JSC DEVELOPMENT FINANCE INSTITUTION ALTUM

Annual Report
for the year ended 31 December 2024

(the 11th reporting period)

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AS Attīstības finanšu institūcija Altum
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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 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.

Strategy 2025-2027

The Development Finance Institution Altum's Strategy 2025–2027 is currently in the final stages of approval. Recognising that the Latvian economy will continue to face credit challenges and that ALTUM's involvement in facilitating access to finance will be very important in the coming period, the following strategic development directions and key long-term objectives have been set out in Altum's Strategy:

- The main financial objective when implementing the state aid programmes is to ensure positive return on Altum's capital;
- The main non-financial objective is to facilitate access to finance for economic development, focusing on the following key areas:
  - implementation of the new programmes for EU programming period 2021-2027. The programmes focus on solutions for climate change mitigation and sustainable finance for business, including developing a range of financial instruments in the areas of innovation, R&D, productivity and digitalisation, and energy efficiency in both the residential and corporate segments;
  - promoting affordable housing in the regions;
  - increasing the role of venture capital instruments in business financing through actively introducing the 5th generation venture capital funds in the scope of early- to growth-stage funds;
  - launching the Baltic Capital Markets Acceleration Fund (IPO Fund) to support capital market development;
  - further development of the Latvian Land Fund;
- Increasing Altum's role in direct lending through active lending and servicing; given the inadequate funding offer from the private sector, this would include the initiation of mortgage lending in the regions of Latvia;
- Replacement of IT systems and implementation of Customer Relationship Management (CRM) platform technologies to modernise customer service and ensure effective loan application appraisal and underwriting processes.

Management Report

Activity during the reporting period

In the 12 months of 2024, the Development Finance Institution Altum (hereinafter – the Company) has ensured stable financial results and earned a profit of EUR 28.7 million.

Key financial and performance indicators

Based on data from the audited financial statements for the respective years

	2024	2023	2022
Key financial data			
Net interest income (EUR '000)	23 026	17 765	16 974
Operating profit (EUR '000)	28 663	17 810	11 484
Profit for the period (EUR '000)	28 663	17 810	11 484
Cost to income ratio (CIR)	23.32%	26.34%	38.83%
Employees	254	255	234
Total assets (EUR '000)	1 455 350	1 316 086	1 099 588
Financial debt (EUR '000)	755 011	599 305	458 382
Tangible common equity (TCE) / Tangible managed assets (TMA) [1]	**21.6%**	**23.4%**	**27.0%**
Equity and reserves (EUR '000)	416 055	389 353	395 983
Return on average equity (ROE)	7.1%	4.5%	2.7%
Total risk coverage: (EUR '000)	**309 853**	**281 355 [2]**	**297 218**
Risk coverage reserve	269 321	226 793 [2]	230 524
Risk coverage reserve used for provisions	(46 585)	(42 078)	(38 039)
Portfolio loss reserve (specific reserve capital)	85 736	96 587	109 979
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	1 381	53	(5 246)
Liquidity ratio for 180 days [3]	342%	430%	366%
Net Cash flows from operating activities (EUR '000) [4]	135 234	35 724	89 535
Net Cash flows from financing activities (EUR '000)	4 579	9 009	3 525
Net Cash flows from investing activities (EUR '000) [4]	(249 994)	(18 467)	(8 437)
Support instruments gross value (EUR '000), of which	**1 177 888**	**1 101 797**	**1 064 821**
Grants	3 159	68 132	58 280
Financial instruments gross value (EUR '000) [5]			
Loans (excluding sales and leaseback transactions)	418 079	359 246	311 844
Guarantees	523 538	480 025	481 013
Venture capital funds	97 999	97 456	90 277
Latvian Land Fund, of which:	135 113	96 938	80 542
- sales and leaseback transactions	42 137	28 692	27 089
- investment properties	92 976	68 246	53 453
Total	**1 174 729**	**1 033 665**	**963 676**
Number of transactions	38 730	35 260	33 796
Volumes issued (EUR '000) (by financial instrument) [5]			
Loans (excluding sales and leaseback transactions)	221 741	141 993	95 820
Guarantees	142 902	99 440	153 067
Venture capital funds	15 745	23 920	18 526
Latvian Land Fund, of which:	40 506	17 676	7 414
- sales and leaseback transactions	19 692	7 916	3 105
- investment properties	20 814	9 760	4 309
Total	**420 894**	**283 029**	**274 827**
Number of transactions	6 710	4 846	6 539
Total contribution to economy by volumes issued in the reporting period, including the participation of the final recipients (EUR '000)	978 319	946 008	765 577
Leverage for raised private funding	129%	229%	123%
Volume of support programmes funding per employee (EUR '000)	4 625	4 054	4 118
Long-term rating assigned by Moody's Ratings	Baa1	Baa1	Baa1

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

Management Report (cont'd)

Key financial and performance indicators (cont'd)

[2] As of Q3 2024 Risk Coverage Reserve excludes the public funding for full coverage of potential capital rebate component. Thus 1) restated comparatives for Risk Coverage Reserve as at 31 December 2023 are EUR 226 793 thousand instead of EUR 315 649 thousand and 2) restated comparatives for Total Risk Coverage as at 31 December 2023 are EUR 281 355 thousand instead of EUR 370 211 thousand.

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

[4] As of Q2 2024 Term deposits increase is reclassified within Cash flows from investment activities from Cash flows from operating activities. Thus restated comparatives for Net cash flows from operating activities as at 31 December 2023 should be EUR 138 724 thousand instead of EUR 35 724 thousand and restated comparatives for Net cash flows from investing activities as at 31 December 2023 should be EUR (121 467) thousand instead of EUR (18 467) thousand.

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

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

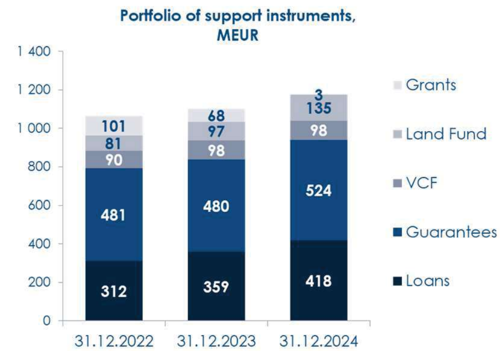
Management Report (cont'd)

Operational volumes

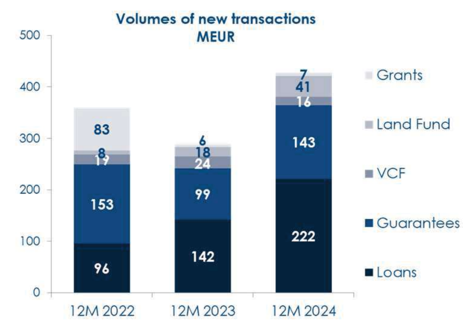
Altum's operational volumes are characterized by two dimensions: (i) support instruments that include lending, issuing of guarantees, investments in capital instruments, transactions of the Latvian Land Fund (hereinafter - the Land Fund) and servicing of grants, and (ii) segments that include SME and Midcaps, Agriculture, Individuals and Financial intermediaries.

Support instruments

As of 31 December 2024, the gross portfolio of Altum support instruments was EUR 1,178 million (31 December 2023: EUR 1,102 million), of which the gross portfolio of financial instruments (without grants) was EUR 1,175 million, that increased by EUR 141 million (+13.6%) compared to the end of 2023. The biggest increase was in the loan portfolio, that increased by EUR 59 million (+16.4%) during the twelve-month period, of which 20.2% were of loans from the Resilience and Recovery Fund (RRF) and investment loans for large companies with a capital rebate. The guarantees' portfolio grew to EUR 524 million (+9.1% compared to the end of 2023); it came from support programmes for individuals – housing guarantees for families, members of the National Armed Forces and young professionals, as well as guarantees for improving the energy efficiency of multi - apartment buildings. The portfolio of Land Fund increased by EUR 38 million (+39.4%). The gross portfolio of support instruments by the number of projects increased by EUR 3,257 (+9%).



In 2024, the volume of new transactions reached EUR 428 million, which was 48.2% (+EUR 139 million) higher than in 2023. The rapid increase was mainly provided by loans and guarantees (+EUR 80 million and +EUR 44 million respectively compared to in 2023). As to loans, the biggest increase was due to Resilience and Recovery Fund loans and investment loans for large companies with a capital rebate amounting to EUR 41 million and EUR 25 million respectively. Among the RRF programmes, the highest demand was for loans for digital transformation and energy efficiency. Working capital loans for farmers also had a big impact in early 2024, with demand falling sharply in the 3rd and 4th quarters, and overall, in 2024, new transactions in this portfolio was EUR 26 million higher than in 2023. In 2024, the increase in new transactions in guarantees was mainly driven by the increase in the energy efficiency of multi-apartment building programme under the RRF (+EUR 17 million) and in the housing guarantee programme (+EUR 11 million), also the increase in guarantees for businesses (+ EUR 15 million). The Land Fund saw a sharp increase in 2024, with new transactions significantly exceeding (+EUR 23 million) those of 2023.

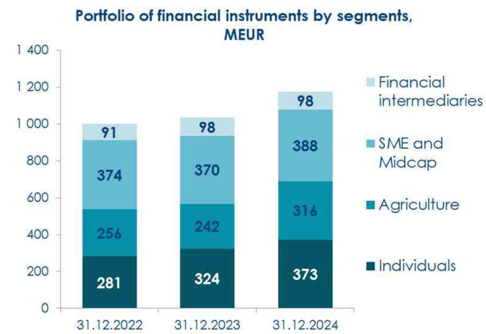


Management Report (cont'd)

Operational volumes (cont'd)

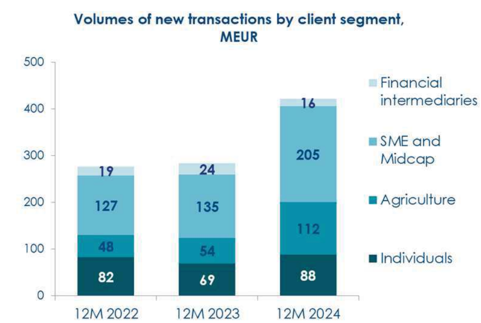
Segments

The Individuals segment accounts for 32% of the total portfolio (at the end of 2023: 31%). The largest part (86%) of the Individuals segment consists of guarantees' instruments, mainly, housing guarantees and guarantees for energy efficiency of multi - apartment buildings, as well as study portfolio guarantees. In this segment, the volume of new transactions increased by 27 % in 2024 compared to 2023. The growth rate of new transactions in products of housing and study guarantees increased compared to 2023: EUR 51 million in 2024 compared to EUR 39 million in 2023, which is related to increased activity in the Housing guarantee programmes in the 3rd and 4th quarter, with a stronger demand for mortgage lending services, impacted by the decline in Euribor rates. In 2024, there started issuance of guarantees for energy efficiency projects of multi-apartment buildings under the RRF and it also contributed to the growth in this segment where new transactions reached EUR 17 million. In 2024, the RRF low-rent housing construction programme was launched, with EUR 6 million disbursed.



* Loan portfolio of the Agriculture and Individuals' segments on 31 December 2023 in amount of EUR 34 million and EUR 2 million respectively was reclassified to the SMEs and Midcaps segment

The portfolio of the SMEs and Midcaps segment makes up 33% (at the end of 2023: 36%), of which the majority (51%) consists of loan instruments. The loan portfolio in this segment has increased (+10%) compared to the portfolio at end of 2023. In 2024, the portfolio of the SMEs and Midcaps segment increased by EUR 18 million (+5%), which was influenced by the significant growth rate of new transactions in the digital transformation and energy efficiency programmes of the RRF – reaching EUR 36 million in 2024 compared to EUR 7 million in in 2023. New transactions in investment loans for large companies with a capital rebate also continued to increase reaching EUR 32 million in 2024 compared to EUR 7 million in in 2023. There is also a growth in the volume of new transactions in the loan and guarantee programmes of the new EU programming period 2021-2027 (EUR 75 million).



* The volume of new loan transactions in the Agriculture segment in 2023 amounting EUR 8 million was reclassified to the SMEs and Midcaps segment and Individuals' segment, respectively EUR 6 and EUR 2 million

The portfolio of the Agriculture segment accounted for 27% (at the end of 2023: 23%) and this segment had the largest increase in the portfolio in 2024, namely, EUR 74 million (+ 30 %). At the beginning of the year, the growth of the portfolio was especially driven by new loan volumes (mainly working capital loans to farmers) and a significantly larger volume of new Land Fund transactions. In 2024, the new transactions in this segment reached EUR 112 million, which is twice more (+EUR 58 million) than in 2023.

The Financial Intermediaries formed by venture capital fund programmes account for 8 % (31 December 2023: 10%) of the total segments portfolio. The volume of the portfolio of Financial Intermediaries remained unchanged in 2024.

Management Report (cont'd)

Operational volumes (cont'd)

Regions

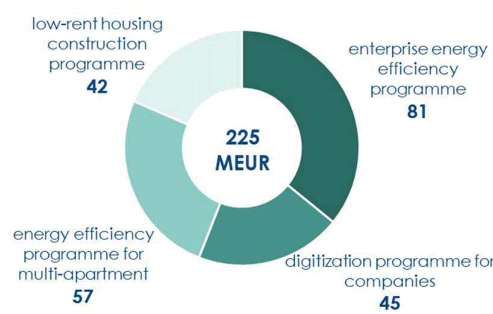
Altum plays an important role in ensuring the availability of financial instruments specifically in the regions, which is ensured through the development of targeted programmes for financing enterprises in the regions (small loans in rural areas, loans for the purchase of agricultural land, land fund, etc.), as well as by proactively introducing conditions encouraging lending in the regions in general programmes implemented by Altum. In 2024, the amount of guarantees to be granted to families in the regions under the Housing guarantee programme has increased, along with the maximum transaction amount permitted under the aegis of the programme. Likewise, since the start of 2024, in order to encourage lending in regions, Altum has been issuing loans of up to EUR 100 thousand to businesses with substantially reduced collateral requirements. In this portfolio, 70% of new transactions are regional transactions. Overall, the volume of new transactions in the regions has also increased in the loan portfolio in 2024, compared to 2023 - EUR 158 million in 2024, compared to EUR 98 million in 2023.

New products and increasing operational efficiency

As at 31 December 2024, transactions amounting to EUR 151.7 million were approved under the RRF programmes, of which EUR 55.2 million were issued in new transactions, including the following:

- in under the **Energy Efficiency Programme for Enterprises**, 251 loan transactions worth EUR 37 million were approved, of which 188 were new transactions totalling EUR 22 million, including EUR 17 million in of 2024. Transactions of EUR 0.3 million were made under the Programme for Guarantees with capital rebate for electric car purchases. No more selection rounds will take place. In total, EUR 6 million of capital discounts were paid out.
- under the **Business Digitalisation Support Programme** 93 transactions worth EUR 49 million were approved, of which 45 were new transactions totalling EUR 21 million, including EUR 19 million in 2024. Total capital rebate paid out exceeded EUR 5 million. Together with the amounts applied for, currently all public funding for this programme is reserved.
- under the **Energy Efficiency Programme for Multi-Apartment Buildings**, 45 transactions worth EUR 22 million were approved, of which 23 were new transactions totalling EUR 6 million. Under the Guarantee Programme 31 transactions worth EUR 17 million were made. No more selection rounds will take place as together with the amounts applied for all the funding available for this programme is reserved.
- under the **Affordable Housing Construction Programme**, 7 transactions worth EUR 38 million were approved, which accounts for 91% of the funding earmarked for this programme. Since disbursement has been commenced already in 5 projects, the new volume for 2024 is of EUR 6 million.

RRF programme funding, MEUR



Management Report (cont'd)

New products and increasing operational efficiency (cont'd)

In 2024, the review of project applications received under **the Large Investment Loan Programme offering a capital rebate for medium-sized and midcap enterprises** continued. Until 31 December 2024, 18 applications for granting support to projects for a total project amount of more than EUR 400 million (the amount of the attributable capital rebate EUR 115 million) have been approved, of which contracts have already been concluded for 14 (attributable amount of capital discount EUR 86 million), while 12 applications (attributable amount of capital discount EUR 79 million) are still being evaluated by Altum. The volume of new transactions in this program in 2024 was EUR 32 million. A faster increase in the volume of new transactions in this programme is expected, as the pace of implementation of the financed projects increases.

As part of the implementation of the **EU Cohesion Policy under the programming period 2021-2027**, starting with 2024, more than EUR 400 million in the form of financial instruments will be available to support entrepreneurship in at least 10 support programmes. Taking into account the Covid-19 pandemic and its impact on the national economy, the RRF was created to overcome this impact, which, together with the closing of the implementation of the EU programming period 2014-2020 at the end of 2023, delayed the start of the programmes of the new programming period. In 2024, EUR 86 million was available for 5 programmes under the EU Cohesion Policy actions in the programming period 2021-2027, while at least four new programmes are planned to be launched in 2025, with terms of reference approved at the end of 2024 and in January 2025 (energy efficiency improvement in multi-apartment buildings, productive loans for business innovation, use of the renewable energy resources and energy efficiency improvement in district heating and cooling, promotion of renewable energy – biomethane) (total funding of more than EUR 300 million). In April and July 2024, the **public tenders for the selection of the 5th generation venture capital fund managers** were finalised with the selection of one growth fund and three start-up venture capital fund managers. All selected fund managers (both growth and venture capital funds) signed contracts in late 2024 and early 2025. The new venture capital fund managers will invest in promising and viable companies over the next five years, investing more than EUR 100 million in total, of which EUR 80 million will come from ALTUM. The growth fund and start-up funds plan to start investing in companies in the 2nd quarter of 2025.

ALTUM, in cooperation with the Lithuanian national development institution ILTE, **has started the creation of the Baltic Capital Markets Acceleration Fund**, where currently the selection process of the fund manager is nearing completion. The selected fund manager together with private market participants will invest in **SMEs and small and innovative medium-sized enterprises** operating in Latvia, Lithuania and regions of the European Union prior to the IPO, IPO and IBO stages. The total planned volume of the Fund is EUR 48.8 million, of which ALTUM will contribute EUR 20 million. The Fund plans to launch investments in the 2nd half of 2025.

In order to increase access to financing for entrepreneurs and to ensure an efficient process of granting guarantees, **the 4th round of the Portfolio Guarantee Programme for Businesses** was launched, under which agreements have been concluded and cooperation has been initiated with 6 financiers, including non-bank lenders, for loans of at least EUR 100 million and the first guarantees have already been granted. Under the 4th round of the Portfolio Guarantee Programme, the amount of guaranteed financial services for one economic operator can reach up to EUR 500 thousand (previously EUR 250 thousand).

On 25 October 2024, the Ministry of Economics submitted to the European Commission a draft notification on commencing Altum's activities in mortgage lending in segments where, according to the study of the Bank of Latvia, mortgage lending is significantly lower - primarily outside Riga and its suburbs. Several correspondences and meetings were held with the European Commission on the market gaps and the need for intervention. A decision of the European Commission is expected in the 2nd quarter of 2025. The launch of the programme requires a licence issued by the Consumer Rights Protection Centre as well as the Cabinet Regulation on the programme.

Continuing the implementation of increasing Altum's operational efficiency and proceeding with the centralised reviewing of the applications for small loans (with the ticket size up to EUR 100 thousand) as part of the automation process, Altum since the beginning of 2024, increased the limit of the loan amount in the centralized remote evaluation from EUR 50 thousand to EUR 100 thousand, while also introducing a scoring system in the small loan segment with the aim of achieving a significant reduction in the terms of application review compared to the average indicators in previous years. In 2024, 896 projects in amount of EUR 32 million were approved in the centralized remote evaluation, which constitutes 43% of all loan transactions approved in this period (in 2023 on average: 25%). The increase in the loan amount limit and the introduction of the scoring system have significantly increased the average amount of approved projects from EUR 19 thousand in 2023 up to EUR 35 thousand in 2024. The proportion of rejected applications in 2024 amounts to an average of 22% of the received applications.

Management Report (cont'd)

Rating

On 28 January 2025, Moody's Ratings (Moody's) affirmed Altum's Baa1 long-term issuer rating, with outlook stable, following update of rating methodology. The rating is the same as affirmed on 2 February 2024. The short-term issuer rating is also affirmed at the same P-2. Altum's credit rating is based on Moody's Finance Companies Methodology of July 2024. Altum's long-term credit rating Baa1 is one of the highest credit ratings assigned to a corporate entity in Latvia.

The high rating allows Altum to better pursue its long-term strategy of raising finance by being a regular capital market participant and issuing bonds.

Risk Management

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

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

In view of Altum's activities in high-risk areas when implementing the state aid programmes, as of 31 December 2024 Altum has the risk coverage of EUR 310 million (31 December 2023: EUR 281 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.

