage	*-*	*-*
Total provisions	**43 270**	**34 466**
Company's share of provisions	*3 490*	*5 707*
Provisions covered by Portfolio Loss Reserve	*7 493*	*4 907*
Provisions covered by Risk Coverage Reserve	*32 287*	*23 852*

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

	Company 01.01.2022.- 31.12.2022. (unaudited)	Group / Company 01.01.2021.- 31.12.2021. (audited)
Provisions at the beginning of the period	33 603	31 413
Increase in provisions (Note 10)	24 064	16 071
Decrease in provisions (Note 10)	(15 312)	(12 916)
Reclassification (Disbursed guarantee)	(537)	(965)
Provisions at the end of the period ended 31 December (unaudited)	**41 818**	**33 603**
Company's share of provisions	*2 683*	*5 494*
Provisions covered by Portfolio Loss Reserve	*7 481*	*4 719*
Provisions covered by Risk Coverage Reserve	*31 654*	*23 390*

22 Reserves

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

	Specific reserves for support programmes	Other specific reserves-difference recognised in Group's reorganisation reserve	General reserve capital	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Total reserves
Reserves as of 1January 2021 (audited)	**161 133**	**(15 935)**	**25 121**	**1 213**	**171 532**
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	(515)	(515)
Decrease of Specific Reserves to General reserve capital at allocation of the profit for year 2020	(6 429)	-	6 429	-	-
Distribution of 2020 year profit of the Company	-	-	5 539	-	5 539
Increase of reserve capital	45 489	-	-	-	45 489
Reserves as of 31 December 2021 (audited)	**200 193**	**(15 935)**	**37 089**	**698**	**222 045**
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	(1 197)	(1 197)
Distribution of 2021 year profit of the Company	-	-	13 829	-	13 829
Decrease of Specific Reserves to General reserve capital at allocation of the profit for year 2021	(3 446)	-	3 446	-	-
Increase of reserve capital	3 525	-	-	-	3 525
Decrease of reserve capital	(58 565)	-	-	-	(58 565)
Reserves as of 31 December 2022 (unaudited)	**141 707**	**(15 935)**	**54 364**	**(499)**	**179 637**

Subitem *Reserve capital for non-Covid-19 programmes* includes the following increases in the Specific Reserve capital for non-Covid-19 programmes in 2022 12 months:

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

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

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

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

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

22 Reserves (cont'd)

Breakdown of the Company's "Specific reserves for support programmes":

	Reserve capital for non-Covid-19 guarantees programmes				**Reserve capital for mitigating of impact of Covid-19**				**Reserve capital for AIF "Altum capital fund"**	**Total specific reserves for support programmes**
	Housing Guarantee Programme	Study and student portfolio guarantees	Guarantees for agriculture, fisheries and rural develop-ment	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		
Specific reserves as of 1 January 2021 (audited)	**15 507**	**626**	**-**	**-**	**-**	**20 000**	**50 000**	**50 000**	**25 000**	**161 133**
of which:										
Portfolio Loss Reserve (Specific Reserves)	*15 507*	*626*	*-*	*-*	*-*	*20 000*	*29 000*	*30 000*	*7 131*	*102 264*
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2020 annual report	-	(392)	-	-	-	-	(2 668)	(3 184)	(185)	(6 429)
Portfolio Loss Reserve (Specific Reserves) used to cover credit loss upon approval of the 2020 annual report	-	(392)	-	-	-	-	(2 668)	(3 184)	(185)	(6 429)
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