As the tension in the geopolitical situation continues, Altum strictly implements the restrictions set in the risk management policies for cooperation with clients who have connections with high-risk jurisdictions, incl. which have imposed restrictive measures in connection with Russia's invasion of Ukraine.

Along with the established restrictions, Altum regularly takes measures to assess the impact of the Russian Federation's invasion of Ukraine and its consequences on the solvency of Altum's customers.

Contribution to Sustainability

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

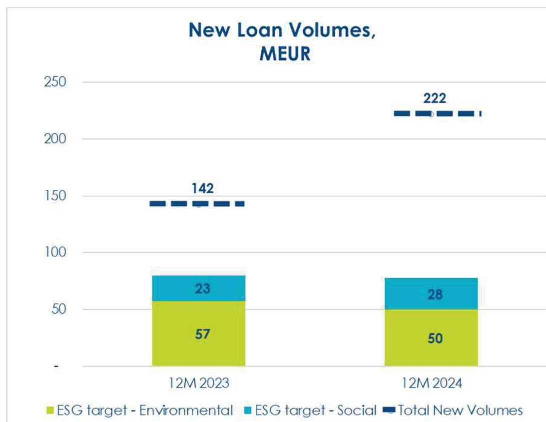
Transitional financing product in SME segment to facilitate the transition towards low carbon economy – decrease CO2 footprint of corporate's product or service life cycle, adapt to requirements of supply chain on ESG homework's, strengthen adaption to physical climate risks introduced in summer 2023 has triggered to speed up the transitional financing pace in SME segment during 2024. The new volume is positively triggered by additional driver since autumn 2023 – discount for financing costs for sustainable projects, initially applied for the first 18 months as of loan approval. More information on Altum new loan volumes contributing to ESG targets see below.

Management Report (cont'd)

Contribution to Sustainability (cont'd)

ALTUM New loan volumes contribution to environmental and social aspects of ESG targets 2023-2024.

The new loan volumes for projects contributing to environmental goals accounted for 23% of the total loans issued during 2024. This includes sustainability loans provided to the SME segment, amounting to EUR 36 million (an increase of EUR 7 million compared to 2023), with financing primarily directed towards energy efficiency, renewable energy and green building segments. Should be highlighted that hard work with SME segment clients to promote green buildings has finally benefitted in 2024 when the new loan volume reached EUR 4.6 million in this segment. Annual increase in new loan volumes in the SME segment was largely driven by significant demand under the RRF energy efficiency program. In the residential segment, the total volume of loans issued amounted to EUR 14 million (decrease of EUR 15 million vs 2023). These loans were primarily issued for improving the energy efficiency of multi-apartment residential buildings. The decline in financing volumes in the residential segment can be attributed to changes in the product offering for multi-apartment building energy efficiency projects in 2024, placing a greater emphasis on guarantee instruments alongside traditional loan products. Additionally, the new RRF program for multi-apartment buildings energy efficiency is still in the initial stages of implementation, and loan issuance volumes are expected to increase in coming months.



Overall, in 2024, the new loan volume targeting environment aspects has financed projects expected to deliver a sustainability contribution by estimated annual reduction in GHG emissions of 15.3 thousand tons. That in turns corresponds to (i) annual reduction of 422 tons of CO_2e on total project impact basis per EUR 1 million invested in projects of SME segment, decrease of 221 tons of CO_2e per EUR 1 million invested YoY basis in light of financed projects specifics and (ii) annual reduction of 25 tons of CO_2e on total project impact basis per EUR 1 million invested in projects of residential segment, decrease of 81 tons of CO_2e per EUR 1 million invested YoY basis due to higher investment per project along with substantially lower carbon footprint of heating energy suppliers to be included in respective calculations – obvious improvement resulted from change of energy suppliers solutions in recent years towards the one with more positive impact upon environment. As decrease of CO_2e for SME green buildings or energy storage projects is not applicable for calculations then contribution of those projects in sustainability comes with additional value.

The volume of loans issued for projects contributing to social aspects increased by EUR 5 million in 2024. Growth was mainly driven by more active lending to small businesses in regions and the new RRF affordable housing program.

Management Report (cont'd)

Contribution to Sustainability (cont'd)

The active work on integration of ESG scoring model in credit appraisal processes is continued in 2024. It will be applied in loan origination process above particular materiality threshold, as well as in monitoring of existing portfolio and collateral valuation in SME/Midcap and Agriculture segments. ESG scoring model will enable to assess the level of Transition risk at individual deal level. The implementation of ESG scoring model is step-by-step as of the year 2024 taking into consideration the customers' ability to fulfil the unified finance sector ESG questionnaire published in April 2024 to obtain information for the assessment of ESG risks and regarding the planned/actual customer sustainability KPI's data. Since the beginning of summer, employee training program has been underway to successfully integrate individual ESG assessments into the loan issuance and portfolio monitoring processes. A physical climate risk assessment tool has been developed to enable large-scale portfolio monitoring at the individual asset level, such as for investment properties. In Q4 2024, the individual assessment of mapped financed assets was initiated using the newly developed tool.

Taking into consideration the outcome of materiality analyses of ESG risks carried out earlier in the 2023, the development of ALTUM mid-term strategy for 2025 – 2027 is underway with integrated sustainability aspects into both the lending sector, with a focus on transition financing and products across various segments to support business transformation, and the risk management sector. In accordance with the hierarchy of strategic documents, ALTUM's Sustainability Strategy will be approved following the development of the medium-term strategy for 2025–2027. Among other things, the existing client portfolio will be reviewed, engaging clients to move towards sustainable development as well as phasing out the financing of projects that do not meet Altum's ESG considerations in credit risk management.

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

Future Outlook

To prepare for the implementation of the new InvestEU programme of the European Union, in 2023, in cooperation with the selected independent auditor, Altum conducted the Pillar Assessment. Pillar assessment is a prerequisite for ALTUM to apply for the role of the InvestEU implementing partner 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 companies in Latvia. The first phase of the assessment was completed at the end of 2023 with the submission of a draft report to the European Commission. After coordinating the draft report with the European Commission, key recommendations were identified. The recommendations were implemented and a repeated assessment by independent auditors received. The assessment is submitted to the European Commission for consideration and providing opinion. The assessment is planned to be completed in the 2nd quarter of 2025 after the European Commission, on the basis of the information provided by Altum and the auditors' opinion, has obtained reasonable assurance on the implementation of the recommendations. The decision on submitting the application for the role of the InvestEU implementing partner has not yet been made.

The ALTUM mid-term Strategy for 2025-2027 is currently in the process of coordination. According to the strategy approval process, it is expected that the final approval will be given in April 2025.

Reinis Bērziņš
Chairman of the Management Board

THE DOCUMENT IS ELECTRONICALLY SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

Supervisory Council and Management Board

Supervisory Council

Name, Surname	Position	Appointment Date	Date of expiry of the term of the mandate
Līga Kļaviņa	Chairperson of the Council	27.12.2022.	26.12.2025.
Ansis Grasmanis	Member of the Council	01.05.2024.	30.04.2027.
Krišjānis Znotiņš	Member of the Council	01.05.2024.	30.04.2027.
Ilze Baltābola	Member of the Council	27.12.2022.	30.04.2024.
Jānis Šnore	Member of the Council	22.03.2022.	30.04.2024.

On 29 April 2024, at the General Meeting of Shareholders, Ansis Grasmanis and Krišjānis Znotiņš were elected to the Supervisory Board as of 1 May 2024. Ilze Baltābola and Jānis Šnore do not continue to serve on the Supervisory Board.

Management Board

Name, Surname	Position	Appointment Date	Date of expiry of the term of the mandate
Reinis Bērziņš	Chairman of the Board	27.05.2024.	26.05.2027.
Jēkabs Krieviņš	Member of the Board	27.05.2024.	26.05.2027.
Inese Zīle	Member of the Board	27.05.2024.	26.05.2027.
Ieva Jansone-Buka	Member of the Board	18.03.2024.	17.03.2027.
Juris Jansons	Member of the Board	09.01.2023	08.01.2026

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

On 2 April 2022, the Council reappointed Reinis Bērziņš, Jēkabs Krieviņš, Inese Zīle as members of the Board of Directors, effective from 27 May 2024, for a new term lasting until 26 May 2027. The Supervisory Board elected Reinis Bērziņš from among the members of the Management Board as Chairman of the Management Board of JSC Development Finance Institution Altum.

Statement of Management's responsibility

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

The financial statements and notes thereto set out on pages 18 to 117 are prepared in accordance with the source documents and give a true and fair view of the financial position of the Company as of 31 December 2024 and 31 December 2023 and the results of its operations, changes in the shareholders' equity and cash flows for the years then ended.

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

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

Reinis Bērziņš
Chairman of the Management Board

THE DOCUMENT IS ELECTRONICALLY SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

Statement of Comprehensive Income

All amounts in thousands of euros

	Notes	01.01.2024.-31.12.2024.	01.01.2023.-31.12.2023.
Interest income at effective interest rate	4	32 036	24 043
Other interest and similar income	5	8 134	6 174
Interest expense	6	(17 144)	(12 452)
Net interest income		23 026	17 765
Income from implementation of state aid programmes	7	7 926	9 824
Expenses to be compensated for implementation of state aid programmes	8	(7 478)	(7 141)
Net income for implementation of state aid programmes		448	2 683
Gains / (losses) from trading securities and foreign exchange translation	9	6	(3)
Share of gains of investment in associate and other investments	10	9 028	3 064
(Losses) of investment in associate and other investments less losses from liabilities at fair value through profit or loss	11	(1 230)	(882)
Net (loss) from loans at fair value through profit or loss	12	(7 465)	-
Other income	13	8 188	8 997
Other expense	14	(1 203)	(1 016)
Operating income before operating expenses		30 798	30 608
Staff costs	16	(5 345)	(5 765)
Administrative expense	17	(1 107)	(1 478)
Amortisation of intangible assets and depreciation of property, plant and equipment		(731)	(818)
Allowances for expected credit losses	15	5 048	(4 737)
Profit before corporate income tax		28 663	17 810
Profit for the period		**28 663**	**17 810**
Other comprehensive income:		2 772	221
Items to be reclassified to profit or loss in subsequent periods Net profit / (loss) from financial assets measured at fair value through other comprehensive income		2 772	221
Total comprehensive income for the period		**31 435**	**18 031**

The accompanying notes on pages 18 through 117 form an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Management Board

Rudīte Bērziņa
Chief Accountant

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Statement of Financial Position

All amounts in thousands of euros

	Notes	31.12.2024.	31.12.2023.
Assets			
Due from credit institutions and the State Treasury	18	627 769	702 788
including cash and cash equivalents		*455 715*	*565 896*
Financial assets at fair value through other comprehensive income - investment securities	19	183 572	9 743
Financial assets at amortised cost:			
Investment securities	19	-	38
Loans and receivables	20	412 249	349 360
Financial assets at fair value through profit or loss - loans with capital rebate	21	24 971	13 088
Grants	22	3 128	67 196
Deferred expense	29	522	459
Accrued income	30	723	3 862
Other investments	23	29 043	25 398
Investments in associates	24	72 227	66 592
Investment property	25	92 976	68 246
Property, plant and equipment	27	4 287	4 377
Intangible assets	26	946	1 017
Other assets	28	2 937	3 922
Total assets		**1 455 350**	**1 316 086**
Liabilities			
Due to credit institutions	31	40 366	32 038
Due to general government entities	32	207 634	174 656
Financial liabilities at amortised cost - Issued debt securities	39	65 491	85 533
Deferred income	36	5 439	972
Accrued expense	35	785	856
Liabilities from financial guarantees	33	49 262	47 319
Provisions for off-balance sheet liabilities	37	609	344
Support programme funding	38	664 256	580 649
Other liabilities	34	5 453	4 366
Total liabilities		1 039 295	926 733
Equity			
Share capital	40	211 033	204 862
Reserves	41	173 865	166 959
Revaluation reserve of financial assets measured at fair value through other comprehensive income	43	2 494	(278)
Retained earnings		28 663	17 810
Total equity		416 055	389 353
Total equity and liabilities		**1 455 350**	**1 316 086**

The accompanying notes on pages 18 through 117 form an integral part of these financial statements.

Reinis Bērziņš
Chairman of the Management Board

Rudīte Bērziņa
Chief Accountant

THE DOCUMENT IS ELECTRONICALLY SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

Statement of Changes in Equity

All amounts in thousands of euros

	Share capital	Reserves			Revaluation reserve of financial assets measured at fair value through other comprehensive income	Retained earnings	Total equity
		Specific reserves for support programmes	General reserve capital	Other specific reserves- difference recognised in reorganisation reserve			
As at 1 January 2023	**204 862**	**141 707**	**54 364**	**(15 935)**	**(499)**	**11 484**	**395 983**
Profit for the period	-	-	-	-	-	17 810	17 810
Other comprehensive income	-	-	-	-	221	-	221
Total comprehensive income	-	-	-	-	221	17 810	18 031
Increase of reserve capital (Note 41)	-	2 839	-	-	-	-	2 839
Decrease of reserve capital by increasing financing of support programs (Note 41)	-	(27 500)	-	-	-	-	(27 500)
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2022	-	(5 246)	5 246	-	-	-	-
Distribution of 2022 profit	-	-	11 484	-	-	(11 484)	-
Reallocation of general reserves to specific reserves attributable to support programmes	-	13 829	(13 829)	-	-	-	-
As at 1 January 2024	**204 862**	**125 629**	**57 265**	**(15 935)**	**(278)**	**17 810**	**389 353**
Profit for the period	-	-	-	-	-	28 663	28 663
Other comprehensive income	-	-	-	-	2 772	-	2 772
Total comprehensive income	-	-	-	-	2 772	28 663	31 435
Increase of reserve capital (Note 41)	-	7 384	-	-	-	-	7 384
Decrease of reserve capital (Note 41)	-	(18 288)	-	-	-	-	(18 288)
Distribution of Specific Reserves to General reserve capital at distribution of the profit for year 2023	-	53	(53)	-	-	-	-
Distribution of 2023 profit	-	-	17 810	-	-	(17 810)	-
Increase of share capital	6 171	-	-	-	-	-	6 171
As at 31 December 2024	**211 033**	**114 778**	**75 022**	**(15 935)**	**2 494**	**28 663**	**416 055**

In accordance with the decision of the Shareholders' Meeting of 30 October 2023, and in compliance with the Cabinet of Ministers' Order of 12 December 2023, an increase in Altum's share capital was registered in the State Enterprise Register on 3 January 2024. The share capital was increased by EUR 6 171 062, setting the amount of the share capital after the increase at EUR 211 033 395, consisting of 211 033 395 shares.

The accompanying notes on pages 18 through 117 form an integral part of these financial statements.

Statement of Cash Flows

All amounts in thousands of euros

	Notes	01.01.2024.- 31.12.2024.	01.01.2023.- 31.12.2023.
Cash and cash equivalents at the beginning of period		565 896	539 630
Cash flows from operating activities			
Profit before taxes		28 663	17 810
Amortisation of intangible assets and depreciation of property, plant and equipment		731	818
(Decrease) in allowances for expected credit losses	15	(5 048)	4 737
Revaluation of investment properties	25	(5 139)	(6 116)
Revaluation of support programmes	14	169	8
Revaluation of Investments in associates		(5 562)	(870)
Revaluation of other investment	23	(2 236)	(1 310)
Revaluation of loans with capital rebate	12	7 465	-
Interest income at the effective interest rate	4	(32 036)	(24 043)
Interest and similar income	5	(8 134)	(6 174)
Interest expense	6	17 144	12 452
(Gain) / loss from foreign exchange	9	(6)	3
(Decrease) of cash and cash equivalents from operating activities before changes in assets and liabilities		**(3 989)**	**(2 685)**
(Increase) of loans		(138 020)	(53 892)
(Increase) of grants	22	(5 722)	(9 416)
Increase of due to credit institutions and general government entities	31,32	41 359	16 803
Increase / (Decrease) in deferred income and accrued expense		(69)	150
(Increase) in deferred expense and accrued income	29,30	(5 774)	(3 050)
Increase of support programmes	38	218 577	224 489
Decrease of other assets	28	1 074	(2 951)
(Decrease) in other liabilities		(662)	(46 333)
Increase of cash and cash equivalents from operating activities after changes in operating assets and liabilities		**106 774**	**123 115**
Interest received		38 363	23 679
Interest paid		(9 903)	(8 070)
Net cash flows from operating activities		**135 234**	**138 724**
Cash flows from investment activities			
Financial assets at fair value through other comprehensive income - investment securities (Increase)		(170 609)	137
Redemption of financial liabilities at amortized cost – issued debt securities	39	(20 000)	-
Term deposits (Increase)	18	(35 000)	(103 000) [1]
Acquisition of property, plant and equipment and intangible assets	26,27	(611)	(529)
Purchase of investment properties	25	(21 711)	(8 879)
Sale of investment properties	25	2 308	202
Sale of other assets		-	28
Investments in other investment	23	(1 410)	(8 347)
Investments in associates	24	(2 961)	(1 079)
Net cash flows from investing activities		**(249 994)**	**(121 467)**
Cash flows from financing activities			
Increase of reserve capital	41	4 579	2 839
Share capital increase		-	6 170
Net cash flows from financing activities		**4 579**	**9 009**
Increase / (decrease) in cash and cash equivalents		(110 181)	26 266
Cash and cash equivalents at the end of the period		**455 715**	**565 896**

[1] Item 'Changes in term deposits' reclassified from 'Operating activities' to 'Cash flow from investing activities'

The accompanying notes on pages 18 through 117 form an integral part of these financial statements.

Approval of the Financial Statements

The management of the Company has approved these financial statements on 31 March 2025. The Commercial Law of the Republic of Latvia as well as Development Finance Institution Law stipulates that the shareholders' meeting is entitled to pass a decision on approval of the financial statements.

1 General Information

(1) Corporate Information

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

Comparatives on the Company's financial performance for the 12 months of 2024 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 Latvian 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 28 January 2025, Moody's Ratings (Moody's) affirmed Altum's Baa1 long-term issuer rating, with outlook stable. The rating is the same as affirmed on 2 February 2024. The short-term issuer rating is also affirmed at the same P-2. Altum is rated by Moody's Finance Companies Methodology, published in July 2024. Altum's standalone assessment set at Baa3 is the same as before. Altum's long-term credit rating Baa1 is one of the highest credit ratings assigned to a corporate entity in Latvia.

JSC Development Finance Institution Altum was established on 27 December 2013 by a decision of the Cabinet of Ministers. The mission of the Company's establishment is by merging three prior independently operating companies providing state support into a single institution and further allocate the state funds for implementation of financial instrument state support and development programmes in one place. The Company's operations are governed by its specific law – Development Finance Institution Law. The Company's Articles of Association have 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 a financial institution, therefore the Company is not required to comply with capital adequacy requirements. However, the Company operates in accordance with the best financial and capital market practices regarding internal control, risk management and compliance.

The Company holds investment in alternative investment fund "Altum Capital Fund" (the Fund) registered on 31 July 2020. The Fund is created with the aim to support well-managed, perspective Mid-cap companies to overcome the effect of Covid-19 that as a result of the virus impact are ready to adjust their operations by changing their business model, adjusting product development, introducing new technology and expanding to new export markets. The Fund's committed capital was fully subscribed on 16 September 2020, reaching EUR 100 million, of which the majority (EUR 51.1 million or 51.1%) was held by the large private pension funds and EUR 48.9 million consists of public funding invested by the Company. The Company is also the manager of the Fund registered with the Financial and Capital Market Commission on 26 May 2020. The investment period agreed with the EC ended on 30 June 2022, after its end, new investments were no longer approved, but investments in the portfolio's companies approved until 30 June 2022 continued. The capital investment paid into the Fund as at 31 December 2024 amounted to EUR 40.5 million (the Company's share EUR 19.8 million).

1 General Information (cont'd)

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

Legal Tittle	Legal Address	Generation	Investment % in share capital
KS Overkill Ventures Fund I	Dzirnavu iela 105, Rīga, Latvija, LV-1011	4	100
KS Buildit Latvia Pre-Seed Fund	Lastādijas iela 12/3, Rīga, Latvija, LV-1050	4	100
KS Commercialization Reactor Pre-seed Fund	Brīvības gatve 300 -9, Rīga, Latvija, LV-1006	4	100
KS INEC 1	Vīlandes iela 3 - 7, Rīga, Latvija, LV-1010	4	75
KS INEC 2	Vīlandes iela 3 - 7, Rīga, Latvija, LV-1010	4	90
KS Overkill Ventures Fund II	Dzirnavu iela 105, Rīga, Latvija, LV-1011	4	80
KS Buildit Latvia Seed Fund	Lastādijas iela 12/3, Rīga, Latvija, LV-1050	4	80
KS Commercialization Reactor Seed Fund	Brīvības gatve 300 -9, Rīga, Latvija, LV-1006	4	80
KS ZGI-4	Roberta Hirša iela 1, Rīga, Latvija, LV-1045	4	60
FlyCap Mezzanine Fund II	Matrožu iela 15A, Rīga, Latvija, LV-1048	4	60
KS Baltcap Latvia Venture Capital Fund (fund is in the process of liquidation)	Jaunmoku iela 34, Rīga, Latvija, LV-1046	2	67
KS Imprimatur Capital Technology Venture Fund (fund is in the process of liquidation)	Ščecinas iela 4, Rīga, Latvija, LV-1014	2	67
KS Imprimatur Capital Seed Fund (fund is in the process of liquidation)	Ščecinas iela 4, Rīga, Latvija, LV-1014	2	100
KS ZGI-3 (fund is in the process of liquidation) [1]	Roberta Hirša iela 1, Rīga, Latvija, LV-1045	3	95
KS FlyCap investment Fund	Matrožu iela 15A, Rīga, Latvija, LV-1048	3	95
KS Expansion Capital Fund (fund is in the process of liquidation) [1]	Vīlandes iela 3 - 7, Rīga, Latvija, LV-1010	3	95
Baltic Innovation Fund	European Investment Fund, 37B, avenue J.F. Kennedy, L-2968 Luxembourg		20
KS AIF "Altum capital fund"	Doma laukums 4, Rīga, LV-1050		48.9

[1] The term of 3rd generation venture capital funds' Expansion Capital Fund and ZGI-3 operations was 31 December 2024 followed by commencement of funds' liquidation. During the liquidation process, the fund managers will continue the exit in remaining portfolio investments at the most favourable terms and conditions.

Altum's 5th Generation Venture Capital Investment Programme aims to invest in several new venture capital funds. Through a public procurement process in 2024, three pre-seed and seed-stage fund managers were selected and one growth-stage fund manager. To start setting up the funds and provide other necessary conditions for launching the funds, agreements with fund managers have been signed in late 2024 and early 2025.

2 Accounting Policies

(1) Basis of presentation

The Company's financial statements are prepared in accordance with IFRS Accounting Standards as adopted in the European Union (IFRS), on a going concern basis. In preparation of these financial statements on a going concern basis the management considered the Company's financial position, access to financial resources and analysed the impact of the external factors on future operations of the Company. For detailed disclosure on the impact of the Russian Federation military invasion in Ukraine on the Company see Note 3 (8).

The Company's financial statements are prepared in accordance with the historical cost convention, excluding investment securities measured at fair value through other comprehensive income, investments in associated companies measured at fair value through profit or loss, investment properties measured at fair value, support programmes financing measured at fair value through profit or loss, and loans with capital rebate measured at fair value through profit or loss.

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

The Company has historically presented interest income and interest expenses on a net basis for programmes where the ultimate beneficiary is public funding, i.e., where the interest income received from respective loans, investments in term deposits and securities is to be transferred to the public funding. However, under IFRS 9, the existing arrangements under the particular programmes do not meet pass-through arrangement criteria that would trigger netting of respective statement of financial position and other comprehensive income statement items.

Details of the quantitative impact on the Statement of Comprehensive Income of clarified comparatives for the year ended 2023 are presented below, in thousands of euros:

Reclassified items of the Statement of Comprehensive Income	Original amount 12m 2023	Reclassification	Reclassified amount 12m 2023
Interest income at effective interest rate	18 675	2 966	21 641
Other interest and similar income	6 996	1 580	8 576
Interest expense	7 906	4 546	12 452

Reclassified items of the Statement of Cash Flows	Original amount 12m 2023	Reclassification	Reclassified amount 12m 2023
Interest income at effective interest rate	(18 675)	(5 368)	(24 043)
Calculated interest income and similar income	(6 996)	822	(6 174)
Calculated interest expense	7 906	4 546	12 452

The company previously presented the calculated term deposit interest in the Statement of Comprehensive Income under the Other Interest and Similar Income. The aforementioned income has been reclassified to the Interest Income at the Effective Rate section

The detailed breakdown of the quantitative impact of changes in comparative figures on the Statement of Comprehensive Income and the Statement of Cash Flow for 2023 is provided below, presented in thousands of euros:

Reclassified items of the Statement of Comprehensive Income	Original amount 12m 2023	Reclassification	Reclassified amount 12m 2023
Interest income at effective interest rate	21 641	2 402	24 043
Other interest and similar income	8 576	(2 402)	6 174

2 Accounting Policies (cont'd)

(1) Basis of presentation (cont'd)

In the Statement of Cash Flows, the item Changes in Term Deposits' has been reclassified under Cash Flow From Investing Activities (previously reported under Cash Flow from Operating Activities). To ensure transparency and comparability, the comparative figures for Net Cash Flow from Operating Activities and Net Cash Flow from Investing Activities in the Cash Flow Statement have been adjusted accordingly.

Details of the quantitative impact on the Statement of Cash flows of clarified comparatives for the year ended 2023 are presented below, in thousands of euros:

Reclassified items of the Statement of Cash Flows	Original amount 12m 2023	Reclassification	Reclassified amount 12m 2023
Increase / (Decrease) of cash and cash equivalents from operating activities before changes in assets and liabilities	20 115	103 000	123 115
Net cash flows from operating activities	35 724	103 000	138 724
Net cash flows from investing activities	(18 467)	(103 000)	(121 467)

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

(2) Foreign currency translation

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

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

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

31.12.2024	31.12.2023
1 EUR = USD 1.03890	1 EUR = USD 1.10500

2 Accounting Policies (cont'd)

(3) Income and expense recognition

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

Interest income and expenses

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

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

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

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

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

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

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

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

If pricing for credit risk is covered by the Risk Coverage Reserve or Portfolio Loss Reserve, such cost component for credit risk coverage in pricing is excluded from interest income on loans and commissions from financial guarantees charged for customers. See also Note 2 (15) item (i) and Note 38.

2 Accounting Policies (cont'd)

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

(i) Initial recognition

Financial instruments at fair value through profit or loss (FVTPL) are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price.

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

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

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

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

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

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

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

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

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

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

2 Accounting Policies (cont'd)

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

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

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

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

(v) Financial assets – reclassification

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

(vi) Financial assets – allowances for expected credit losses

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

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

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

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

2 Accounting Policies (cont'd)

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

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

Stage 3 includes financial instruments which are credit-impaired.

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

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

(vii) Measurement of expected credit losses

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

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

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

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

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

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

2 Accounting Policies (cont'd)

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

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

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

Stage 2 includes financial instruments that have deteriorated significantly in credit quality since the initial recognition but for which there is no objective evidence of credit impairment. The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure due to "days past due" status or significant decrease in internal rating status: the Company uses 31+ days past due status for loans and guarantees. The Company assumes that credit risk related to investments in securities and due from other credit institutions has increased significantly since initial recognition if their external rating was below A3/A- at the time of initial recognition and the rating has declined by at least two notches. Investments in securities and due from other credit institutions are classified in Stage 1 if their external rating has not deteriorated below A3/A- since initial recognition of exposure or if their rating has not decreased by at least two notches after initial recognition. The Company also identifies whether a significant increase in credit risk has occurred for an exposure due to changes in qualitative credit risk indicators such as financial performance of the borrower, breaches of covenants, industry specific information, etc.

(x) Expected lifetime

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

(xi) Modifications

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

(xii) Estimates

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

(xiii) Presentation of credit loss allowance

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

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

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

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

2 Accounting Policies (cont'd)

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

(xiv) Financial assets – write-off

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

(xv) Financial assets – derecognition

The Company derecognises financial assets when:

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

(xvi) Financial assets – modification

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

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

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

(xvii) Financial liabilities – measurement categories

Financial liabilities classified as measured at AC are recognized at fair value on the transaction date and are subsequently measured at amortised cost.

Financial liabilities classified as measured at FVTPL are recognized at fair value on the transaction date and are subsequently measured at fair value.

2 Accounting Policies (cont'd)

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

(xviii) Financial liabilities – derecognition

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

(xix) Due from credit institutions and the State Treasury

Amounts due from credit institutions and the State Treasury are recorded when the Company advances money to a credit institution or the Treasury of the Republic of Latvia with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from credit instructions and the Treasury are carried at amortised cost. Amounts due from credit institutions and the Treasury comprises cash and demand deposits with original maturity of 3 months or less (See Note 18) and demand deposits with original maturity of more than 3 months.

(xx) Investment securities

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

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

Debt securities are initially recognized at fair value, with the accrued coupon accounted for separately. Transaction costs related to the acquisition of securities are added to their acquisition cost.

Interest income from debt securities is calculated using the effective interest rate method.

Investment securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Securities are revalued by adjusting their nominal value to reflect the market price. The market price is determined using the average market price of the respective security, based on offer price quotations received from three banks with which the Company has a settlement service agreement.

Allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss. Treasury bills, fixed income securities are included into this financial assets' measurement category.

2 Accounting Policies (cont'd)

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

(xxi) Loans

For purposes of this section, loans are:

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

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

Based on the business model and the cash flow characteristics, the Company classifies loans (excluding those with a capital rebate) measured at AC. It means, that loans are held for collection of contractual cash flows. In turn, loans with a capital rebate are measured/reflected at fair value. Leaseback transactions are measured/reflected at amortized cost

a) Loans with capital rebate

The fair value of loans with a capital rebate is determined separately for: a) the potential future capital rebate, and b) the portion of the loan to which the capital rebate will not apply. Fair value is calculated based on the discounted cash flow method, which primarily relies on unobservable data in an active market, based on the Company's assumptions and estimates. These assumptions and estimates are regularly reviewed and adjusted in line with the most current available information.

The maximum capital rebate is determined at the time of the loan issuance, while the actual rebate amount depends on the performance of the financial project during the post-monitoring phase, considering the degree of achievement of the project's objectives. Consequently, the fair value calculation assesses the expected capital rebate amount based on assumptions about the timing and probability of its application, considering the likelihood that not all borrowers will meet the defined project objectives required to qualify for the capital rebate. The likelihood of a capital rebate being applied is assessed by evaluating the potential achievement of the objectives for each significant financial project or by using historical data on the amount of capital rebate granted. Losses resulting from a decrease in the fair value of the potential future capital rebate component are recognized in the profit or loss statement.

The fair value measurement of the portion of the loan to which the capital rebate will not be applied, is based on assumptions regarding the expected future cash flows of the loan until its maturity. The cash flow includes expected principal repayments, reduced by the expected capital rebate at the time of its application, along with interest payments and related costs (for example, applicable administrative costs). To determine the fair value of future cash flows, the expected losses from borrower default are deducted, incorporating the probability of default (PD) and loss given default (LGD) criteria. The adjusted cash flows are then discounted using the interest rate applicable to the specific loan. When evaluating the fair value of the portion of a loan portfolio measured at fair value through profit or loss, to which the capital rebate will not be applied, the discounting of expected future cash flows until the loan's maturity results in changes to fair value of the loan component. These changes are deferred and recognized within Deferred income. This approach is applied as there is no observable data in an active market for an identical asset with a quoted price (corresponding to Level 1 of the Fair Value Hierarchy). Deferred fair value changes are amortized, or recognized in profit or loss, on a straight-line basis over the life of the respective loan.

Considering the public funding received to finance the issued loan with a capital rebate, which is recognized under the liability "Support program financing", the fair value of this public funding is determined. The difference between the funding received and its fair value is also assessed and recognized as part of state support. This portion of state aid is recognized as income to the extent necessary to offset the decrease in the fair value of the related asset -the loan with the capital rebate.

2 Accounting Policies (cont'd)

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

(xxi) Loans (cont'd)

b) Loan commitments

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

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

c) Sales and leaseback transactions

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

d) Repossessed collateral

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

(xxii) Grants

The Company acts as an agent when servicing grants. The Company advances grants in instalments to the customers. The grant agreements between the Company and funding providers (grantors) stipulates that the Company will provide grants to the customers in advance-and in accordance with agreements.

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

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

(xxiii) Financial guarantees

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

The outstanding amount of the financial guarantees contracts is presented as a liability within off-balance sheet (Note 42).

Payments, which are made by the Company, to reimburse the holder of the guarantee for a loss are included in Other assets (Note 28).

2 Accounting Policies (cont'd)

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

(xxiv) Financial liabilities carried at amortised cost

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

(xxv) Issued debt securities

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

(xxvi) Financial liabilities designated at FVTPL

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

(5) Investments in venture capital funds

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

(i) Investments in associates

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

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

2 Accounting Policies (cont'd)

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

(i) Investments in associates (cont'd)

The Company uses the Risk Coverage Reserve (see Note 2 (15) item (i)) which is part of the support programme funding to compensate the change in the values of venture capital funds. The risk coverage mechanism is attributable to the 2nd ,3rd and 4th generation venture capital funds.

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

(ii) Investments in the Baltic Innovation Fund

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

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

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

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

(iii) Other Investments

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

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

2 Accounting Policies (cont'd)

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

(iv) Other accounting matters

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

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

- management fees to the 2nd, 3rd and 4th generation VCFs' managers for implementation of the financial engineering instruments (see Notes 7, 8 and 38). This coverage mechanism is valid for all generation VCFs (see Note 24)
- all costs including management fee incurred by the Company as investor in AIF "Altum capital fund" are covered by the Portfolio Loss Reserve from September 2020 (see Notes 24 and 41).
- value impairment of the investments of the financial engineering instruments due to valuation or revaluation (see Note 24). This coverage mechanism is valid for the 2nd, 3rd and 4th generation VCFs (see Note 24).

(6) Fair value of assets and liabilities

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

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

Disclosures for valuation methods, significant estimates and assumptions	Note 2 (4), 2 (5), 2 (7), 2 (8), 2 (14), 2 (15)
Quantitative disclosures of fair value measurement hierarchy	Note 45
Loans with capital rebate	Note 21
Investments in debt securities	Note 19
Investment property	Note 2 (8) item (iv)
Financial instruments including those carried at amortised cost	Note 2 (4)

(7) Off-setting financial instruments

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

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

(i) Intangible assets

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

2 Accounting Policies (cont'd)

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

(ii) Property, plant and equipment and depreciation

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

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

The annual depreciation rates applied are as follows:

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

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

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

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

(iii) Impairment of non-financial assets

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

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

(iv) Investment property

Investment property comprises land or buildings, which are held in order to earn rentals or for capital appreciation, or both, and which are not occupied by the Company, nor held for immediate sale.

2 Accounting Policies (cont'd)

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

(iv) Investment property (cont'd)

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

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

(v) Repossessed collateral (included in Other assets)

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

Depreciation of repossessed collateral is not calculated. Changes in value of repossessed collateral are recognised in profit or loss. The value of repossessed collateral is reassessed at each reporting date to ensure it is stated at the lower of cost or net realizable value.

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

2 Accounting Policies (cont'd)

(9) Leases

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

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

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

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

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

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

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

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

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

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

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

2 Accounting Policies (cont'd)

(9) Leases (cont'd)

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

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

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

(10) Corporate income tax

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

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

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

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

(11) Provisions

The Company's contingent liabilities and off-balance sheet items consist of financial guarantees, loan commitments, grant commitments as well as commitment to associates and other investments (see Note 37). Provisions include allowances for expected credit losses for loan commitments, grant commitments and financial guarantees are presented in Note 2 (4) item (vi).

(12) Vacation reserve

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

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

(13) Employee benefits

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

2 Accounting Policies (cont'd)

(14) Support programme funding

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

The fair value of the liability established in this manner as of 1 January 2018 consists of the already carried Support programme funding coupled with the state aid portion adjusted for the part of the future cash flow pertaining of additional payments / to reduction of additional payments due to value appreciation or impairment of the associated assets, i.e. the liability is recognised to the extent that corresponds to the liability's repayment amount established for the Company. In determining the fair value of support programmes funding, the Company applied a discount rate of 3.50% (in 2023: 4.65%)

Since the Company's clients in the majority of support programmes are not entitled to cover the full charge of expected credit risk in, then for coverage of the programme's expected loss on credit risk respective portion of public funding available for that programme is allocated at full or partial extent of total expected credit loss depending on the agreed programme's structure. More on principles of received support programme funding, incl. the Risk Coverage Reserve that can be used for covering the Company's credit risk losses see below Note 2 (15) item (i).

(15) Critical accounting estimates and judgements

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

(i) Expected credit losses, incl. to be covered from support programme funding. Risk Coverage Reserve. Portfolio Loss Reserve.

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

In assessment of expected loss for the programme the Company evaluates incorporated credit risk considering the Company's activities in high-risk areas operational risk and other risks like market risks. Since the Company's clients in the majority of support programmes are not entitled to cover the full charge of expected credit risk in, then for coverage of the programme's expected loss on credit risk respective portion of public funding available for that programme is allocated at full or partial extent of total expected credit loss depending on the agreed programme's structure and as such is earmarked for the credit risk loss coverage. before implementation of that programme. See also Note 2 (3).

That public funding part allocated for the coverage of programme's expected loss on credit risk is transferred to particular support programme reserve capital within the Company's Specific reserves for support programmes and classified as Portfolio Loss Reserve (see Note 41) or accounted separately as provisions for risk coverage (Risk Coverage Reserve) classified within the liabilities (see Note 38). Detailed information on Risk Coverage Reserve see also Note 2 (5) items (i) and (iii).

If public funding classified within Risk Coverage Reserve or Portfolio Loss Reserve for coverage of particular programme's expected loss on credit risk exceeds actual credit loss incurred during the implementation of the programme, then respective excess portion of that public funding is reallocated to other support programme set by Company's shareholders' meeting or repayable according to the terms of programme funding agreement.

2 Accounting Policies (cont'd)

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

(ii) Impairment losses of loans

In order to assess impairment allowance, the management needs to make assumptions regarding the estimated cash flows and their timing related to loans. Significant estimates need to be made in relation to value of the collateral of the loans and advances. The assessment of the collateral includes the amounts of such impairment losses covered by Support programme funding provided by state, see Note 38. Further details disclosed in Note 2 (4) item (vi).

(iii) Fair value of investments in the VCF

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

Detailed assumptions and sensitivities

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

Key valuation principles:

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

The risk of price fluctuations directly affects the value of Altum's VCF portfolio. By making investments in 17 funds and 3 fund of funds Altum has provided sufficient investment diversification covering 30 funds with various strategies and geographies.

	31.12.2024.	31.12.2023.
Carrying value of VCF	101 270	91 990
Impact on NAV +10%	10 127	9 199
Impact on NAV -10%	(10 127)	(9 199)

2 Accounting Policies (cont'd)

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

(iv) Revaluation of investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Company engaged an independent valuation specialist to assess fair value as at 31 December 2024 and 31 December 2023 for investment properties. Investment property consists of agricultural land. Comparable transaction method is applied mostly for investment property. More information is provided in Note 2 (8) item (iv) and Note 25.

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

On 31 December 2024, the operational term of the 3rd generation funds expired. Liquidation has been initiated for all funds. During the liquidation process, the fund managers will continue to realise the remaining portfolio investments under the most favourable terms possible.

The Company evaluates the agreements with fund managers annually, assessing the existence of control or significant influence, applying the IFRS No.10 criteria for control and IAS No.28 criteria for significant influence. The Company considers that it does not control the VCFs even though it owns more than 50% in majority of the VCF. Following the annual evaluation, it has been concluded that the Company has significant influence over the VCFs, and therefore, investments in VCFs are classified as associates and measured at fair value through profit or loss.

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

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

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

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

The Company has to monitor the implementation of financing instruments, select financial intermediaries according to legal acts and aim to increase the value of Investment Fund. The Company could stop the cooperation with the VCFs managers only in cases when the VCFs managers cease their operations or illegal actions would be discovered. Under these circumstances, the VCFs in question would either be closed – the liquidation process would be initiated, no new investments would be made or a search for a new fund manager would be initiated through public tender. The selection of a fund manager for implementation of the state aid programmes requires following the legislation on public tenders, as would the change of fund managers.

2 Accounting Policies (cont'd)

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

(vi) Classification of the 4th generation VCFs

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

When assessing the terms of the Limited Partnership Agreement concerning control over the investment, in accordance with the criteria of SFPF No.10, it was previously determined that the most significant indicator is the Company's "veto" right to change the investment manager within two years of the agreement's conclusion. The term for exercising these rights expired in 2022. As a result, there are no longer any significant indicators of control over investment, and the Company classifies its investments in 4th generation venture capital funds as investments in associated companies.