22 Reserves (cont'd)

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

	Reserve capital for non-Covid-19 guarantees programmes				**Reserve capital for mitigating of impact of Covid-19**				**Reserve capital for AIF "Altum capital fund"**	**Total specific reserves for support programmes**
	Housing Guarantee Programme	Study and student portfolio guarantees	Guarantees for agriculture, fisheries and rural develop-ment	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		
Specific reserves as of 31 December 2021 (audited)	**17 686**	**2 375**	**5 788**	**4 500**	**22 565**	**20 000**	**58 148**	**44 316**	**24 815**	**200 193**
of which:										
Portfolio Loss Reserve (Specific Reserves)	*17 686*	*2 375*	*5 788*	*4 500*	*13 800*	*20 000*	*42 385*	*44 316*	*8 850*	*159 700*
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2021 annual report	*-*	*(1 140)*	*-*	*-*	*-*	*-*	*(1 683)*	*(186)*	*(437)*	*(3 446)*
Portfolio Loss Reserve (Specific Reserves) used to cover credit loss upon approval of the 2021 annual report	-	(1 140)	-	-	-	-	(1 683)	(186)	(437)	(3 446)
Increase of reserve capital	1 452	2 073	-	-	-	-	-	-	-	3 525
Decrease of reserve capital, directing funds to risk coverage of program Loans with capital discount	-	-	-	-	(22 565)	(20 000)	-	(16 000)	-	(58 565)
Specific reserves as of 31 December 2022 (unaudited)	**19 138**	**3 308**	**5 788**	**4 500**	**-**	**-**	**56 465**	**28 130**	**24 378**	**141 707**
of which:										
Portfolio Loss Reserve (Specific Reserves)	*19 138*	*3 308*	*5 788*	*4 500*	*-*	*-*	*40 702*	*28 130*	*8 413*	*109 979*
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2022 annual report	*-*	*(1 906)*	*-*	*(482)*	*-*	*-*	*(1 930)*	*(473)*	*(471)*	*(5 262)*

22 Reserves (cont'd)

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

	Portfolio loss reserve for non-Covid-19 guarantees programmes				**Portfolio loss reserve for mitigating of impact of Covid-19**				**Reserve capital for AIF "Altum capital fund"**	**Total portfolio loss reserve**
	Housing Guarantee Programme	Study and student portfolio guarantees	Guarantees for agriculture, fisheries and rural develop-ment	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		
Portfolio Loss Reserve as of 1 January 2021 (audited)	**15 507**	**626**	**-**	**-**	**-**	**20 000**	**29 000**	**30 000**	**7 131**	**102 264**
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	-	(392)	-	-	-	-	(2 668)	(3 184)	(185)	(6 429)
Reallocation of funding within portfolio loss reserve – funding for management fee	-	-	-	-	-	-	-	-	2 060	2 060
Decrease of Portfolio Loss Reserve according to the List of the Partners and their Commitments	-	-	-	-	-	-	-	-	(156)	(156)
Portfolio Loss Reserve as of 31 December 2021 (audited)	**17 686**	**2 375**	**5 788**	**4 500**	**13 800**	**20 000**	**42 385**	**44 316**	**8 850**	**159 700**
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)*
Reallocation of funding within Portfolio Loss Reserve – funding for management fee	-	-	-	-	-	-	-	-	-	-
Increase of reserve capital	-	(1 140)	-	-	-	-	(1 683)	(186)	(437)	(3 446)
Decrease of reserve capital, directing funds to capital discount of program Loans with capital discount	1 452	2 073	-	-	-	-	-	-	-	3 525
Portfolio Loss Reserve as of 31 December 2022 (unaudited)	**19 138**	**3 308**	**5 788**	**4 500**	**-**	**-**	**40 702**	**28 130**	**8 413**	**109 979**
of which:										
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2022 annual report	*-*	*(1 906)*	*-*	*(482)*	*-*	*-*	*(1 930)*	*(473)*	*(471)*	*(5 262)*

23 Off-balance sheet items and contingent liabilities

All amounts in thousands of euro

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Contingent liabilities:		
Outstanding guarantees	481 013	414 978
Financial commitments:		
Loan commitments	61 233	25 572
Grant commitments	47 824	11 089
Commitments to AIF “Altum capital fund” *	31 209	33 450
Commitments to investments in associates	44 130	54 426
Commitments to other investments	29 859	36 739
Total contingent liabilities and financial commitments	**695 268**	**576 254**

* Taking into account the investments made by AIF "Altum capital fund" as of December 31, 2022 (EUR 34.4 million) and the planned investments of EUR 7.4 million for existing portfolio companies as well as with the end of the investment period (June 30, 2022), the position "Liabilities for investment in AIF "Altum capital fund"" could decrease by EUR 22.5 million.