(vii) Investments in AIF "Altum Capital Fund"

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

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

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

2 Accounting Policies (cont'd)

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

(viii) Monitoring value of investments in VCFs

2nd, 3rd and 4th generation VCFs

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

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

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

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

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

AIF "Altum Capital Fund"

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

2 Accounting Policies (cont'd)

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

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

AIF "Altum Capital Fund" (cont'd)

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

Baltic Innovation Fund, Baltic Innovation Fund 2 (BIF 2) and The Three Seas Initiative Investment Fund

The assessment of BIF investments is based on reports from the European Investment Fund (Fund Managers) and the Fund Managers within its portfolio, detailing the fund's operations and financial indicators in the relevant financial period. Additionally, semi-annual discussions are held with the Fund of Funds Manager regarding BIF's operations during the last six months.

The investment assessment of the Three Seas Initiative Investment Fund is based on documentation received from Fuchs Asset Management S.A. (the Fund Manager), investor reports, and other information provided by the Fund Manager regarding the Funds' operations and financial performance during the relevant financial period.

(ix) Sales and leaseback transactions

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

(x) Agent vs Principal

The Company acts as either an Agent or Principal in the implementation a state aid programme.

The Company's management believes that the Company acts as Principal when it is responsible for providing a support program and has the ability to fully or partially influence the amount of compensation received from customers (interest rate, commission income, guarantee premiums, etc.), taking into account that some programmes may impose a limit on the compensation received from customers, which must not be exceeded. The Company recognizes both the revenue from the commissions received from customers and the expenses related to the net value of the support instruments, either in full or in part, in profit or loss.

The Company acts as an Agent if it is responsible for providing support programmes. However, the remuneration received from customers for support instruments issued under these programmes includes amounts collected on behalf of and for the benefit of other entities, which do not increase the Company's equity capital and, therefore, do not constitute the Company's income. Similarly, the expenses related to the net value of support instruments do not reduce the Company's equity capital and, as such, are not recognized as the Company's losses. Consequently, the Company recognises as revenue only the portion of funds it receives that is allocated to covering the management costs of the support programmes. In turn, other revenues and expenses are fully allocated to the funds designated for the implementation of the support programme, either reducing or increasing the support programme's funding.

2 Accounting Policies (cont'd)

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

(xi) Loan interest rate reduction

Taking into account the increase in the EURIBOR rate and the cost of raising funds and the corresponding interest payments made by borrowers, the Company will apply a reduction in loan interest rates to loans for which a loan agreement has been signed until 31 December 2023. As a result, part of the present value of the future cash flow will no longer be legally enforceable, therefore, in accordance with the requirements of paragraph B5.4.6 of IFRS 9, the Company has revised the carrying value of the financial instrument as the estimated present value of the future cash flow provided for in the contract and recognized the estimated losses in profit or loss in 2023 as the reduction of interest rate was announced and approved by the Council in December 2023 as part of 2024 budget approval and the Company had commitment to execute on the reduction in interest rate enacted before the year end. The interest rate reduction was applied as interest rate subsidies. In accordance with the Cabinet of Ministers' regulations of 01 October 2024 on 'The Implementation Programme 'Interest rate subsidies for transactions included in the Altum loan portfolio', the Company calculated and paid interest rate subsidies to customers for the interest paid in 2024 at the start of 2025.

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

(i) Standards or interpretations effective for the first time for the annual periods beginning 1 January 2024

- **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback** (effective for annual periods beginning on or after 1 January 2024).
- **Classification of liabilities as current or non-current – Amendments to IAS 1** (effective for annual periods beginning on or after 1 January 2024).
- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements** (effective for annual periods beginning on or after 1 January 2024).

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

2 Accounting Policies (cont'd)

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

(ii) Standards or interpretations effective for the first time for the annual periods beginning after 1 January 2025 or not yet endorsed by the EU

- **Amendments to IAS 21 Lack of Exchangeability** (effective for annual periods beginning on or after 1 January 2025).
- **Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7** (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026, not yet endorsed by the EU).
- **Annual Improvements to IFRS Accounting Standards** (Issued in July 2024 and effective from 1 January 2026, not yet endorsed by the EU).
- **Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7** (effective for annual periods beginning on or after 1 January 2026, not yet endorsed by the EU).
- **IFRS 18 Presentation and Disclosure in Financial Statements** (effective for annual periods beginning on or after 1 January 2027, not yet endorsed by the EU).
- **IFRS 19 Subsidiaries without Public Accountability: Disclosures** (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).

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

3 Risk Management

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

The following major risk management principles are followed:

- risk management is a component of every-day functions;
- the Company identifies and assesses the probable risks before launching of new products or services;
- while assuming the risks, the Company maintains its long-term ability to achieve the goals and objectives set for its operations;
- the Company does not enter into transactions, operations, etc. entailing risks that endanger its operational stability or may result in substantial damage to its reputation.

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

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

(1) Credit Risk

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

(i) Credit Risk Governance

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

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

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

(ii) Credit Risk Assessment, Reduction and Monitoring

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

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

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

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

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

Internal rating categories	A	B	C	D	E	F	G	H	Without rating	Overlays	Total
Total gross loans:	4 899	46 853	66 005	103 433	53 459	24 762	14 135	3 347	57 957	-	374 850
Stage 1	4 831	45 235	60 518	90 842	35 860	7 678	774	710	53 587	-	300 035
Stage 2	68	1 457	3 875	5 460	10 939	11 237	8 049	24	2 856	-	43 965
Stage 3/ POCI	-	161	1 612	7 131	6 660	5 847	5 312	2 613	1 514	-	30 850
Allowances for expected credit losses	(24)	(550)	(1 686)	(3 179)	(3 406)	(4 279)	(2 227)	(1 429)	(815)	(7 895)	(25 490)
Total net loans as at 31 December 2023	**4 875**	**46 303**	**64 319**	**100 254**	**50 053**	**20 483**	**11 908**	**1 918**	**57 142**	**(7 895)**	**349 360**
Total gross loans:	2 387	20 138	45 979	109 752	97 487	48 602	26 646	18 101	66 153	-	435 245
Stage 1	2 387	19 528	45 201	101 164	78 856	13 400	3 883	20	62 084	-	326 523
Stage 2	-	575	620	4 428	13 070	32 732	20 089	44	3 127	-	74 685
Stage 3/ POCI	-	35	158	4 160	5 561	2 470	2 674	18 037	942	-	34 037
Allowances for expected credit losses	(12)	(318)	(377)	(1 927)	(3 096)	(1 770)	(1 344)	(7 405)	(563)	(6 184)	(22 996)
Total net loans as at 31 December 2024	**2 375**	**19 820**	**45 602**	**107 825**	**94 391**	**46 832**	**25 302**	**10 696**	**65 590**	**(6 184)**	**412 249**

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

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

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

Internal rating categories	A	B	C	D	E	F	G	H	Without rating	Overlays	Total
Total gross outstanding guarantees:	30	23 420	62 669	44 598	26 285	20 377	6 014	1 035	295 597	-	480 025
Stage 1	30	23 420	62 314	41 471	22 557	8 866	3 268	240	293 462	-	455 628
Stage 2	-	-	280	1 414	2 915	11 307	1 803	28	1 268	-	19 015
Stage 3	-	-	75	1 713	813	204	943	767	867	-	5 382
Allowances for expected credit losses [1]	(7)	(700)	(2 830)	(3 979)	(2 716)	(3 472)	(1 291)	(432)	(27 453)	(680)	(43 560)
Total net outstanding guarantees as at 31 December 2023	**23**	**22 720**	**59 839**	**40 619**	**23 569**	**16 905**	**4 723**	**603**	**268 144**	**(680)**	**436 465**
Total gross outstanding guarantees:	-	23 046	45 446	50 198	42 449	21 572	2 480	1 423	336 924	-	523 538
Stage 1	-	22 596	45 354	49 737	34 866	9 870	880	369	332 379	-	496 051
Stage 2	-	-	32	435	5 773	10 765	1 575	26	3 387	-	21 993
Stage 3	-	450	60	26	1 810	937	25	1 028	1 158	-	5 494
Allowances for expected credit losses [1]	-	(909)	(2 342)	(4 041)	(4 979)	(3 310)	(346)	(516)	(29 081)	-	(45 524)
Total net outstanding guarantees as at 31 December 2024	**-**	**22 137**	**43 104**	**46 157**	**37 470**	**18 262**	**2 134**	**907**	**307 843**	**(680)**	**478 014**

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

Internal rating scale and characteristics:

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

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

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

	Stage 1		**Stage 2**		**Stage 3**		**POCI**		**Total**	
	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.
Financial assets at AC										
Due from credit institutions and the Treasury	627 797	702 885	-	-	-	-	-	-	627 797	702 885
Allowances for expected credit losses	(28)	(97)	-	-	-	-	-	-	(28)	(97)
Total net due from credit institutions and the Treasury	**627 769**	**702 788**	**-**	**-**	**-**	**-**	**-**	**-**	**627 769**	**702 788**
Investment securities	-	-	-	-	4 023	3 788	-	-	4 023	3 788
Allowances for expected credit losses	-	-	-	-	(4 023)	(3 750)	-	-	(4 023)	(3 750)
Total net investment securities	**-**	**-**	**-**	**-**	**-**	**38**	**-**	**-**	**-**	**38**
Loans and receivables	326 523	300 035	74 685	43 965	34 037	30 779	-	71	435 245	374 850
Allowances for expected credit losses[1, 2]	(7 177)	(8 644)	(4 520)	(5 559)	(11 299)	(11 217)	-	(70)	(22 996)	(25 490)
Total net loans and receivables	**319 346**	**291 391**	**70 165**	**38 406**	**22 738**	**19 562**	**-**	**-**	**412 249**	**349 360**
Other financial assets	3 018	3 957	-	-	841	1 128	-	-	3 859	5 085
Allowances for expected credit losses	(176)	(22)	-	-	(746)	(1 141)	-	-	(922)	(1 163)
Total net other financial assets	**2 842**	**3 935**	**-**	**-**	**95**	**(13)**	**-**	**-**	**2 937**	**3 922**
Total financial assets at AC	**957 338**	**1 006 877**	**74 685**	**43 965**	**38 901**	**35 695**	**-**	**71**	**1 070 924**	**1 086 608**
Allowances for expected credit losses	(7 381)	(8 763)	(4 520)	(5 559)	(16 068)	(16 108)	-	(70)	(27 969)	(30 500)
Total net financial assets at AC	**949 957**	**998 114**	**70 165**	**38 406**	**22 833**	**19 587**	**-**	**1**	**1 042 955**	**1 056 108**

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

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

	Stage 1		Stage 2		Stage 3		POCI		Total	
	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.
Financial assets at FVOCI										
Investment securities	183 943	9 743	-	-	-	-	-	-	183 943	9 743
Allowances for expected credit losses	(371)	-	-	-	-	-	-	-	(371)	-
Total net investment securities	**183 572**	**9 743**	**-**	**-**	**-**	**-**	**-**	**-**	**183 572**	**9 743**
Total financial assets at FVOCI	**183 943**	**9 743**	**-**	**-**	**-**	**-**	**-**	**-**	**183 943**	**9 743**
Allowances for expected credit losses	(371)	-	-	-	-	-	-	-	(371)	-
Total net financial assets at FVOCI	**183 572**	**9 743**	**-**	**-**	**-**	**-**	**-**	**-**	**183 572**	**9 743**
Off-balance sheet items and contingent liabilities										
Outstanding guarantees	496 051	455 628	21 993	19 015	5 494	5 382	-	-	523 538	480 025
Allowances for expected credit losses[1],[3]	(39 859)	(37 076)	(3 241)	(3 006)	(2 424)	(3 478)	-	-	(45 524)	(43 560)
Total net outstanding guarantees	**456 192**	**418 552**	**18 752**	**16 009**	**3 070**	**1 904**	**-**	**-**	**478 014**	**436 465**
Loan commitments	169 889	88 730	156	88	-	28	-	-	170 045	88 846
Allowances for expected credit losses [1]	(551)	(309)	(3)	(4)	-	(6)	-	-	(554)	(319)
Total net loan commitments	**169 338**	**88 421**	**153**	**84**	**-**	**22**	**-**	**-**	**169 491**	**88 527**
Total off-balance items and contingent liabilities	**665 940**	**544 358**	**22 149**	**19 103**	**5 494**	**5 410**	**-**	**-**	**693 583**	**568 871**
Allowances for expected credit losses	(40 410)	(37 385)	(3 244)	(3 010)	(2 424)	(3 484)	-	-	(46 078)	(43 879)
Total net off-balance items and contingent liabilities	**625 530**	**506 973**	**18 905**	**16 093**	**3 070**	**1 926**	**-**	**-**	**647 505**	**524 992**

[1] Includes total net impairment allowances of EUR 1,560 thousand covered by Portfolio Loss Reserve (Specific Reserves) upon approval of the 2024 annual report. Additional information available in Note 41 (3).

[2] Includes an impairment provision of EUR 3,841 thousand (31 December 31, 2023: EUR 3,877 thousand) for an interest rate discounts - and as such should not be treated interpreted as an allowance for ECL. Decrease of the recognized decrease in the impairment provision allowance in 2024, in the amount of EUR 36 thousand during 2024, includes interest compensation paid to customers for a portion of the interest income received in 2024. The remaining amount of impairment provision allowances will be used for actual settlements with customers in early 2025 for interest income paid in 2024.

[3] On 31 December 2023 included impairment provision of EUR 680 thousand for interest rate discounts - and as such not be treated as allowance for ECL. During 2024, the impairment provision in the amount of EUR 680 thousand was used to reduce guarantee premiums for the year 2024. See Note 33.

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

Changes in credit loss allowance and gross carrying amount for loans, in thousands of euros:

	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 2023	**8 644**	**5 559**	**11 217**	**70**	**25 490**	**300 035**	**43 965**	**30 779**	**71**	**374 850**
Transfers between stages:										
from Stage 1 to Stage 2	(470)	1 507	-	-	1 037	(44 649)	56 724	-	-	12 075
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(74)	(294)	3 179	-	2 811	(5 322)	(7 273)	12 595	-	-
from Stage 3 to Stage 2	-	18	(288)	-	(270)	-	693	(1 259)	-	(566)
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	60	(190)	-	-	(130)	6 009	(7 888)	-	-	(1 879)
New originated or purchased	1 031	-	-	-	1 031	113 263	-	-	-	113 263
Derecognised during the period	(478)	(903)	(1 302)	(22)	(2 705)	(27 609)	(7 717)	(3 650)	(22)	(38 998)
Changes to ECL measurement model assumptions (PD, LGD)	(265)	116	(202)	-	(351)	-	-	-	-	-
Changes to ECL measurement model assumptions (macroeconomic factors)	100	47	1	-	148	-	-	-	-	-
Changes in ECL impairment overlay	(770)	(894)	(10)	-	(1 674)	-	-	-	-	-
Decrease in the allowance for mortgage interest refunds	(36)	-	-	-	(36)	-	-	-	-	-
Write-offs	-	-	(1 049)	(44)	(1 093)	-	-	(1 049)	(44)	(1 093)
Change of outstanding balance [2]	(565)	(446)	(247)	(4)	(1 262)	(15 204)	(3 819)	(3 379)	(5)	(22 407)
As at 31 December 2024	**7 177**	**4 520**	**11 299**	**-**	**22 996**[1]	**326 523**	**74 685**	**34 037**	**-**	**435 245**

[1] Includes the expected credit loss (ECL) impairment overlay of EUR 988 thousand (31 December 2023: EUR 1,955 thousand) for the portfolio of Small and Medium-Sized Enterprises and Midcaps (SMEs and Large) to take in to account the ongoing high uncertainty stemming from the consequences of the Russia's invasion of Ukraine, as well as the impact of rising interest rates on borrowers' credit risk of EUR 1,356 thousand (31 December 2023: EUR 2,063 thousand), see Annex 3 (8). Net decrease in the ECL impairment overlay of EUR 1,674 thousand includes the conversion of impairment overlay from the general to individual provisions in amount of EUR 992 thousand, the reversed provisions due to portfolio amortization of EUR 819 thousand and the net increase in the provisions by EUR137 thousand due to the revaluation of the impairment overlay in 2024.

[2] Change of outstanding balance includes cash flows from repayment of principal.

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

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

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	**Total**	Stage 1	Stage 2	Stage 3	**Total**
As at 31 December 2023	**37 076**	**3 006**	**3 478**	**43 560**	**455 628**	**19 015**	**5 382**	**480 025**
Transfers between stages:								
from Stage 1 to Stage 2	(1 010)	1 710	-	700	(11 050)	11 209	-	159
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(290)	(184)	1 294	820	(1 492)	(1 830)	3 196	(126)
from Stage 3 to Stage 2	-	22	(149)	(127)	-	216	(251)	(35)
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	97	(188)	(34)	(125)	1 251	(1 331)	(35)	(115)
New originated or purchased	10 626	-	-	10 626	130 613	-	-	130 613
Derecognised during the period	(3 278)	(581)	(1 737)	(5 596)	(58 016)	(4 515)	(2 490)	(65 021)
Changes to ECL measurement model assumptions (PD, LGD)	(60)	5	(240)	(295)	-	-	-	-
Changes to ECL measurement model assumptions (macroeconomic factors)	(21)	(2)	-	(23)	-	-	-	-
Changes in impairment overlay for interest rate discounts	(680)	-	-	(680)	-	-	-	-
Paid-out guarantees	(78)	-	(140)	(218)	(459)	-	(250)	(709)
Write-offs	-	-	-	-	-	-	-	-
Change of outstanding balance [1]	(2 523)	(547)	(48)	(3 118)	(20 424)	(771)	(58)	(21 253)
As at 31 December 2024	**39 859**	**3 241**	**2 424**	**45 524**	**496 051**	**21 993**	**5 494**	**523 538**

[1] Change of outstanding balance includes cash flows from repayment of principal of underlying loan

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

	31.12.2024.	31.12.2023.
Performing	387 723	339 826
Past due up to 30 days	32 503	20 618
Past due from 31 to 60 days	3 090	5 432
Past due from 61 to 90 days	1 749	421
Past due over 90 days	10 180	8 553
Total gross loans	**435 245**	**374 850**
Impairment allowances	(22 996)	(25 490)
Total net loans	**412 249**	**349 360**

The Company has implemented forward-looking information in the measurement of expected credit losses. The forward-looking adjustment incorporates three economic scenarios: a base case scenario which comprises most likely future economic development, a less likely adverse scenario and optimistic scenario, which foresees a less likely but possibly more favourable change compared to the base case scenario.

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

Macroeconomic forecasts to December 31, 2024:

	2025	2026	2027
GDP annual growth rate, in %			
Base case scenario[1]	2.5	2.9	3
Adverse scenario	1.8	2.8	2.6
Optimistic scenario	3.1	3	3.3
Weighted average [2]	**2.4**	**2.9**	**2.9**
Changes in commercial property prices, in %[3]			
Base case scenario	1.5	1.75	2.5
Adverse scenario	0.75	1	1.5
Optimistic scenario	2	2.5	3
Weighted average [2]	**1.4**	**1.7**	**2.4**
Changes in housing prices, in %[3]			
Base case scenario	2.5	3	4
Adverse scenario	1.5	1.75	2
Optimistic scenario	3	4	5
Weighted average [2]	**2.4**	**2.9**	**3.7**

[1] The baseline scenario combines two external scenarios, using the information available by 20 December 2024:

(i) The Ministry of Finance's Macroeconomic Development Scenario (the latest, published on June 13, 2024) forecasts slow growth, with GDP expected to increase by 1,4% in 2024 (in December 2023 the forecast was 2.5%), followed by an acceleration to 2,9% in 2025 (in December 2023: 2.9%). Economic growth is then projected to slow slightly to 2,8% -2,6% in 2026 and 2027 (December 2023: 2.9% in 2026).

(ii) the macroeconomic development scenario of the Bank of Latvia (published on 13 December 2024), which forecasts weak growth in 2024 at 0.1% (forecast in December 2023 was 2.0%), while forecasting growth for 2025 and 2026 at 2.1% and 3.0% respectively (December: 3.6% and 3.8%) and by 3.3% in 2027.

[2] A 70% weighting was applied to the base case scenario, 20% - to the adverse and 10% - to the optimistic scenario.

[3] Real estate price forecasts are based on expert assessment.

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

Macroeconomic forecasts to December 31, 2023:

	2024	2025	2026
GDP annual growth rate, in %			
Base case scenario	2.3	3.3	3.4
Adverse scenario	0.3	1.8	2.9
Optimistic scenario	4	4.5	3.8
Weighted average [1]	**2**	**3.1**	**3.1**
Changes in commercial property prices, in %			
Base case scenario	2	2	4
Adverse scenario	-2	-1	1
Optimistic scenario	3	4	5
Weighted average [1]	**1.3**	**1.6**	**3.5**
Changes in housing prices, in %			
Base case scenario	2	2.5	4
Adverse scenario	1	0.5	1
Optimistic scenario	3	5	7
Weighted average [1]	**1.9**	**2.35**	**3.7**

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

The deterioration of macroeconomic projections recorded in December 2024 compared to December 2023, has led to a EUR 162 thousand increase in ECL allowances for loans and liabilities related to loan issuance, and EUR 22 thousand increase for guarantees. The changes in macroeconomic projections had a limited impact on the guarantees, as provisioning for guarantees is based on higher of the estimated expected credit losses and fair value. The fair value of guarantees was less impacted by changes in macroeconomic projections.