Impairment allowances for loan commitments, in thousands of euro:

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Unutilised loan facilities	61 233	25 572
Impairment allowances	(1 076)	(790)
Total unutilized loan facilities, net	**60 157**	**24 782**

Impairment allowances for grant commitments, in thousands of euro:

	Company 31.12.2022. (unaudited)	Group / Company 31.12.2021. (audited)
Grant commitments	47 824	11 089
Impairment allowances	(376)	(73)
Total grant commitments, net	**47 448**	**11 016**

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 2022, in thousands of euro:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	**Total**
Contingent liabilities							
Outstanding guarantees	305 461 *	-	-	7	30 835	144 710	481 013
Financial commitments							
Loan commitments	61 233	-	-	-	-	-	61 233
Grant commitments	47 824	-	-	-	-	-	47 824
Commitments to AIF "Altum capital fund"**	19	577	596	1 929	28 088	-	31 209
Commitments to investments in associates	2 622	5 243	7 694	13 669	13 461	1 441	44 130
Commitments to other investments	575	1 150	1 725	3 450	15 261	7 698	29 859
Total financial commitments	112 273	6 970	10 015	19 048	56 810	9 139	214 255
Total contingent liabilities and financial commitments	**417 734**	**6 970**	**10 015**	**19 055**	**87 645**	**153 849**	**695 268**

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

** Taking into account the investments made by AIF "Altum capital fund" as of December 31, 2022 (EUR 34.4 million) and the planned investments of EUR 7.4 million for existing portfolio companies as well as with the end of the investment period (June 30, 2022), the position "Liabilities for investment in AIF "Altum capital fund"" could decrease by EUR 22.5 million.

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**
Contingent liabilities							
Outstanding guarantees	262 115 *	-	-	4	18 488	134 371	414 978
Financial commitments							
Loan commitments	25 572	-	-	-	-	-	25 572
Grant commitments	11 089	-	-	-	-	-	11 089
Commitments to AIF "Altum capital fund"	164	11 738	19 961	261	1 002	324	33 450
Commitments to investments in associates	415	1 787	2 796	8 979	35 006	5 443	54 426
Commitments to other investments	363	485	848	4 171	25 145	5 727	36 739
Total financial commitments	37 603	14 010	23 605	13 411	61 153	11 494	161 276
Total contingent liabilities and financial commitments	**299 718**	**14 010**	**23 605**	**13 415**	**79 641**	**145 865**	**576 254**

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

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

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

24 Related party transactions

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

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

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

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

	Transactions with shareholders		**Associates**		**Other companies owned by the Group's shareholders**	
	Company	**Group / Company**	**Company**	**Group / Company**	**Company**	**Group / Company**
	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)
Investments in venture capital funds	-	-	47 680	50 077	-	-
Investments in AIF "Altum capital fund"	-	-	17 701	14 871	-	-
Due to general governments	-	-	-	-	3 318	3 321
Support programme funding	288 737	222 774	-	-	86 327	51 559
Off-balance sheet financial liabilities for venture capital funds	-	-	44 130	54 426	-	-
Off-balance sheet financial liabilities for AIF "Altum capital fund"	-	-	31 209	33 450	-	-

Transactions with related parties, in thousands of euro:

	Received State aid funding		**Issued State aid funding or funding paid back**	
	Company	**Group / Company**	**Company**	**Group / Company**
	01.01.2022.-31.12.2022. (unaudited)	01.01.2021.-31.12.2021. (unaudited)	01.01.2022.-31.12.2022. (unaudited)	01.01.2021.-31.12.2021. (unaudited)
Transactions with shareholders				
Ministry of Finance of the Republic of Latvia	32 703	35 931	(13 054)	(17 378)
Ministry of Agriculture of the Republic of Latvia	-	7 000	-	-
Ministry of Economics of the Republic of Latvia	42 146	33 744	-	(2 435)
Associates				
Venture capital funds	12 429	20 968	(10 362)	(14 613)
Other companies owned by the Group's shareholders				
Rural Support Service	7 500	-	-	-
Central Finance and Contracting Agency of the Republic of Latvia	78 582	51 559	-	-
Ministry of Education and Science of the Republic of Latvia	2 245	2 003	-	-
Ministry of Culture of the Republic of Latvia	3 003	3 815	(3 070)	(2 185)
Ministry of Wealth Fair of the Republic of Latvia	3 172	2 454	-	-

The remuneration of the members of the Supervisory Council, Audit Committee and the Management Board of the Company in the 12 months of 2022 amounted to EUR 776 thousand (12 months of 2021: EUR 713 thousand), incl. social insurance contributions.

25 Fair values of assets and liabilities

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

	Carrying Amount		Fair Value	
	Company	Group / Company	Company	Group / Company
	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)
Assets				
Due from credit institutions and the Treasury	571 667	455 006	571 724	455 006
Financial assets at fair value through other comprehensive income - investment securities	9 515	14 051	9 515	14 051
Financial assets at amortised cost:				
Investment securities	39	37	91	90
Individuals	317 859	330 530	325 250	321 991
Companies	*30 735*	*25 475*	*31 227*	*24 897*
Loans	*287 124*	*305 055*	*294 023*	*297 094*
Grants	58 280	45 397	58 280	45 397
Investments in associates (investments in Baltic Innovation Fund)	14 232	13 222	14 232	13 222
Investment properties	53 453	46 164	53 453	46 164
Financial assets	1 502	3 214	1 502	3 214
Total assets	**1 026 547**	**907 621**	**1 034 046**	**899 136**
Liabilities				
Due to credit institutions	36 290	53 416	36 290	53 416
Due to general governments	153 784	121 348	153 784	121 348
Financial liabilities at amortised cost - Issued debt securities	85 513	85 558	85 513	85 558
Support programme funding	375 874	230 287	375 874	230 287
Total liabilities	**651 461**	**490 609**	**651 461**	**490 609**

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

	Level 1		Level 2		Level 3		Total	
	Company	Group / Company	Company	Group / Company	Company	Group / Company	Company	Group / Company
	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)	31.12.2022. (unaudited)	31.12.2021. (audited)
Assets measured at fair value								
Financial assets at fair value through other comprehensive income - investment securities	-	3 516	9 515	10 535	-	-	9 515	14 051
Investments in venture capital funds – associates (investments in BIF)	-	-	-	-	14 232	13 222	14 232	13 222
Investment properties	-	-	-	-	53 453	46 164	53 453	46 164
Assets with fair values disclosed								
Due from credit institutions and the Treasury	-	-	571 724	455 006	-	-	571 724	455 006
Financial assets at amortised cost:								
Investment securities	-	-	90	91	-	-	90	91
Loans	-	-	-	-	325 250	321 991	325 250	321 991
Grants	-	-	-	-	58 280	45 397	58 280	45 397
Financial assets	-	-	-	-	1 502	3 214	1 502	3 214
Total assets	**-**	**3 516**	**581 329**	**465 632**	**452 717**	**429 988**	**1 034 046**	**899 136**
Liabilities measured at fair value								
Support programme funding	-	-	-	-	375 874	230 287	375 874	230 287
Liabilities with fair value disclosed								
Due to credit institutions	-	-	-	-	36 290	53 416	36 290	53 416
Due to general governments	-	-	-	-	153 784	121 348	153 784	121 348
Financial liabilities at amortised cost - Issued debt securities	-	-	-	-	85 513	85 558	85 513	85 558
Total liabilities	**-**	**-**	**-**	**-**	**651 461**	**490 609**	**651 461**	**490 609**