To conduct the analysis of the ECL criteria, the Company applied the following upward and downward scenarios to macroeconomic factors - changes in real estate prices and GDP

For the purpose of sensitivity analysis, the Company applied the following real estate and GDP growth upward and downward scenarios:

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

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

Results of sensitivity analysis of credit loss allowance for loans as at 31 December 2024, thousands of euro:

		Change in GDP		Change in real estate prices	
	Gross carrying amount	+ 1%	- 1%	+ 5%	- 5%
Credit loss allowance for loans	22 996	(41)	53	(559)	612
Total credit loss allowance for loans	**22 996**	**(41)**	**53**	**(559)**	**612**

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

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

Results of sensitivity analysis of credit loss allowance for outstanding guarantees as at 31 December 2024, thousands of euro:

		Change in GDP		Change in real estate prices	
	Gross carrying amount	+ 1%	- 1%	+ 5%	- 5%
Credit loss allowance for outstanding guarantees	45 523	(5)	4	(76)	76
Total credit loss allowance for outstanding guarantees	**45 523**	**(5)**	**4**	**(76)**	**76**

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

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

In calculating the ECL due to default on loan principal or interest payments or other loss events the expected recovery from collateral is taken into account, 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 euros:

	31.12.2024.	31.12.2023.
Real estate (loans)	228 503	198 677
Real estate (sales and leaseback)	42 137	28 692
Movable property	66 454	61 868
Guarantees	1 640	2 632
Total collateral	**338 734**	**291 869**
Loan portfolio, gross	435 245	374 850
Impairment allowances	(22 996)	(25 490)
Loan portfolio, net [1]	412 249	349 360
Exposed	**17.83%**	**16.46%**

[1] The item *Loan portfolio, net* includes loans for which, according to the terms of the support programme, no pledge of immovable or movable property is required as collateral, but the credit risk is fully covered by the risk cover, such as the energy efficiency programme for multi-apartment buildings and the renovation loan programme. The balance of these programmes as of 31 December 2024 amounts to EUR 46,424 thousand (31 December 2023: EUR 42,225 thousand). In 2024, the issuance of loans with ticket size up to EUR 100 thousand with lowered collateral requirements was started and the outstanding balance of these loans as of 31 December 2024 amounted to EUR 16,665 thousand

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

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

	31.12.2024.	31.12.2023.
Assets exposed to credit risk		
Due from credit institutions and the Treasury	627 769	702 788
Financial assets at fair value through other comprehensive income - investment securities	183 572	9 743
Financial assets at amortised cost:		
Investment securities	-	38
Loans	412 249	349 360
Financial assets at fair value through profit or loss - Loans with capital rebate	24 971	13 088
Other investments	29 043	25 398
Investments in associates	72 227	66 592
Other assets	2 937	3 922
Total assets	**1 352 768**	**1 170 929**
Off-balance sheet items exposed to credit risk		
Contingent liabilities	523 538	480 025
Financial commitments	238 700	173 102
Total off-balance sheet items	**762 238**	**653 127**

Part of subitem "*Loans and receivables*" are loans to agriculture segment (see Note 20) that are secured by agricultural land with a cautious valuation. Loans to other segments are secured mostly by real estate, to a lesser extent – by other types of assets or commercial pledges. The expected cash flows from collateral are taken into account when estimating impairment allowances for expected credit losses. Risk Coverage Reserve and Specific Reserve Capital is available to the Company to cover expected credit losses arising from deterioration of quality of loan portfolio. For more detailed information on Risk Coverage Reserve and Specific Reserve Capital see Note 37 and Note 41.

As of 31 December 2024, part of the Company's assets in amount of EUR 250,464 thousand (31 December 2023: EUR 209,544 thousand) were pledged. In accordance with the agreements the Company ensures, that assets in amount of EUR 121, 097 thousand (31 December 2023: EUR 86,569 thousand) are free from any security. Detailed information on the Company's outstanding loan agreement as of 31 December 2024 is provided in Note 31 and Note 32.

Article 49 of the Law on State Budget 2024 provides that guarantees issued by the Company in amount of EUR 260,000 thousand is backed by the state according to the Agriculture and Rural Development Law and the Development Finance Institution Law. Actual amount of guarantees issued under these conditions as at 31 December 2024 was EUR 239,350 thousand (31 December 2023: EUR 226,839 thousand).

(2) Liquidity Risk

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

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

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

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

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

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Maturity profile of expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 31 December 2024, in thousands of euros:

	Up to 1 year [1]	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	Total
Due to credit institutions	13 414	29 561	-	-	-	42 975
Due to general governments	21 163	95 537	66 210	39 381	53 000	275 291
Issued debt securities	45 736	20 046	-	-	-	65 782
Support programme funding [2]	29 614	108 521	297 000	88 371	140 750	664 256
Other liabilities	5 023	430	-	-	-	5 453
Total financial liabilities	**114 950**	**254 095**	**363 210**	**127 752**	**193 750**	**1 053 757**
Off-balance sheet items and contingent liabilities	495 317	109 965	156 956	-	-	762 238
Total financial liabilities, off-balance items and contingent liabilities [3]	**610 267**	**364 060**	**520 166**	**127 752**	**193 750**	**1 815 995**
Due from credit institutions and the Treasury	627 769	-	-	-	-	627 769
Investment securities	88 475	95 097	-	-	-	183 572
Liquid assets	**716 244**	**95 097**	**-**	**-**	**-**	**811 341**

[1] 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 2024 and supporting analysis is presented in table below.

[2] 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.

[3] Since part of off-balance sheet items and contingent liabilities is backed by funding recognized as financial liabilities, EUR 233,375 thousand are included in both the Company's financial liabilities and the Company's off-balance sheet items and contingent liabilities.

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Maturity profile of expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 31 December 2024, in thousands of euros:

	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	-	1 264	5 895	6 255	13 414
Due to general governments	5 584	354	3 658	11 567	21 163
Issued debt securities	56	45 619	20	41	45 736
Support programme funding	1 699	-	-	27 915	29 614
Other liabilities	4 461	534	-	28	5 023
Total financial liabilities	**11 800**	**47 771**	**9 573**	**45 806**	**114 950**
Off-balance sheet items and contingent liabilities [1]	486 911	792	1 492	6 122	495 317
Total financial liabilities, off-balance items and contingent liabilities	**498 711**	**48 563**	**11 065**	**51 928**	**610 267**
Due from credit institutions and the Treasury [2]	505 411	55 912	46 235	20 211	627 769
Investment securities	23 388	765	295	64 027	88 475
Liquid assets	**528 799**	**56 677**	**46 530**	**84 238**	**716 244**

[1] Split of off-balance sheet items and contingent liabilities by type of financial instrument – outstanding financial guarantees, loan commitments as well as commitments to AIF "Altum capital fund", investments in associates and other investments, are presented in Note 42.

[2] includes the contractual expected cash flows from term deposits with credit institutions, which are available within 1 month for the purpose of liquidity management in accordance with the signed agreements, therefore in the calculation of the liquidity ratio is included in the maturity group up to 1 month.

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

Outstanding financial guarantees in amount of EUR 318,634 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 38) and Specific reserve capital (see Note 41). 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 170,045 thousand (up to 1 year) – from financial facilities (either received by the Company or available upon request), in accordance with loan agreements concluded with financial institutions and the State Treasury (see Notes 31 and 32) and respective loan support programme funding (see Note 38), as well as corresponding financing of loan support programs.

Grant commitments in amount of EUR 1,922 thousand (up to 1 year) – from respective grant support programme funding (see Note 38).

Commitments to investments in associates in amount of EUR 3,070 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 38).

Commitments to AIF "Altum capital fund" in amount of EUR 100 thousand (up to 1 year) – from specific reserve capital (see Note 41).

Commitments to other investments in amount of EUR 3,468 thousand (up to 1 year) – for Baltic Innovation Fund 2 from support programme funding and repayments on different support programmes (see Note 38) and the Company's own funding for Three Seas Initiatives Investment Fund.

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

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Maturity profile of expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 31 December 2023, in thousands of euros:

	Up to 1 year [1]	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	Total
Due to credit institutions	17 157	15 919	-	-	-	33 076
Due to general governments	17 918	74 553	64 567	40 688	52 807	250 533
Issued debt securities	20 550	65 304	-	-	-	85 854
Support programme funding [2]	77 796	37 213	100 821	122 621	242 198	580 649
Other liabilities	3 645	721	-	-	-	4 366
Total financial liabilities	**137 066**	**193 710**	**165 388**	**163 309**	**295 005**	**954 478**
Off-balance sheet items and contingent liabilities	415 314	89 329	148 484	-	-	653 127
Total financial liabilities, off-balance items and contingent liabilities [3]	**552 380**	**283 039**	**313 872**	**163 309**	**295 005**	**1 607 605**
Due from credit institutions and the Treasury	702 788	-	-	-	-	702 788
Investment securities	75	9 706	-	-	-	9 781
Liquid assets	**702 863**	**9 706**	**-**	**-**	**-**	**712 569**

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

Maturity profile of the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 31 December 2023 and supporting analysis is presented in table below.

[2] 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.

[3] Since part of off-balance sheet items and contingent liabilities is backed by funding recognized as financial liabilities, EUR 165,804 thousand are included in both the Company's financial liabilities and the Company's off-balance sheet items and contingent liabilities.

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Maturity profile of expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 31 December 2023, in thousands of euros:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	**Total up to 1 year**
Due to credit institutions	1	3 045	5 627	8 484	17 157
Due to general governments	4 585	354	3 638	9 341	17 918
Issued debt securities	-	-	498	20 052	20 550
Support programme funding	1 074	8 976	-	67 746	77 796
Other liabilities	3 604	32	-	9	3 645
Total financial liabilities	**9 264**	**12 407**	**9 763**	**105 632**	**137 066**
Off-balance sheet items and contingent liabilities [1]	385 161	11 361	8 540	10 252	415 314
Total financial liabilities, off-balance items and contingent liabilities	**394 425**	**23 768**	**18 303**	**115 884**	**552 380**
Due from credit institutions and the Treasury	565 798	34 835	11 250	90 905	702 788
Investment securities	38	37	-	-	75
Liquid assets	**565 836**	**34 872**	**11 250**	**90 905**	**702 863**

[1] Split of off-balance sheet items and contingent liabilities by type of financial instrument – outstanding financial guarantees, loan commitments as well as commitments to AIF "Altum capital fund", investments in associates and other investments, are presented in Note 42.

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

Outstanding financial guarantees in amount of EUR 293,471 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 38) and Specific reserve capital (see Note 41). Track records of claimed guarantee compensations presents that the volume of guarantees claimed within such terms are considerably less than the amount of the commitment disclosed in the above maturity analyses.

Loan commitments in amount of EUR 88,846 thousand (up to 1 year) – from financial facilities (either received by the Company or available to the Company upon request) concluded with financial institutions and the Treasury (see Notes 31 and 32) and respective loan support programme funding (see Note 38).

Grant commitments in amount of EUR 1,575 thousand (up to 1 year) – from respective grant support programme funding (see Note 38).

Commitments to investments in associates in amount of EUR 25,662 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 38).

Commitments to AIF "Altum capital fund" in amount of EUR 3,343 thousand (up to 1 year) – from specific reserve capital (see Note 41).

Commitments to other investments in amount of EUR 3,992 thousand (up to 1 year) – for Baltic Innovation Fund 2 from support programme funding and repayments on different support programmes (see Note 38) and the Company's own funding for Three Seas Initiatives Investment Fund.

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

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Breakdown of assets and liabilities by maturity profile as at 31 December 2024 based on the time remaining from the reporting date to their contractual maturity, in thousands of euros:

	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 [1]	505 411	55 912	46 235	20 211	-	-	627 769
Investment securities	23 388	765	295	64 027	95 097	-	183 572
Loans [2]	19 761	11 615	15 545	46 652	181 608	162 039	437 220
Grants	827	480	192	238	1 391	-	3 128
Deferred expense and accrued income	522	-	-	723	-	-	1 245
Other investments	-	-	-	-	-	29 043	29 043
Investments in associates	6 386	-	-	-	65 841	-	72 227
Investment property	-	-	-	-	-	92 976	92 976
Property, plant and equipment	-	-	-	-	-	4 287	4 287
Intangible assets	-	-	-	-	-	946	946
Other assets	667	37	82	533	1 602	16	2 937
Total assets	**556 962**	**68 809**	**62 349**	**132 384**	**345 539**	**289 307**	**1 455 350**
Liabilities							
Due to credit institutions	-	1 199	5 625	5 764	27 778	-	40 366
Due to general governments	3 607	354	1 773	7 896	72 702	121 302	207 634
Issued debt securities	-	45 508	-	-	19 983	-	65 491
Deferred income and accrued expense	857	622	688	874	3 860	(677)	6 224
Provisions	27 771	257	324	477	5 087	15 955	49 871
Support programme funding [3]	1 699	-	-	27 915	108 521	526 121	664 256
Other liabilities	4 461	534	-	28	430	-	5 453
Total liabilities	**38 395**	**48 474**	**8 410**	**42 954**	**238 361**	**662 701**	**1 039 295**
Net liquidity	**518 567**	**20 335**	**53 939**	**89 430**	**107 178**	**(373 394)**	**416 055**

[1] Includes term deposits with credit institutions, split by the remaining maturity according to the contracts, but for the purpose of liquidity management, they are available within 1 month in accordance with the signed contracts, therefore, they are included in the calculation of the liquidity ratio in the maturity group up to 1 month.

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

[3] Includes state support financing received to finance the loans wit capital rebate and where respective loans with capital rebate are not yet issued at the end of reporting period

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

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

	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 [1]	565 798	34 835	11 250	90 905	-	-	702 788
Investment securities	38	37	-	-	9 706	-	9 781
Loans [2]	11 780	12 198	13 258	29 759	147 420	148 033	362 448
Grants	1 237	64 146	155	230	1 428	-	67 196
Deferred expense and accrued income	451	8	-	3 862	-	-	4 321
Other investments	-	-	-	-	-	25 398	25 398
Investments in associates	3 018	-	3 517	-	37 940	22 117	66 592
Investment property	-	-	-	-	-	68 246	68 246
Property, plant and equipment	-	-	-	-	-	4 377	4 377
Intangible assets	-	-	-	-	-	1 017	1 017
Other assets	1 219	79	111	17	2 481	15	3 922
Total assets	**583 541**	**111 303**	**28 291**	**124 773**	**198 975**	**269 203**	**1 316 086**
Liabilities							
Due to credit institutions	-	2 837	5 625	8 299	15 277	-	32 038
Due to general governments	2 730	354	1 773	5 625	49 552	114 622	174 656
Issued debt securities	-	-	498	20 052	64 983	-	85 533
Deferred income and accrued expense	63	951	126	688	-	-	1 828
Provisions	43 380	302	714	804	1 679	784	47 663
Support programme funding [3]	1 074	8 976	-	67 746	37 213	465 640	580 649
Other liabilities	3 604	32	-	9	721	-	4 366
Total liabilities	**50 851**	**13 452**	**8 736**	**103 223**	**169 425**	**581 046**	**926 733**
Net liquidity	**532 690**	**97 851**	**19 555**	**21 550**	**29 550**	**(311 843)**	**389 353**

[1] Includes term deposits with credit institutions, split by the remaining maturity according to the contracts, but for the purpose of liquidity management, they are available within 1 month in accordance with the signed contracts, therefore, they are included in the calculation of the liquidity ratio in the maturity group up to 1 month.

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

[3] Includes state support financing received to finance the loans wit capital rebate and where respective loans with capital rebate are not yet issued at the end of reporting period

(3) Interest Rate Risk

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

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

The Company's interest rate sensitive assets (99.7%) and all interest rate sensitive liabilities are linked and priced at euro interest rate indices. To assess the interest rate risk the Company analyses the maturity structure of interest rate sensitive assets, liabilities and off-balance sheet items, net position of interest rate risk and its sensitivity to changes in interest rates. The sensitivity is measured calculating the impact of probable interest rate changes by 100 bps on the Company's interest income and expenses, assuming that all other variables held constant. Scenarios floor the lowest possible interest rate at zero if at the rate fixing date it is with negative value and if such a condition arises from the actual agreements.

3 Risk Management (cont'd)

(3) Interest Rate Risk (cont'd)

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

All amounts in thousands of euros

	31.12.2024.	31.12.2023.
Change in interest rates by +100 bps	77	(40)
Change in interest rates by -100 bps	(110)	(295)

(4) Foreign Currency Risk

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

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

	31.12.2024.	31.12.2023.
USD		
Financial assets	63	96
Financial liabilities	-	-
Net position	**63**	**96**

Based on the net current position of the Company as at 31.12.2024 and 31.12.2023, if the exchange rate for the US dollar changes according to the scenario presented, the possible changes in the Company's total capital (excluding tax effects) would be as follows:

All amounts in thousands of euros

	31.12.2024.	31.12.2023.
Change in USD/EUR exchange rates by +5%	(3)	(5)
Change in USD/EUR exchange rates by -5%	3	5

3 Risk Management (cont'd)

(5) Operational Risk

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

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

(6) AML / CTF / sanctions risk

Altum is subject to the Low on the Prevention of Money Laundering and Terrorist Financing and Proliferation (AML/CTF), the International and National Sanctions Law of the Republic of Latvia and other binding regulatory documents of compliance with AML/CTF and sanctions. The Company regularly reviews and updates its AML/CFT prevention and Sanctions compliance policies and procedures, considering changes in binding legislation. Altum observes zero tolerance for intentional violations of legislation of AML/CFT and national and international sanctions.

As a result of the Russian Federation's invasion of Ukraine, the EU and the rest of the world introduced extensive sanctions against the Russian Federation and the Republic of Belarus and their legal subjects, and in order to mitigate the risk of sanctions, the Company established additional control measures both during the allocation of financial instruments and the monitoring of business relationships, as well as significant additional attention is paid to the "Know your customer" approach, including assessing the reputation, personal and business activities of the customers. Within the framework of sanctions risk management, the Company conducts an in-depth analysis of customers and their cooperation partners where there is a connection with countries that are known to be involved or could be involved in circumventing the sanctions imposed against the Russian Federation and the Republic of Belarus.

3 Risk Management (cont'd)

(7) Capital Management

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

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

In order to assess within the capital management that the amount of equity is in line with the risks arising from the scope of activity, the Company calculates the capital adequacy ratio, Tangible common equity (TCE) relative to the Tangible managed assets (TMA) disclosed within Key financial and performance indicators in the Management Report – 21.6% as at y/e 2024 (y/e 2023: 23.4%). Total managed assets including guarantees comprises EUR 1,917 million as at y/e 2024 (y/e 2023: EUR 1,668 million). An explanation of the indicator and the dynamics of changes over the periods is available in the section "Key Financial and Performance Indicators" under Other Notes to the Annual Report.

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

The ongoing war in Ukraine and related sanctions against the Russian Federation and Belarus has not significantly impacted the book value of the Company's assets and liabilities during this year. The Company has already assessed and mitigated the direct and indirect impact of these events.

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

The Company may be directly affected by the military invasion of Ukraine only for export credit guarantees issued in the Guarantee Portfolio to cover political and buyer risk losses in trade transactions where the counterparties of the Company's customers are residents of Ukraine. As at December 31, 2024, the Company's exposure where the customers' counterparties are located in Ukraine amounted to EUR 153 thousand, for which provision of 52 thousand was recognized. The Company has already stopped issuing new export guarantees to the Russian Federation and Belarus since 25 February 2022.

The Company has invested EUR 19.8 million in AIF Altum Capital Fund. In the context of the Russian Federation war in Ukraine, the Altum Capital Fund's investment portfolio is diversified both by sectors and by the regions where the portfolio companies generate revenues, which is seen as a loss mitigating factor. The impact of the Russian Federation war in Ukraine on each of the five portfolio companies is therefore different.

The companies most affected by the direct and indirect consequences of the war and the related sanctions took timely action to stop cooperating with the aggressor countries and the volume lost in Russia has now largely been replaced by new markets, but financial results have not fully returned to prewar levels. Overall, the impact of the war on the value of the Fund's portfolio at the end of the reporting period is assessed to have been insignificant. The cumulative direct impact of the war of the Russian Federation in Ukraine as at 31 December 2024 was EUR 25 thousand (Company's share).