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

Assets

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

Liabilities

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

Fair value hierarchy of financial assets and liabilities

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

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

Debt securities

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

Derivatives

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

Investments in venture capital funds

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

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

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

Investment properties

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

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

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

Assets held for sale

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

26 Segment Information

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

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

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

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

26 Segment Information (cont'd)

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

	Loan service *	Guarantee service *	Venture capital fund service	Grant service	Land Fund service	Management of AIF "Altum capital fund"	Other services	Total
Interest income	13 780	3 218	12	1	2 851	-	72	19 934
of which, interest on loans and guarantees (Note 4)	*13 641*	*3 060*	-	-	*2 851*	-	*72*	*19 624*
Interest expense	(2 147)	(96)	(4)	-	(713)	-	-	(2 960)
Net interest income	11 633	3 122	8	1	2 138	-	72	16 974
Income for implementation of state aid programmes	818	1 195	3 405	587	-	-	88	6 093
Expenses to be compensated for implementation of state aid programmes	(735)	(530)	(3 151)	(587)	-	-	(88)	(5 091)
Net income for implementation of state aid programmes	83	665	254	-	-	-	-	1 002
Gains from debt securities and foreign exchange translation	43	50	4	-	-	-	-	97
Share of (losses) of investment in associates	-	-	(1 539)	-	-	-	-	(1 539)
Share of gain of investment in associates at fair value through profit or loss	-	-	48	-	-	-	-	48
Gains less losses from liabilities at fair value through profit or loss	-	-	2 339	-	-	-	-	2 339
Other income	-	-	1 007	5	4 650	485	60	6 207
Other expense	(285)	(84)	(42)	(36)	(485)	(485)	(10)	(1 427)
Operating income / (loss) before operating expenses	**11 474**	**3 753**	**2 079**	**(30)**	**6 303**	**-**	**122**	**23 701**
Staff costs	(3 627)	(875)	(46)	(1 400)	(246)	-	(317)	(6 511)
Administrative expense	(996)	(331)	9	(324)	(107)	-	(80)	(1 829)
Amortisation of intangible assets and depreciation of property, plant and equipment	(350)	(168)	(84)	(172)	(52)	-	(37)	(863)
(Impairment) gain, net	(3 230)	92	-	(407)	13	-	165	(3 367)
Profit or (loss) from assets held for sale revaluation	-	-	-	-	-	-	-	-
Total segment profit/(loss)	**3 271**	**2 471**	**1 958**	**(2 333)**	**5 911**	**-**	**(147)**	**11 131**
Financial assets at fair value through profit or loss	-	-	51 149	-	-	-	-	51 149
Other investments	-	-	14 232	-	-	-	-	14 232
Investments in associates	-	-	15 246	-	-	-	-	15 246
Additions of property and equipment, intangible assets and investment property	319	98	24	133	5 779	-	23	6 376
Total segment assets	**555 335**	**151 112**	**162 674**	**74 252**	**89 970**	**-**	**66 486**	**1 099 829**
Total segment liabilities	**403 951**	**112 089**	**39 427**	**73 835**	**74 088**	**-**	**809**	**704 199**
Assets under management (AUM)	-	-	-	-	-	34 629	-	34 629