3 Risk Management (cont'd)

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

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

- baseline scenario, which forecasts the most likely future economic development, taking into account the impact of the Russian Federation invasion of Ukraine, assuming that the geopolitical situation will not significantly deteriorate and there will be no sharp escalation of war, without creating a significant economic impact on the growth of the Latvia's economy in addition to the already observed;
- the adverse scenario, which envisages a less likely but potentially negative change, reflecting a larger and more persistent impact of the geopolitical uncertainty risk on energy prices and investor and consumer sentiment, which will slow down the growth of the Latvia's economy;
- the optimistic scenario, which foresees a less likely but possibly more favorable change compared to the baseline scenario.

Macroeconomic forecasts to December 31, 2024 and to December 31, 2023, as well as the impact of changes in macroeconomic scenarios on provisions for ECL, see this note (1) Credit risk.

3 Risk Management (cont'd)

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

In order to better assess the direct and indirect impact of the geopolitical situation as well as to identify potentially 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 energy prices and changes in other cost items, as well as the sanctions imposed against the Russian Federation and Belarus have had, or are likely to have, a significant direct or indirect impact on client's ability to pay.

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

In 2024, the Company updated the assessment to determine how the loan and guarantee portfolio has been or could be affected directly and indirectly by the high level of energy prices and the sanctions imposed against the Russian Federation and Belarus. For the loan portfolio, the assessment was carried out on a sectoral basis, based on individual customer assessment data (at the time of the assessment, individually assessed customer exposures accounted for 68.91% of the loan portfolio, and 89.6% of the assessed exposures were assessed during the last year). For the assessment of energy prices, the industries were divided into 3 groups (severely affected industries, moderately affected industries and less affected industries), while for the assessment of the sanctions against the Russian Federation and Belarus they were divided into 2 groups (affected, not affected). For the guarantee portfolio, the potential impact was assessed based on the assessment provided by the Company's experts on energy-intensive sectors and industries most affected by rising costs, as well as the financial data of the largest customers of the industries' portfolio. The potential impact of the sanctions imposed on the Russian Federation and the Republic of Belarus was assessed on the basis of business specificity data of clients in the industries' portfolio (including, but not limited to, analysis of raw material and production markets, supply chains, opportunities to reorient activities, etc.). In order to assess the guarantee portfolio, all industries were divided into 3 groups: industries severely affected, industries moderately affected and industries less affected. According to the assessment, the general provision reserve for loans was decreased by EUR 135 thousand, while the impact on the guarantees had been assessed as non-material, since the portfolio did not contain the severely affected industries and hence provisioning reserve was unnecessary. In 2024, the total decrease of general provision reserve amounted to EUR 967 thousand and the general provisioning reserve balance as at 31 December 2024 was EUR 988 thousand.

Additionally, in order to assess the indirect impact of the Russia-Ukraine war, ALTUM analyses and, in case of significant changes, revises the forward-looking macroeconomic forecasts used to calculate expected losses, setting out three economic scenarios, including a downside scenario and an upside scenario. Indirect cumulative impact of forward-looking macroeconomic forecasts used to calculate expected credit losses for loans, loan commitments and guarantees was EUR 919 thousand as at 31 December 2024, being EUR 182 thousand higher than the similar impact as at 31 December 2023.

In 2023, in view of the sharp increase in market interest rates, the Company carried out an assessment of the impact of the increase in interest rates on customers' ability to service their debts alongside increasing of costs, in particular assessing those exposures where there are concerns about the ability of customers to meet their obligations when due and in full, based on their performance. As a result of the assessment, the general provision reserve of EUR 2,063 thousand was established as at 31 December 2023. . The provision reserve was established for individually significant items with low commitment servicing indicators as well as for floating rate loans by calculating the expected increase in credit losses resulting from rising EURIBOR ratesIn 2024, the general provision reserve was revaluated on the basis of an updated assessment of the level of customer exposure to material loans, resulting in an increase of the reserve by EUR 273 thousand. Taking into account the decline in euribor rates in 2024, the amount of the general provision reserve for other variable-rate loans was kept unchanged to compensate for a possible increase in credit risk expenses. In 2024, the total decrease in the provision reserve amounted to EUR 707 thousand and the reserve balance as at 31 December 2024 was EUR 1,356 thousand.

3 Risk Management (cont'd)

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

In previous periods, household spending rose due to high inflation as well as high interest rates. In 2024, mortgage borrowers were supported by the compensation of calculated interest payments, and in view of the macroeconomic forecasts, including decrease in interest rates, no significant increase in defaults in the housing guarantee portfolio is expected.

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

The discussions with fund managers and the reassessment of the value of investments in Altum's portfolio companies in Q4 2024 did not re-identify companies exposed to the impact of the war. The fair value of companies that have been able to adapt successfully to market changes remains stable. However, for some companies that have been affected for a longer period of time, obstacles to their successful development remain. It should be noted that the sale of the existing investments of the venture capital funds is significantly more difficult in the current high-interest rate environment and geopolitical situation, that make the buyers cautious. Under such market conditions, the investments' exit options are limited, and it requires patience and flexibility to adapt to the dynamic changes in the market.

The cumulative impact of the war of the Russian Federation in Ukraine as at 31 December 2024 was EUR 4.7 million (31 December 2023: EUR 6.5 million), of which the direct impact was EUR 1.4 million (31 December 2023: EUR 1.7 million) and the indirect impact EUR 3.3 million (31 December 2023: EUR 4.8 million).

(9) ESG risk management

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

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

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

3 Risk Management (cont'd)

(9) ESG risk management (cont'd)

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

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

	31.12.2024.		31.12.2023.	
	'000 EUR	% from Total credit exposure	'000 EUR	% from Total credit exposure
Agriculture	29 248	4%	29 854	6%
Wood and paper production	74 307	11%	49 913	10%
Food and beverage production	34 674	5%	11 540	2%
Metals and mining	16 871	2%	12 249	3%
Chemicals	10 483	2%	6 425	1%
Construction materials	14 961	2%	5 031	1%
Consumer goods	715	0.1%	1 310	0.3%
Logistics	2 173	0.3%	940	0.2%
Other	1 976	0.3%	1 863	0.4%
Transition risk @ High / Very high label:	**185 408**	**27%**	**119 125**	**25%**
Total credit exposure[1]:	**687 950**	**100%**	**477 576**	**100%**

[1] Total credit exposure: Gross loan portfolio (incl. issued loans with capital rebate) and Loan commitments.

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

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

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

ESG scoring model. During 2024 the integration of developed ESG scoring model within loan origination processes was continued. It will be applied in loan origination process above particular materiality threshold, as well as in monitoring of existing portfolio and collateral valuation in SME/Midcap and Agriculture segments. ESG scoring model will enable to assess the level of Transition risk at individual deal level. The implementation of ESG scoring model is step-by-step process taking into consideration the customers' ability to fulfil the unified banking sector ESG questionnaire published in April 2024 to obtain information for the assessment of ESG risks and regarding the planned/actual customer sustainability KPI's data. A physical climate risk assessment tool has been developed during 2024 to enable large-scale portfolio monitoring at the individual asset level, such as for investment properties. In the Q4 2024, the individual assessment of mapped financed assets was initiated using the newly developed tool.

Portfolio tagging methodology. Also the tagging methodology for SME / Midcap and Agriculture segments' loan portfolio was developed in 2023. That will assist to label the projects within the following categories - (i) Taxonomy aligned, (ii) sustainable projects, (iii) eligible with Green bond Framework 2021, (iv) brown and (v) other projects. During 2024 the assessment of ready made portfolio tagging tools used within banking sector has commenced so that with selected tool the portfolio tagging could be efficient as much as possible both during loan origination as well as portfolio monitoring processes.

4 Interest income at effective interest rate

	01.01.2024.-31.12.2024.	01.01.2023.-31.12.2023.
Interest income on loans [1]	26 690	21 641
Interest income on deposits	5 346	2 402
Total interest income	**32 036**	**24 043**

[1] Sub-item *Interest income on loans* includes path-through arrangement for the agent programmes, which amounted to EUR 4,767 thousand in 12 months 2024 (EUR 2,966 thousand in 12 months 2023). The path-through arrangement for the agents' programs includes interest income, other interest and similar income, and income from investments in securities generated by state aid programs, where the Company acts as an Agent and attributed to public funding under the conditions of the programs. According to IFRS 9 requirements such income is recognized in the Comprehensive Income Statement – under Interest income (in this Note) or under *Interest expense* (see Note 6).

[1] Includes interest income on loans compensated by the Ministry of Agriculture, in accordance with Paragraph 22 of the Regulation of the Cabinet of Ministers of the Republic of Latvia No.295 of 22 May 2018 "Procedures for Granting State Aid for Purchase of Agricultural Land for Production of Agricultural Products", interest rate difference compensated by the Ministry of Agriculture in 12 months of 2024 amounted to EUR 200 thousand (EUR 170 thousand in 12 months 2023).

5 Other interest and similar income

	01.01.2024.-31.12.2024.	01.01.2023.-31.12.2023.
Income of loans [1]	2 219	1 928
Income of guarantees [2]	3 723	4 101
Income from investment securities revalued in other comprehensive income [3]	2 140	93
Income from securities issued	52	52
Total interest income	**8 134**	**6 174**

[1] Sub-item *Income of loans* includes path-through arrangement for the agent programmes, which amounted to EUR 614 thousand in 12 months 2024 (EUR 423 thousand in 12 months 2023). Note 4 and 6.

[2] Based on the amendments to the Cabinet Regulation No 95 of 22 December 2023, which provide that the guarantee fee is established in the price list approved by the guarantor's Management Board and decision of the Management Board dated 22 November 2023, the annual amount of the fee is set at 2.4% of the remaining guarantee amount (until 31 December 2023 - 4.8%) as of 1 January 2024. In 2023 the provision reserve was created to cover the reduction of guarantee premiums, the aforementioned reduction is compensated from the created provision reserve, which in 12 months of 2024 amounted to EUR 547 thousand.

[2] Sub-item *Income of guarantees* includes path-through arrangement for the agent programmes, which amounted to EUR 837 thousand in 12 months 2024 (EUR 1,157 thousand in 12 months 2023). Note 4 and 6.

[3] Sub-item *Income from investment securities revalued in other comprehensive income* includes path-through arrangement for the agent programmes, which amounted to EUR 1,118 thousand in 12 months 2024 (12 months 2023: EUR 0 thousand). Note 4 and 6.

6 Interest expense

All amounts in thousands of euros

	01.01.2024.-31.12.2024.	01.01.2023.-31.12.2023.
Interest expense on liabilities to General Governments	7 907	6 068
Interest on balances due to credit institutions	526	524
Interest on issued debt securities	879	903
Allocation of state support programmes profit to support programme funding [1]	489	398
Path-through arrangement - agent interest (Note 4, 5)	7 336	4 546
Other commission expense	7	13
Total interest expense	**17 144**	**12 452**

[1] 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).

7 Income from implementation of state aid programmes

All amounts in thousands of euros

	01.01.2024.-31.12.2024.	01.01.2023.-31.12.2023.
Compensation of expenses for management of state support programmes	6 626 [1]	7 064 [2]
Compensated administrative expense	798	2 019
Compensated venture capital fund management fees	449	741
Income on compensated placement expenses of unrestricted funds	53	-
Total income from implementation of state support programmes	**7 926**	**9 824**

[1] Item *Compensation of expenses for management of state support programmes* includes revenues calculated on the volumes of support programmes (portfolio, new transactions, funding), applying the management fee rate in accordance with the relevant regulations of the Cabinet of Ministers and concluded agreements on support programmes with funding providers. Part of the revenues were generated in previous periods, but were not recognized, because of changes in the calculation approach of revenues, approval for them was received from the support programmes funding providers in the reporting period, therefore the revenues in amount of EUR 314 thousand were recognized in 2024.

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

8 Expenses to be compensated for implementation of state aid programmes

All amounts in thousands of euros

	01.01.2024.-31.12.2024.	01.01.2023.-31.12.2023.
Compensated staff costs	5 169	3 937
Compensated administrative expense	1 510	1 107
Compensated fee for other agents	-	79
Compensated venture capital fund management fees	799	2 018
Total compensated expense for implementation of state support programmes	**7 478**	**7 141**

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

All amounts in thousands of euros

	01.01.2024.-31.12.2024.	01.01.2023.-31.12.2023.
Gains/(losses) from debt securities revaluation	2	(1)
Gains/(losses) from revaluation of foreign currencies	4	(2)
Total gains/(losses) from debt securities and foreign exchange transactions	**6**	**(3)**

10 Share of gain / loss of investment in associate and other investments

All amounts in thousands of euros

	Net gain / loss	Incl. realised gains	Net gain / loss	Incl. realised gains
	01.01.2024.-31.12.2024.		01.01.2023.-31.12.2023.	
RKF 2nd, 3rd, un 4th generation (Note 11)	1 230	3 167	882	254
Baltic Innovation Fund	4 277	1 014	459	51
AIF Altum Capital Fund	1 285	1 061	413	1 146
Total investment in associates	6 792	5 242	1 754	1 451
Baltic Innovation Fund-2	637	-	-	-
Three Seas Initiative Investment Fund	1 599	-	1 310	-
Total other investments	2 236	-	1 310	-
Share of net gain /(loss) of investment in associate and other investments	**9 028**	**5 242**	**3 064**	**1 451**

11 (Losses) of investment in associate and other investments less losses from liabilities at fair value through profit or loss

All amounts in thousands of euros

	01.01.2024.-31.12.2024.	01.01.2023.-31.12.2023.
Revaluation gain / (loss) on investments in 2nd and 3rd generation venture capital funds, net	(1 414)	1 085
Realised gain / (loss) on investments in 2nd and 3rd generation venture capital funds, net	1 333	(1 633)
Mezzanine interest received from investments in 2nd and 3rd generation venture capital funds	798	483
Revaluation (loss) on investments in 4th generation venture capital funds, net	(523)	(940)
Realised gain on investments in 4th generation venture capital funds	9	477
Mezzanine interest received from investments in 4th generation venture capital funds	1 027	1 410
Total gain less losses from liabilities at fair value through profit or loss at December 31 (Note 10)	**1 230**	**882**
Total (loss) from investments in 2nd, 3rd and 4th generation venture capital funds, less losses on liabilities measured at fair value through profit or loss.	**(1 230)**	**(882)**

For more information on the allocation of profits from investments in 2nd, 3rd and 4th generation venture capital funds to public funding, see Note 38 (2).

12 Net losses from loans at fair value through profit or loss

All amounts in thousands of euros

	Change in fair value	Deferred change in fair value [1]	Net profit/ (loss)
	01.01.2024.- 31.12.2024.	01.01.2024.- 31.12.2024.	01.01.2024.- 31.12.2024.
Increase in fair value of the loan component	5 416	(5 416)	-
Fair value (decrease) of potential future capital rebate component, see Note 21	(61 529)	-	(61 529)
Fair value decrease of public funding to finance potential future capital rebate component, see Note 38 (2)	54 064	-	54 064
Total	**(2 049)**	**(5 416)**	**(7 465)**

[1] When determining the fair value of loans with capital rebate to be recognised through profit or loss, the fair value measurement of the loan component for which no capital rebate will be applied is based on discounted expected future cash flows of the loan until maturity. By this measurement the difference between the fair value of financial asset and the transaction price at initial recognition is deferred and recognised within Deferred income (see Note 36) since the fair value can't be measured using a quoted price in an active market for identical asset (i.e., a Level 1 in the Fair value hierarchy). The deferred difference is amortised over the life of respective individual loan on a linear basis.

For details on valuation of the loans at fair value see Note 45 Loans with capital rebate.

As at 31 December 2024 the Company has issued the loans with capital rebate amounting EUR 81 million. For majority of those loans capital rebate of 100% can be applied, if the performance of the financed project would be eligible. Initial loan assessment brings high level of probability for appliance of capital rebate in the future. Respectively in the financial statements for the year 2024 there is recognised the loss on change in fair value of loans with capital rebate based on the outcome of initial assessment.

Received public funding for loans with capital rebate is interest-free or at interest rate below market rate. At initial recognition the difference between received funding and its fair value is classified as grant. Based on probability level for appliance of capital rebate in the future the said grant is recognised in profit and loss statement upon issue of the loan (high level of certainty) or later when high certainty on appliance of capital rebate in the future incur.

13 Other income

All amounts in thousands of euros

	01.01.2024.- 31.12.2024.	01.01.2023.- 31.12.2023.
Income from lease payments for land operating leases	2 605	2 195
Income from payments for financial leases	-	100
Net unrealised gain from investment property revaluation	5 139	6 116
Net profit from sale of investment property	206	190
Profit from sale of repossessed collateral	-	85
Other commission income	4	14
Income from management of the AIF "Altum capital fund"	179	206
Other operating income	55	91
Total other income	**8 188**	**8 997**

14 Other expense

All amounts in thousands of euros

	01.01.2024.-31.12.2024.	01.01.2023.-31.12.2023.
Maintenance and service costs of Latvian Land Fund	417	389
Debt collection costs	79	144
Maintenance costs of repossessed collateral	-	1
Depreciation of right-of-use assets	163	170
Commission expense on investments in securities	184	93
AIF "Altum capital fund" management costs	179	206
Other commission expense	12	5
Revaluation in fair value of support programme funding	169	8
Total other expense	**1 203**	**1 016**

15 Allowances for expected credit losses

Analysis of expected credit loss movements for the period from 1 January 2024 till 31 December 2024, in thousands of euros:

	Loss/(income) on expected credit losses and recoveries of written-off credit risk assets	incl. impairment losses covered by Portfolio Loss Reserve	impairment losses covered by Risk Coverage Reserve	a reduction in the provision for revenue recognised over 90 days	Total
Impairment losses on:	28 436	2 963	(21 153)	(269)	7 014
Loans	7 958	885	(3 697)	(269)	3 992
Grants	16	-	-	-	16
Investment securities	402	-	-	-	402
Other assets	151	-	(27)	-	124
Due from credit institutions and the Treasury	2	-	-	-	2
Financial assets related to loan agreements	71	-	-	-	71
Guarantees	18 734	2 078	(16 436)	-	2 298
Loan commitments	1 048	-	(993)	-	55
Grants commitments	54	-	-	-	54
Reversal of impairment on:	(26 913)	(3 888)	15 947	-	(10 966)
Loans	(9 701)	(1 611)	3 075	-	(6 626)
Disbursed guarantee compensations	(338)	(181)	44	-	(294)
Grants	(925)	-	-	-	(925)
Due from credit institutions and the Treasury	(72)	-	-	-	(72)
Financial assets related to loan agreements	(41)	-	-	-	(41)
Guarantees	(15 380)	(2 088)	12 463	-	(2 917)
Loan commitments	(435)	(8)	365	-	(70)
Grants commitments	(21)	-	-	-	(21)
Total impairment losses / (reversal), net	1 523	(925)	(5 206)	(269)	(3 952)
(Income) from the recovery of written-down assets	(1 222)	(635)	126	-	(1 096)
Total impairment allowance and (income) from recovery of written down assets	**301**	**(1 560)**	**(5 080)**	**(269)**	**(5 048)**

15 Allowances for expected credit losses (cont'd)

Analysis of expected credit loss movements for the period from 1 January 2023 till 31 December 2023, in thousands of euros:

	Loss/(income) on expected credit losses and recoveries of written-off credit risk assets	incl. impairment losses covered by Portfolio Loss Reserve	impairment losses covered by Risk Coverage Reserve	a reduction in the provision for revenue recognised over 90 days	Total
Impairment losses on:	35 571	6 260	(17 963)	(199)	17 409
Loans	15 355	2 922	(3 342)	(199)	11 814
Grants	717	-	-	-	717
Other assets	24	-	(13)	-	11
Due from credit institutions and the Treasury	83	-	-	-	83
Financial assets related to loan agreements	84	-	-	-	84
Guarantees	18 530	3 230	(14 053)	-	4 477
Loan commitments	754	108	(555)	-	199
Grants commitments	24	-	-	-	24
Reversal of impairment on:	(25 211)	(6 718)	13 096	-	(12 115)
Loans	(7 722)	(3 403)	1 929	-	(5 793)
Disbursed guarantee compensations	(505)	-	468	-	(37)
Grants	(428)	(3)	-	-	(428)
Other assets	(9)	-	-	-	(9)
Securities valued at amortized cost	(3)	-	-	-	(3)
Financial assets related to loan agreements	(66)	-	-	-	(66)
Guarantees	(15 770)	(3 140)	10 351	-	(5 419)
Loan commitments	(572)	(172)	348	-	(224)
Grants commitments	(136)	-	-	-	(136)
Total impairment losses / (reversal), net	10 360	(458)	(4 867)	(199)	5 294
(Income) from the recovery of written-down assets	(577)	(11)	20	-	(557)
Total impairment allowance and (income) from recovery of written down assets	**9 783**	**(469)**	**(4 847)**	**(199)**	**4 737**

16 Staff Costs

All amounts in thousands of euros

	01.01.2024.-31.12.2024.	01.01.2023.-31.12.2023.
Remuneration to the Supervisory Council and the Management Board	626	650
to the Supervisory Council	*53*	*92*
to the Management Board	*573*	*558*
Remuneration to staff	7 869	7 190
Social insurance tax	2 019	1 862
Total staff costs	**10 514**	**9 702**
Compensated staff costs (Note 8)	(5 169)	(3 937)
Net staff costs	**5 345**	**5 765**

In 2024, the Company employed 259 persons on average, including 5 members of the Supervisory Council and the Audit Committee (in 2023: 255 persons on average, including 5 members of the Supervisory Board and the Audit Committee).

17 Administrative expenses

All amounts in thousands of euros

	01.01.2024.-31.12.2024.	01.01.2023.-31.12.2023.
Information system and communication expense	635	572
Premises and equipment maintenance expense	653	713
Advertising and public relations	223	233
Training and other staff expense	398	339
Professional services [1]	426	440
Real estate tax	69	70
Other expense	213	218
Total administrative expenses	**2 617**	**2 585**
Compensated administrative expense (Note 8)	(1 510)	(1 107)
Net administrative expenses	**1 107**	**1 478**

[1] The item *Professional services* includes audit services in respect of 2024 received from PricewaterhouseCoopers SIA amounting to EUR 119 thousand and other services EUR 20 thousand (in 2023: EUR 126 thousand).

18 Due from credit institutions and the State Treasury

All amounts in thousands of euros

	31.12.2024.	31.12.2023.
Due from credit institutions and State Treasury	627 797	702 886
cash and cash equivalents	*455 715*	*565 896*
term deposits	*170 000*	*135 000*
Allowances for expected credit losses	(28)	(98)
Net due from credit institutions and State Treasury	**627 769**	**702 788**

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

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	-	33 706	654 307	14 775	-	-	-	-	702 788
Total gross as at 31 December 2023	**-**	**33 706**	**654 307**	**14 775**	**-**	**-**	**-**	**-**	**702 788**
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	39 249	553 927	34 593	-	-	-	-	627 769
Total gross as at 31 December 2024	**-**	**39 249**	**553 927**	**34 593**	**-**	**-**	**-**	**-**	**627 769**

As at 31 December 2024, the Company held accounts with 5 banks and the Treasury of the Republic of Latvia. The average interest rate on balances of position *Due from credit institutions and the Treasury* as at 31 December 2024 was 3.21% (31 December 2023: 3.83%).

19 Investment securities

All amounts in thousands of euros:

	31.12.2024.	31.12.2023
Investment securities valued at amortised cost		
OECD corporate bonds	4 023	3 788
Total investment securities valued at amortised cost	**4 023**	**3 788**
Impairment allowances	(4 023)	(3 750)
Net investment securities valued at amortised cost	**-**	**38**
Investment securities valued at fair value through other comprehensive income		
Latvian Treasury bills and government bonds	183 943	9 743
Total investment securities valued at fair value through other comprehensive income	**183 943**	**9 743**
Impairment allowances	(371)	
Total net investment securities valued at fair value through other comprehensive income	**183 572**	**9 743**
Total gross investment securities	**187 966**	**13 531**
Total net investment securities	**183 572**	**9 781**

When investing in securities, the Company performs an analysis and regular monitoring of external credit ratings assigned to credit institutions and issuers, as well as a financial and operational assessment and compliance of the assigned credit risk limits. To assess impairment allowance for ECL, all Latvian Treasury bills and government bonds are classified in stage 1, while all OECD corporate bonds are classified in stage 3, as they are defaulted securities. There were no movements between the stages during the year.

In 2024, investments in securities valued at fair value through other comprehensive income increased, therefore, as of 31 December 2024, the Company performed a sensitivity analysis of ECL. Assuming an increase/decrease in LGD by +/-5 percentage points, while all other variables were constant, the provisions for ECL would increase/(decrease) by EUR 30/(30) thousand, respectively. Assuming an increase/decrease in PD rates by +/- 0.1 percentage points, while all other variables were constant, the provisions for ECL would increase/(decrease) by EUR 84/(84) thousand, respectively.

19 Investment Securities (cont'd)

Breakdown of investment securities by credit rating categories based on Moody's ratings or their equivalent, in thousands of euros:

Ratings	Aaa	Aa1-Aa3	A1-A3	Baa1-Baa3	Ba1-Ba3	B1-B3	Caa-C	Withdrawn rating (*WR*)	Total
Investment securities valued at fair value through other comprehensive income	-	-	9 743	-	-	-	-	-	9 743
Investment securities valued at amortised cost	-	-	-	-	-	-	-	3 788	3 788
Total gross as at 31 December 2023	**-**	**-**	**9 743**	**-**	**-**	**-**	**-**	**3 788**	**13 531**
Investment securities valued at fair value through other comprehensive income	-	-	183 943	-	-	-	-	-	183 943
Investment securities valued at amortised cost	-	-	-	-	-	-	-	4 023	4 023
Total gross as at 31 December 2024	**-**	**-**	**183 943**	**-**	**-**	**-**	**-**	**4 023**	**187 966**

The information about classification of investment securities is available in Note 2 (4) item (iv). All securities are quoted.

20 Loans

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

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

	31.12.2024.	31.12.2023.
SME and Midcaps	177 043	167 686
Agriculture	167 666	133 622
Private individuals	48 379	44 770
Financial Intermediaries	20	80
Latvian Land Fund	42 137	28 692
Total gross loans	**435 245**	**374 850**
Impairment allowances	(22 996)	(25 490)
Total net loans	**412 249**	**349 360**

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

	31.12.2024.	31.12.2023.
Agriculture and forestry	231 199	189 424
Manufacturing	49 404	51 330
Electricity, gas and water utilities	30 286	27 646
Retail and wholesale	17 336	12 368
Health and social care	8 071	9 168
Construction	7 414	6 750
Real estate	8 765	5 838
Professional, science and technical services	6 634	5 832
Transport, warehousing and communications	5 527	4 364
Hotels and restaurants	5 034	4 555
Municipal authorities	5 081	3 134
Fishing	1 937	1 675
Information technologies and communication	863	810
Other industries	9 315	5 831
Households	48 379	46 125
Total gross loans	**435 245**	**374 850**
Impairment allowances	(22 996)	(25 490)
Total net loans	**412 249**	**349 360**

20 Loans (cont'd)

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

	31.12.2024.	31.12.2023.
Number of customers	53	49
Total credit exposure of customers (EUR '000)	87 426	81 703
Percentage of total gross portfolio of loans	19.9%	21.8%

(4) Analysis of loan portfolio by client segments as at 31 December 2024, in thousands of euros:

	Stage 1		Stage 2		Stage 3		POCI		Total gross loans	Total impairment allowance
	Gross loans	Impairment allowance	Gross loans	Impairment allowance	Gross loans	Impairment allowance	Gross loans	Impairment allowance		
Financial Intermediaries	20	-	-	-	-	-	-	-	20	-
Agriculture	120 865	(408)	38 810	(760)	7 991	(1 737)	-	-	167 666	(2 905)
SME and Midcaps	120 046	(2 009)	31 808	(1 980)	25 189	(9 451)	-	-	177 043	(13 440)
Private individuals	44 180	(168)	3 649	(183)	550	(108)	-	-	48 379	(459)
Latvian Land Fund	41 412	(5)	418	-	307	(2)	-	-	42 137	(7)
Total segments, gross	**326 523**	**(2 590)**	**74 685**	**(2 923)**	**34 037**	**(11 298)**	**-**	**-**	**435 245**	**(16 811)**
Impairment overlay	-	(746)	-	(1 598)	-	-	-	-	-	(2 344)
Impairment overlay for interest rate discounts	-	(3 841)	-	-	-	-	-	-	-	(3 841)
Total segments, net	**326 523**	**(7 177)**	**74 685**	**(4 521)**	**34 037**	**(11 298)**	**-**	**-**	**435 245**	**(22 996)**

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

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

20 Loans (cont'd)

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

	01.01.2024.-31.12.2024.	01.01.2023.-31.12.2023.
Impairment allowances at the beginning of the period	25 490	21 074
Increase in impairment allowances	7 689	15 156
Decrease in impairment allowances	(9 701)	(7 722)
Write-off of loans covered by Portfolio Loss Reserve	(876)	(2 305)
Write-off of loans covered by Risk Coverage Reserve	(47)	(396)
Write-off of loans Company's share of impairment allowances	(170)	(1 455)
Decrease in the allowance for mortgage interest refunds	(36)	-
Loan interest overdue for more than 90 days	269	199
Increase of impairment allowances due to changes in off-balance sheet and balance sheet	378	939
Impairment allowances at the end of the period ended 31 December	**22 996** [1]	**25 490**
Company's share of impairment allowances	*13 900*	*15 719*
Impairment allowances covered by Portfolio Loss Reserve	*2 000*	*3 582*
Impairment allowances covered by Risk Coverage Reserve	*7 096*	*6 189*

[1] Includes impairment provision of EUR 3,841 thousand (31 December 2023: EUR 3,877 thousand) for interest rate discounts and as such not to be treated as allowance for ECL. Decrease of the recognized decrease in the impairment provision allowance in 2024, in the amount of EUR 36 thousand during 2024, includes interest compensation paid to customers for a portion of the interest income received in 2024. The remaining amount of impairment provision allowances will be used for actual settlements with customers in early 2025 for interest income paid in 2024

As at 31 December 2024 the average annual interest rate for the loan portfolio of the Company was 5.46% (31 December 2023: 6.40%).

21 Loans with capital rebate

Loans with capital rebate at fair value at 31 December 2024, in thousands of euros

	Nominal value of issued loans with capital rebate	Potential future capital rebate component	Fair value (decrease) of potential future capital rebate component	Loan component at fair value	Total
Investment loans with capital rebate	38 503	34 731	(34 731)	8 832	8 832
RRF energy efficiency loans	15 759	9 425	(9 425)	6 401	6 401
RRF digitization loans	16 101	9 600	(9 600)	6 871	6 871
RRF Energy Efficiency Loans for Multi-apartment Buildings	5 716	3 575	(3 575)	2 364	2 364
RRF Loans for construction of affordable housing	5 006	4 198	(4 198)	503	503
Total	**81 085**	**61 529**	**(61 529)**	**24 971**	**24 971**

As at 31 December 2024 the Company has issued the loans with capital rebate amounting EUR 81 million. Since the loans with capital rebate are measured at fair value (see Note 45), then the fair value is determined separately for (a) a potential future capital rebate and (b) the component of the loan for which no capital rebate will be applied.

The maximum amount of the capital rebate is determined at the time the loan is issued (at the end of reporting period for issued loans with capital rebate amount EUR 66 million), however the actual amount of the capital rebate will depend on the performance of the financed project in the post-monitoring phase, taking into account the degree of achievement of the project's set goals, so the fair value calculation estimates the expected amount of the capital rebate based on assumptions about the timing and probability of the capital rebate being applied, allowing for the possibility that not all borrowers will achieve the set project goals to qualify for the capital rebate. The probability of the capital allowance to be applied is determined by assessing the likelihood of each major project financed achieving its set goals or by using historical data on the amount of capital rebate applied.

In column "Potential future capital rebate component" there is disclosed the said potential future capital rebate assessed at the end of reporting period based on probability for appliance of capital rebate in the future. Initial loan assessment brings high level of certainty for appliance of capital rebate in the future and amounts of EUR 61.5 million at the end of reporting period. Assessing the fair value of this component at the end of reporting period, respectively the loss on change of fair value of loans with capital rebate as the outcome of initial assessment in amount of EUR 61.5 million has been recognised in the financial statements for the year ended 2024 (see Note 12).

Considering the received public funding classified within State support funding in liabilities, to finance the issued loans with capital rebate, after measurement of the fair value of the said public funding, the difference between the received financing nominal value and its the fair value is classified as grant following IAS 20 requirements. The said grant is recognised in profit and loss statement at full amount to cover the loss on change in fair value of respective asset – loan with capital rebate. As a consequence the said grant amounting EUR 54 million has been recognised as income in the financial statements for the year 2024 (see Note 12).

Loans with capital rebate at fair value at 31 December 2023, in thousands of euros

	Capital rebate at fair value	Loan component	Total
Investment loans with capital rebate	5 473	1 974	7 447
RRF energy efficiency loans	2 144	871	3 015
RRF digitization loans	2 266	360	2 626
Total	**9 883**	**3 205**	**13 088**

Movement in fair value of loans with capital rebate in 12 months of 2024, in thousands of euros:

	Potential future capital rebate component [1]	Loan component [1]	Total
Fair value at 31 December 2023	9 883	3 205	13 088
Net increase at nominal value	62 068	17 902	79 970
Compensated capital rebate in the reporting period [2]	(10 422)	-	(10 422)
Increase in fair value	-	3 864	3 864
(Decrease) of fair value of potential future capital rebate component, (see Note 12)	(61 529)	-	(61 529)
Total fair value at 31 December 2024	**-**	**24 971**	**24 971**

[1] For details on valuation of the loans at fair value see Note 45 *Loans with capital rebate*.

[2] See Note 38 (2) *Movement in the Company's support programme funding in 12 months of 2024*.

22 Grants

All amounts in thousands of euros

	31.12.2024.	31.12.2023.
Energy Efficiency Programme for Multi-apartment Buildings	80	65 060
Housing grant programme "Balsts"	1 822	1 438
Grants for development of energy efficiency projects	264	692
Social Entrepreneurship Programme	94	511
Grants for energy efficiency improvement of family buildings	547	431
PF1 Multi-apartment buildings grants with consecutive grant payments	352	-
Total grants, gross	**3 159**	**68 132**
Impairment allowances	(31)	(936)
Total grants, net	**3 128**	**67 196**

Movement in net book value of grants in 12 months of 2024, in thousands of euros:

	31.12.2024.	31.12.2023.
Carrying amount		
Carrying amount at the beginning of period	68 132	58 716
Grants paid to clients	5 722	47 932
Reclassification to Other assets	(663)	-
Repayment of approved grants from the funding	(70 032)	(38 516)
Carrying amount at the end of period	3 159	68 132
Impairment allowances		
At the beginning of period	(936)	(436)
(Increase) / decrease of provisions	909	(261)
(Increase) of impairment allowances due to changes in off-balance sheet and balance sheet	(4)	(239)
Carrying amount at the end of period	(31)	(936)
Grants net book value at the beginning of the period	**67 196**	**58 280**
Grants net book value at the end of the period	**3 128**	**67 196**

23 Other Investments

Total cost of Other investments on 31 December 2024 was EUR 25,175 thousand (31 December 2023: EUR 23,766 thousand). The total cost of the investment includes the management fees paid to the funds' managers.

All amounts in thousands of euros

	Investments in Baltic Innovation Fund 2		Three Seas Initiatives Investment Fund		Total	
	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.
Carrying amount at the beginning of period	7 739	4 478	17 659	11 263	25 398	15 741
Invested	3 294	3 428	1 832	5 086	5 126	8 514
Refunded	(127)	(167)	(3 590)	-	(3 717)	(167)
Revaluation	637	-	1 599	1 310	2 236	1 310
Net carrying amount at the period	**11 543**	**7 739**	**17 500**	**17 659**	**29 043**	**25 398**

Baltic Innovation Fund 2 (BIF 2) is a EUR 156 million Fund-of-Funds initiative launched by the European Investment Fund (EIF) in co-operation with the Baltic national promotional institutions – KredEx (Estonia), Altum (Latvia) and Invega (Lithuania). BIF 2 continues to sustain investments into private equity and venture capital funds focused on the Baltic States to boost equity investments into SMEs with high growth potential. The Company signed agreement on BIF 2 on 16 August 2019. The total capital committed by the Company to the BIF2 is EUR 26.5 million thus arriving at the ownership rate 16.99% of the total committed capital of the BIF 2 (EUR 156 million).

The Three Seas Initiative Investment Fund is a financial instrument for financing and developing infrastructure projects in 12 countries, including Latvia, aimed at reducing infrastructure development gaps between different European regions. The Three Seas Initiative Investment Fund supports transport, energy and digitalization infrastructure projects in Central and Eastern Europe. The Company signed the subscription agreement on 16 September 2020. The total capital committed by the Company to the Three Seas Initiative Investment Fund is EUR 20 million thus arriving at the ownership rate of 2.15% on 31 December 2024 (31 December 2023: 2.15%) of the total committed capital the Three Seas Initiative Investment Fund (31 December 2024: EUR 928.1 million, 31 December 2023: EUR 928.1 million). The amount of capital investment paid by the Company to the Three Seas Initiative Investment Fund on 31 December 2024 was EUR 14.3 million (31 December 2023: EUR 16.03 million).

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

24 Investments in Associates

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

		Net asset value, VCF		Net asset value, Altum`s share	
Company or venture capital fund generation	**Country of incorporation**	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.
The 2nd generation VCFs	LV	7 503	9 328	5 187	6 534
The 3rd generation VCFs	LV	2 431	5 023	1 199	3 668
The 4th generation VCFs	LV	44 048	35 230	30 099	24 562
AIF “Altum capital fund” [1]	LV	33 515	33 381	16 392	16 327
Baltic Innovation Fund [1]	LU	96 750	92 147	19 350	15 501
Total investments in associates		**184 247**	**175 109**	**72 227**	**66 592**

[1] Investments in associates are carried at fair value through profit or loss (see Note 10). The below provides more information on the associates.

	Total assets		Total liabilities		Profit / (loss)	
	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	2024	2023
Baltcap Latvia Venture Capital Fund (fund is in the process of liquidation)	3 598	3 841	11	6	972	729
Imprimatur Capital Technology Venture Fund (fund is in the process of liquidation)	4 665	6 194	-	-	(1 216)	(1 737)
Imprimatur Capital Seed Fund (fund is in the process of liquidation)	1 974	2 497	-	-	(450)	(124)
FlyCap Mezzanine Fund II	2 306	2 777	-	7	17	170
Expansion Capital fund (fund is in the process of liquidation)	2 552	4 059	187	229	(107)	(413)
ZGI-3 (fund is in the process of liquidation)	-	3 142	-	-	-	713
ZGI-4	18 523	10 750	-	-	4 756	(272)
FlyCap investment Fund	14 636	12 110	7	8	1 616	1 180
INEC 1	6 697	5 133	101	98	(839)	(1 117)
INEC 2	1 911	1 334	41	40	(284)	(475)
Buildit Latvia Pre-Seed Fund	2 439	2 875	-	-	(320)	699
Buildit Latvia Seed Fund	1 770	1 595	11	-	(180)	123
Commercialization Reactor Pre-seed Fund	1 792	2 034	-	-	(188)	(184)
Commercialization Reactor Seed Fund	1 718	1 133	-	4	(78)	(56)
Overkill Ventures Fund I	1 005	1 015	19	6	(51)	36
Overkill Ventures Fund II	2 047	2 206	10	36	(174)	315
Baltic Innovation Fund	N\A	N\A	N\A	N\A	3 875	3 318
KS AIF “Altum capital fund”	33 533	33 399	19	18	2 627	845
Total	**101 166**	**96 094**	**406**	**452**	**6 101**	**432**

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

As at 31 December 2024 the total venture capital fund’s portfolio value at cost value was EUR 72,824 thousand (31 December 2023: EUR 73,690 thousand).

	Investments in venture capital funds		Investments in AIF “Altum capital fund”		Investments in Baltic Innovation Fund		Total	
	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.
Carrying amount at the beginning of period	34 764	33 525	16 327	16 888	15 501	14 232	66 592	64 645
Invested	7 517	8 385	1 482	631	660	1 381	9 659	10 397
Refunded	(3 859)	(7 292)	(2 702)	(1 605)	(1 088)	(423)	(7 649)	(9 320)
Revaluation	(1 937)	146	1 285	413	4 277	311	3 625	870
Net carrying amount at the end of the period	**36 485**	**34 764**	**16 392**	**16 327**	**19 350**	**15 501**	**72 227**	**66 592**

(3) Venture capital funds management fees in the 12 months of 2024, expenses included:

- Management fees for the 4th generation venture capital funds amounted to EUR 798 thousand (12 months of 2023: EUR 1,659 thousand) which were 100% compensated by public funding (see Note 38 (2));
- Management fees for the AIF “Altum capital fund” amounted to EUR 112 thousand (12 months of 2023: EUR 206 thousand).