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

26 Segment Information (cont'd)

Analysis of the operating segments of the Company 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	-	-	(1 382)	-	-	-	-	(1 382)
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	-	-	1 321	-	-	-	-	1 321
Other income	-	-	158	21	2 389	620	33	3 221
Other expense	(273)	(198)	(9)	(32)	(368)	(620)	(9)	(1 509)
Operating income / (loss) before operating expenses	**11 744**	**3 547**	**2 925**	**(11)**	**3 613**	**-**	**35**	**21 853**
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	-	-	-	-	-	-	-	-
Total segment profit/(loss)	**7 880**	**2 360**	**2 570**	**(1 455)**	**3 265**	**-**	**(791)**	**13 829**
Financial assets at fair value through profit or loss	-	-	51 727	-	-	-	-	51 727
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
Total segment assets	**465 460**	**157 082**	**160 811**	**63 101**	**87 226**	**456**	**42 068**	**976 204**
Total segment liabilities	**235 612**	**94 115**	**63 142**	**62 819**	**75 576**	**-**	**4 204**	**535 468**
Assets under management (AUM)	-	-	-	-	-	30 772	-	30 772

27 Events after the reporting date

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

OTHER NOTES TO UNAUDITED INTERIM CONDENSED REPORT

OTHER NOTES TO THE INTERIM CONDENSED REPORT

KEY FINANCIAL AND PERFORMANCE INDICATORS

Based on data from financial statements for the respective reporting period

	2022 12M (unaudited)	2022 9M (unaudited)	2022 6M (unaudited)
Key financial data			
Net interest income (EUR '000)	16 974	12 458	8 391
Operating profit (EUR '000)	11 131	6 741	6 333
Profit for the period (EUR '000)	11 131	6 741	6 333
Cos to income ratio (CIR)	38.83%	43.22%	38.97%
Employees	234	232	230
Total assets (EUR '000)	1 099 829	1 107 972	1 044 930
Financial debt (EUR '000)	458 375	467 818	438 447
Tangible common equity (TCE) / Total tangible managed assets (TMA) *	**26.90%**	**24.11%**	**25.06%**
Equity and reserves (EUR '000)	395 630	391 303	391 059
Total risk coverage: (EUR '000)	**297 803**	**307 793**	**279 029**
Risk coverage reserve	231 125	234 831	202 272
Risk coverage reserve used for provisions	(38 039)	(33 992)	(31 963)
Portfolio loss reserve (specific reserve capital)	109 979	109 979	109 979
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	(5 262)	(3 025)	(1 259)
Liquidity ratio for 180 days **	366%	567%	402%
Net Cash flows from operating activities (EUR '000)	89 520	115 216	62 081
Net Cash flows from financing activities (EUR '000)	3 526	2 941	2 659
Net Cash flow from investing activities (EUR '000)	(8 423)	(6 540)	(8 078)
Support instruments gross value (EUR '000), of which	**1 064 821**	**1 048 653**	**1 021 659**
Financial instruments gross value (EUR '000) ***			
Loans (excluding sales and leaseback transactions)	311 844	322 528	319 742
Guarantees	481 013	459 627	443 277
Venture capital funds	90 277	86 383	86 316
Land Fund, of which:	80 542	84 135	84 216
- sales and leaseback transactions	27 089	34 384	34 477
- investment properties	53 453	49 751	49 739
Total	**963 676**	**952 673**	**933 551**
Number of transactions	33 976	33 579	32 813
Volumes issued (EUR '000) (by financial instrument) ***			
Loans (excluding sales and leaseback transactions)	95 820	73 177	48 126
Guarantees	153 067	111 059	70 401
Venture capital funds	18 526	10 344	8 400
Land Fund, of which:	7 414	6 788	6 108
- sales and leaseback transactions	3 105	2 847	2 353
- investment properties	4 309	3 941	3 755
Total	**274 827**	**201 368**	**133 035**
Number of transactions	6 539	4 914	3 198
Leverage for raised private funding	123%	179%	128%
Volume of support programmes funding per employee (EUR '000)	4 118	4 106	4 059
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1

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

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

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

OTHER NOTES TO THE INTERIM CONDENSED REPORT (cont'd)

KEY FINANCIAL AND PERFORMANCE INDICATORS (cont'd)

Based on data from audited financial statements for the respective years

	2022 (unaudited)	2021	2020	2019	2018	2017 (corrected) *
Key financial data						
Net interest income (EUR '000)	16 974	16 717	14 572	11 569	11 302 **	11 602
Operating profit (EUR '000)	11 131	13 829	5 539	8 131	4 092	8 709
Profit for the period (EUR '000)	11 131	13 829	5 539	8 131	4 092	8 709 *
Cos to income ratio (CIR)	38.83%	39.46%	47.51%	52.58%	74.84% ***	50.30% *
Employees	234	226	211	203	222	230
Total assets (EUR '000)	1 099 829	976 204	850 704	560 061	495 939	453 668 *
Financial debt (EUR '000)	458 375	360 909	342 490	217 943	177 249	146 157
Tangible common equity (TCE) / Total tangible managed assets (TMA) ****	**26.90%**	**33.82%**	**33.56%**	**29.40%**	**31.70%**	**35.10% ***
Equity and reserves (EUR '000)	395 630	440 736	382 594	232 738	221 590	222 848 *
Total risk coverage: (EUR '000)	**297 987**	**285 954**	**180 205**	**87 456**	**77 815**	**67 593 ***
Risk coverage reserve	231 125	159 196	112 567	99 778	85 276	62 651
Risk coverage reserve used for provisions	(38 039)	(29 496)	(28 197)	(27 829)	(19 268)	(4 753)
Portfolio loss reserve (specific reserve capital)	109 979	159 700	102 264	15 507	11 807	9 695
Portfolio loss reserve used to compensate provisions upon approval of the annual report	(5 078)	(3 446)	(6 429)	-	-	-
Liquidity ratio for 180 days *****	366%	518%	464%	582%	227%	482% *
Net Cash flows from operating activities (EUR '000)	92 128	49 555	21 966	39 813	7 997	(10 146)
Net Cash flows from financing activities (EUR '000)	2 593	43 768	165 800	18 700	12 013	22 299
Net Cash flow from investing activities (EUR '000)	(10 098)	4 553	(4 016)	(11 230)	8 307	3 891
Support instruments gross value (EUR '000), of which	**1 064 821**	**979 130**	**872 302**	**667 649**	**553 628**	**465 724**
Financial instruments gross value (EUR '000) ***						
Loans (excluding sales and leaseback transactions)	311 844	315 674	302 481	225 144	210 208	207 065
Guarantees	481 013	414 978	359 605	284 232	236 895	182 376
Venture capital funds	90 277	85 973	73 165	68 331	59 698	62 299
Land Fund, of which:	80 542	79 163	68 258	39 634	21 717	11 328
- sales and leaseback transactions	27 089	32 999	31 500	15 268	6 923	520
- investment properties	53 453	46 164	36 758	24 366	14 794	10 808
Total	**963 676**	**895 788**	**803 509**	**617 341**	**528 518**	**463 068**
Number of transactions	33 976	30 978	26 578	22 437	18 603	14 655
Volumes issued (EUR '000) (by financial instrument) ******						
Loans (excluding sales and leaseback transactions)	95 820	100 966	138 238	64 320	59 608	51 349
Guarantees	153 067	126 997	137 425	98 240	88 765	68 615
Venture capital funds	18 526	29 158	14 014	9 022	4 149	2 638
Land Fund, of which	7 414	10 595	28 191	16 384	10 823	6 359
- sales and leaseback transactions	3 105	3 254	16 796	7 239	6 835	520
- investment properties	4 309	7 341	11 395	9 145	3 988	5 839
Total	**274 827**	**267 716**	**317 868**	**187 966**	**163 345**	**128 961**
Number of transactions	6 539	6 579	6 147	5 559	5 590	4 839
Leverage for raised private funding	123%	177%	114%	142%	162%	185%
Volume of support programmes funding per employee (EUR '000)	4 118	3 964	3 808	3 041	2 381	2 013
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1

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

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

Definition of ratios (cont'd)

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