25 Investment Property

All amounts in thousands of euros

	31.12.2024.	31.12.2023.
Carrying amount at the beginning of period	68 246	53 453
Acquired during the reporting period [1]	21 711	8 879
Additions after Expiry of sale and leaseback agreements	188	-
Sold during the reporting period	(2 308)	(202)
Revaluation gains	5 161	6 487
Revaluation losses	(22)	(371)
Carrying amount at the end of the period	**92 976**	**68 246**

[1] All acquisitions of investment properties made were related to the activities of Latvian Land Fund programme.

Latvian 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 Latvian Land Fund. The Law "On Land Privatisation in Rural Areas" stipulated establishment of Latvian Land Fund. Latvian Land Fund is one of the tools used to ensure that agricultural land is preserved and used for agricultural purposes.

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

The revaluation of Altum's real estate in 2024 was carried out by certified real estate appraisers on the basis of an outsourcing contract resulting from procurement.

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

26 Intangible Assets

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

	31.12.2024.	31.12.2023.
Computer software	946	1 017
Total intangible assets	**946**	**1 017**

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

	31.12.2024.	31.12.2023.
Original cost		
At the beginning of period	3 679	4 899
Additions	192	212
Disposals	(38)	(1 432)
At the end of period ended at 31 December	3 833	3 679
Accumulated amortization		
At the beginning of period	2 662	3 759
Amortization charge	263	327
Disposals	(38)	(1 424)
At the end of period ended at 31 December	2 887	2 662
Net book value at the beginning of period	**1 017**	**1 140**
Net book value as at 31 December	**946**	**1 017**

27 Property, Plant and Equipment

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

	31.12.2024.	31.12.2023.
Property, plant and equipment	3 861	3 929
Right-of-use assets	426	448
Total property, plant and equipment	**4 287**	**4 377**

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

	Land and buildings	Vehicles	Office equipment [1]	Total
Cost at 1 January 2023	5 617	44	5 088	10 749
Accumulated depreciation	(2 077)	(44)	(4 487)	(6 608)
Carrying amount at 1 January 2023	**3 540**	**-**	**601**	**4 141**
Additions	194	1	123	318
Disposals	(126)	(41)	(648)	(815)
Depreciation charge	(219)	41	(285)	(463)
Change in depreciation from disposals	50	-	698	748
Carrying amount at 31 December 2023	**3 439**	**1**	**489**	**3 929**
Cost at 1 January 2024	5 685	4	4 563	10 252
Accumulated depreciation	(2 246)	(3)	(4 074)	(6 323)
Carrying amount at 1 January 2024	**3 439**	**1**	**489**	**3 929**
Additions	216	-	203	419
Disposals	(9)	(4)	(1 979)	(1 992)
Depreciation charge	(221)	-	(256)	(477)
Change in depreciation from disposals	-	3	1 979	1 982
Carrying amount at 31 December 2024	**3 425**	**-**	**436**	**3 861**
Cost at 31 December 2024	5 892	-	2 787	8 679
Accumulated depreciation	(2 467)	-	(2 351)	(4 818)

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

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

	Land and buildings	Vehicles	Total
Cost at 1 January 2023	439	354	793
Accumulated depreciation	(338)	(148)	(486)
Carrying amount at 1 January 2023	**101**	**206**	**307**
Additions	282	54	336
Disposals	(389)	(19)	(408)
Depreciation charge	(125)	(70)	(195)
Change in depreciation from disposals	389	19	408
Cost at 31 December 2023	332	389	721
Accumulated depreciation	(74)	(199)	(273)
Carrying amount at 31 December 2023	**258**	**190**	**448**
Additions	-	122	122
Disposals	(38)	(135)	(173)
Depreciation charge	(67)	(77)	(144)
Change in depreciation from disposals	38	135	173
Cost at 31 December 2024	294	376	670
Accumulated depreciation	(103)	(141)	(244)
Carrying amount at 31 December 2024	**191**	**235**	**426**

28 Other Assets

All amounts in thousands of euros

	31.12.2024.	31.12.2023.
Other financial assets	3 859	5 085
Total other assets, gross	**3 859**	**5 085**
Impairment allowances for financial assets	(922)	(1 163)
Company's share of provisions	*(323)*	*(319)*
Impairment allowances covered by Portfolio Loss Reserve	*(10)*	*(191)*
Provisions covered by risk coverage	*(589)*	*(653)*
Total other financial assets, net	**2 937**	**3 922**

Movement in the net book value of other financial assets in 2024, in thousands of euros:

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
Financial assets				
At the beginning of period	1 023	190	3 872	5 085
Increase (decrease)	(347)	296	(1 175)	(1 226)
At the end of period	676	486	2 697	3 859
Impairment provision				
At the beginning of period	(1 023)	(116)	(24)	(1 163)
Increase (decrease)	347	6	(112)	241
At the end of period	(676)	(110)	(136)	(922)
Net book value at the beginning of period	**-**	**74**	**3 848**	**3 922**
Net book value as the end of period	**-**	**376**	**2 561**	**2 937**

Movement in the net book value of other financial assets in 2023, in thousands of euros:

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
Financial assets				
At the beginning of period	1 869	248	1 414	3 531
Increase (decrease)	(846)	(58)	2 458	1 554
At the end of period	1 023	190	3 872	5 085
Impairment provision				
At the beginning of period	1 869	(151)	(9)	1 709
Increase (decrease)	(2 892)	35	(15)	(2 872)
At the end of period	(1 023)	(116)	(24)	(1 163)
Net book value at the beginning of period	**-**	**97**	**1 405**	**1 502**
Net book value as the end of period	**-**	**74**	**3 848**	**3 922**

29 Deferred Expense

All amounts in thousands of euros

	31.12.2024.	31.12.2023.
Management fees paid in advance to venture capital funds' managers	64	142
Other deferred expense	458	317
Total deferred expense	**522**	**459**

30 Accrued Income

All amounts in thousands of euros

	31.12.2024.	31.12.2023.
Compensation for management expenses of state support programs [1]	723	3 222
Other accrued income	-	640
Total accrued income	**723**	**3 862**

[1] Deferred expense and accrued income with remaining maturity from 1 month to 3 months includes accrued income for compensation of expenses for management of state support programmes in the amount of EUR 2,669 thousand, which were generated and recognized in previous periods, and which will be reduced after receiving approval from the providers of support programmes funding.

31 Due to Credit Institutions

All amounts in thousands of euros

	31.12.2024.	31.12.2023.
Due to credit institutions registered in OECD countries	40 366	32 038
Total due to credit institutions	**40 366**	**32 038**

Balances due to credit institutions registered in the OECD countries represent a loan received by the Company from the European Investment Bank (EIB) of EUR 40,366 thousand (31 December 2023: EUR 32,038 thousand), of which EUR 88 thousand (31 December 2023: EUR 164 thousand) constitutes accrued interest expenses.

On July 8, 2020, the Company signed an agreement with the EIB for a loan of EUR 80,000 thousand to finance working capital and investment loans to small and medium-sized enterprises, including those affected by the Covid-19 pandemic. As at 31 December 2024 the principal amount of the loan was EUR 40,278 thousand (31 December 2023: EUR 28,750 thousand), the final repayment date 20 December 2029. The loan was received in several tranches, with each tranche having its own final repayment date:

Principal amount, in thousands of euros	Final repayment date
3,750	20 May 2025
3,750	11 November 2025
7,778	3 April 2028
25,000	20 December 2029

On 10 December 2021, the Company signed an agreement with the EIB for an additional loan of EUR 40,000 thousand to finance working capital and investment loans to small and medium-sized enterprises, the final availability date of which is 9 December 2025 and which had not yet been drawn down by 31 December 2024. The volume and pace of drawdown under this agreement is subordinated to the further volume of new lending transactions. Both loans are unsecured.

The average interest rate for the balances *Due to credit institutions* as of 31 December 2024 was 2.51% (31 December 2023: 1.82%).

32 Due to General Government entities

All amounts in thousands of euros

	31.12.2024.	31.12.2023.
Loans received from Rural Support Service	1 978	3 311
Loans received from the State Treasury	205 656	171 345
Total due to general governments	**207 634**	**174 656**

Item *Loans from Rural Support Service* includes the financing to the Loan Fund, which was established in 2010 for the purpose to issue the loans to the agricultural and fisheries beneficiaries via financial intermediaries. As of 31 December 2024, the Company liabilities to Rural Support Service consist of the principal amount of EUR 1,748 thousand (31 December 2023: EUR 3,072 thousand) and accrued interest – EUR 230 thousand (31 December 2023: EUR 240 thousand). The final repayment date is 31 December 2025. The loan from Rural Support Service is unsecured.

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

- Loan programme for acquisition of agricultural land: as of 31 December 2024, the principal amount of the loan EUR 93,291 thousand (31 December 2023: EUR 87,636 thousand), the final repayment date 20 January 2058. Collateral given is a commercial pledge to the right of the Company's claims resulting from loans granted by the Company under the programme. As of 31 December 2024, according to the loan agreement the Company has further available financing in the amount of EUR 6,709 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As of 31 December 2024, the amount of the secured claim was EUR 111,962 thousand (31 December 2023: EUR 105,175 thousand).

- Loan programme for SME development: as of 31 December 2024, the principal amount of the loan EUR 59,047 thousand (31 December 2023: EUR 64,617 thousand), the final repayment date 20 December 2043. Collateral given is a commercial pledge to the right of the Company's claims resulting from loans granted by the Company under the programme. As of 31 December 2024, according to the loan agreement the Company still has further financing available in the amount of EUR 50,953 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As of 31 December 2024, the amount of the secured claim was EUR 70,862 thousand (31 December 2023: EUR 77,547 thousand).

- Parallel loan programme: as of 31 December 2024, the principal amount of the loan EUR 4,600 thousand (31 December 2023: EUR 4,600 thousand), the final repayment date 20 January 2039. Collateral given is a commercial pledge to the right of the Company's claims resulting from loans granted by the Company under the programme. As of 31 December 2024, according to the loan agreement the Company still has further financing available in the amount of EUR 15,400 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As of 31 December 2024, the amount of the secured claim was EUR 5,524 thousand (31 December 2023: EUR 5,524 thousand).
- Micro Loans Programme for Rural Areas: as of 31 December 2024, the principal amount of the loan EUR 1,386 thousand (31 December 2023: EUR 1,733 thousand), the final repayment date 31 January 2039. Collateral given is a commercial pledge to the right of the Company's claims resulting from loans granted by the Company under the programme. As of 31 December 2024, according to the loan agreement the Company still has further financing available in the amount of EUR 4,614 thousand, the size and pace of the drawdown the loan relates to the further volume of new loan transactions. As of 31 December 2024, the amount of the secured claim was EUR 1,664 thousand (31 December 2023: EUR 2,080 thousand).

32 Due to General Government entities (cont'd)

- Latvian Land Fund (the financing for the Fund's transactions): the loan amount has been used in 2020 and as of 31 December 2024 the principal amount of the loan EUR 5,668 thousand (31 December 2023: EUR 7,085 thousand), the final repayment date 29 December 2028. Collateral given is a mortgage on the real estate purchased with the financing received under the loan. As of 31 December 2024, the value of the collateral was EUR 10,451 thousand (31 December 2023: EUR 9,261 thousand).
- Loan programme for reconstruction works of multi-apartment buildings and improvement of their territories: as of 31 December 2024, the principal amount of the loan EUR 11,770 thousand (31 December 2023: EUR 5,654 thousand), the final repayment date 20 January 2044. Collateral given is a commercial pledge to the right of the Company's claims resulting from loans granted by the Company under the programme. As of 31 December 2024, according to the loan agreement the Company still has further financing available in the amount of EUR 18,230 thousand, the size and pace of the drawdown the loan relates to the further volume of new loan transactions. As of 31 December 2024, the amount of the secured claim was EUR 14,125 thousand (31 December 2023: EUR 6,786 thousand).
- Working capital loan programme for farmers: as of 31 December 2024, the principal amount of the loan EUR 9,477 thousand (31 December 2023: 0), the final repayment date 30 June 2031. Collateral given is a commercial pledge to the right of the Company's claims resulting from loans granted by the Company under the programme. As of 31 December 2024, according to the loan agreement the Company still has further financing available in the amount of EUR 16,135 thousand, the size and pace of the drawdown the loan relates to the further volume of new loan transactions. As of 31 December 2024, the amount of the secured claim was EUR 11,374 thousand (31 December 2023: 0).
- Latvian Land Fund: a new loan agreement was concluded on November 1, 2024, which is used to finance the fund's transactions, as of 31 December 2024 the principal amount of the loan EUR 20,417 thousand, the final repayment date 20 July 2041. Collateral given is a commercial pledge to the right of the Company's claims resulting from transactions carried out by the fund. As of 31 December 2024, according to the loan agreement the Company still has further financing available in the amount of EUR 64,583 thousand, the size and pace of the drawdown the loan relates to the further volume of new loan transactions. As of 31 December 2024, the amount of the secured claim was EUR 24,502 thousand

As of 31 December 2024, the accrued interest on the loans received from the Treasury amounts to EUR 22 thousand (31 December 2023: EUR 20 thousand). The average interest rate for the *Loans received from the Treasury* as of 31 December 2024 was 3.76% (31 December 2023: 4.33%).

The Company has also concluded the following loan agreements with the Treasury, the use of which has not been started by 31 December 2024:

- Micro Loans and Start-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.

33 Liabilities from financial guarantees

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

	31.12.2024.	31.12.2023.
Provisions at the beginning of the period	47 319	45 852
Increase in provisions	2 298	4 477
Impairment losses covered by Risk Coverage Reserve	16 436	14 053
Decrease in provisions	(2 917)	(5 419)
Reversal of impairment covered by Risk Coverage Reserve	(12 463)	(10 351)
Reclassification (Disbursed guarantee)	(655)	(1 018)
Compensation for guarantee premium	(735)	-
Fair value component - guarantee premiums	(21)	(275)
Provisions at the end of the period	**49 262**	**47 319**
Fair value component - guarantee premiums	*3 738*	*3 759*
Company's share of provisions	*305*	*1 649*
Provisions covered by Portfolio Loss Reserve	*6 862*	*6 907*
Provisions covered by Risk Coverage Reserve	*38 357*	*35 004*

34 Other Liabilities

All amounts in thousands of euros

	31.12.2024.	31.12.2023.
Due to customers	1 751	1 446
Other liabilities	3 702	2 920
Total other liabilities	**5 453**	**4 366**

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

35 Accrued Expense

All amounts in thousands of euros

	31.12.2024.	31.12.2023.
Accrued expenses for unused vacation	345	419
Accrued tax	262	247
Accrued expenses for services received	46	63
Audit services	132	126
Other accrued expenses	-	1
Total accrued expense	**785**	**856**

36 Deferred income

All amounts in thousands of euros

	31.12.2024.	31.12.2023.
Deferred changes in fair value of the loan portion of loans with a capital rebate [1]	5 416	-
Other accrued income	23	972
Total accrued income	**5 439**	**972**

[1] For details regarding Deferred changes in the fair value of the loan portion of Loans with a capital rebate, that are deferred, see Note 12.

37 Provisions for off-balance sheet liabilities

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

	31.12.2024.	31.12.2023.
Provisions for loan commitments	554	319
Company's share of provisions	*11*	*43*
Provisions covered by Portfolio Loss Reserve	*-*	*29*
Provisions covered by Risk Coverage Reserve	*543*	*247*
Provisions for grant commitments	55	25
Company's share of provisions	*55*	*25*
Total provisions	**609**	**344**
Company's share of provisions	*66*	*68*
Provisions covered by Portfolio Loss Reserve	*-*	*29*
Provisions covered by Risk Coverage Reserve	*543*	*247*

38 Support programme funding

(1) The Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Company's credit risk losses as at 31 December 2024, in thousands of euros:

Financial Instrument / Programme	Programme funding	Of which, Risk Coverage Reserve	Of which, committed liability for reserved capital rebate	Programme funding fair Value Correction	Provisions covered by Risk Coverage Reserve	Net programme funding
Loans						
ERDF II	6 275	-	-	-	-	6 275
ESF II	897	-	-	-	-	897
Microcredits of Swiss programme (closed programme)	335	-	-	-	-	335
ERDF I	33	-	-	-	-	33
ESF I	154	-	-	-	-	154
ERDF II (second round)	1 199	5	-	-	-	1 199
ERDF II 2 Public fund	226	-	-	-	-	226
Fund of Funds programme – Start-up loans	2 635	411	-	(38)	(37)	2 560
Fund of Funds programme – Microcredits	292	3	-	(1)	-	291
Fund of Funds programme – Parallel loans	4 012	1 877	-	(259)	(431)	3 322
Energy Efficiency Loans for Multi-apartment Buildings (I)	17 351	15 842	-	(327)	(178)	16 846
Start-up State Aid Cumulation Lending Programme	1 886	1 886	-	(615)	(230)	1 041
Other loans to start-ups	320	2	-	-	-	320
Mezzanine Programme – Loans	3 609	3 536	-	-	(621)	2 988
Guarantees and interest grants programme	4 287	4 287	-	(1 201)	-	3 086
SME energy efficiency loans	3 723	3 723	-	(74)	(1 005)	2 644
SME growth loans	3 000	3 000	-	(346)	(349)	2 305
ERAF SME growth loans	23 045	1 383	-	-	(995)	22 050
ERAF loans for business sustainability	23 732	5 162	-	-	(963)	22 769
Parallel loans	2 000	2 000	-	(159)	(117)	1 724
Parallel loans 2	3 548	1 313	-	-	(513)	3 035
Loans for enterprises in rural territories	9 298	9 298	-	(270)	(146)	8 882
Start-up loans to innovative entrepreneurs	7 781	1 556	-	-	(224)	7 557
Multi-apartment building improvement loans	4 500	4 500	-	(44)	(73)	4 383
Energy Efficiency Loans for Multi-apartment Buildings (II)	9 125	510	-	-	(47)	9 078
Cultural industry support programme [2]	245	-	-	-	-	245
ELFLA Agricultural and rural development loans	18 432	4 424	-	-	(154)	18 278
Working capital loans to Agriculture	12 535	11 051	-	(239)	(682)	11 614
Co-funding loans for the construction of affordable housing	2 611	338	-	-	(278)	2 333
RRF energy efficiency loans[1]	32 257	5 257	-	-	-	32 257
RRF digitization loans[1]	31 817	6 123	-	-	-	31 817
RRF Energy Efficiency Loans for Multi-apartment Buildings[1]	17 611	1 148	-	-	-	17 611
RRF housing construction loans[1]	40 022	4 615	-	-	-	40 022
Investment Loans with capital rebate [1]	129 455	10 667	-	(88)	-	129 367
Investment Loans with capital rebate – co-funding loans	33 511	2 334	-	-	-	33 511
Loans for sustainability	1 000	1 000	-	(222)	(42)	736
PF1 Start-up and Micro ERDF loans	9 299	1 128	-	-	(330)	8 969
PF1 Productivity growth loans	14 200	2 080	-	-	(103)	14 097
PF1 Business sustainability loans	8 725	1 288	-	-	(122)	8 603
PF1 Innovation loans	8 474	1 258	-	-	-	8 474
Total loans	**493 457**	**113 005**	**-**	**(3 883)**	**(7 640)**	**481 934**

38 Support programme funding (cont'd)

(1) The Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Company's credit risk losses as at 31 December 2024, in thousands of euros (cont'd):

Financial Instrument / Programme	Programme funding	Of which, Risk Coverage Reserve	Of which, committed liability for reserved capital rebate	Programme funding fair Value Correction	Provisions covered by Risk Coverage Reserve	Net programme funding
Guarantees						
Fund of Funds programme – Guarantees	45 870	45 870	-	-	(7 610)	38 260
Energy Efficiency Guarantees for Multi-apartment Buildings	12 083	10 492	-	-	(1 289)	10 794
Housing Guarantee Programme	29 672	29 672	-	(2 545)	(18 360)	8 767
Housing Guarantee Programme for NAF soldiers	1 061	1 061	-	(571)	(490)	-
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	8 753	8 753	-	(1 424)	(1 471)	5 858
Mezzanine Programme – Guarantees	1 158	1 135	-	-	(186)	972
Portfolio Guarantee Fund	9 394	8 594	-	(1 252)	(3 408)	4 734
Export credit guarantees	5 199	5 199	-	(1 305)	(391)	3 503
Study and student portfolio guarantees [3]	794	-	-	-	-	794
Agricultural Guarantees	1 388	1 388	-	(495)	(893)	-
ELFLA Agricultural and rural development guarantees	984	984	-	-	(228)	756
RRM energy car guarantees	1 504	128	319	-	(14)	1 490
RRM Energy efficiency guarantees for multi-apartment buildings [1]	11 092	555	9 898	-	(297)	10 795
PF1 Individual guarantees for digitalisation and automation	1 460	649	-	-	(11)	1 449
PF1 Guarantees for full-cycle business	11 374	5 065	-	-	(4 297)	7 077
PF1 Portfolio guarantees for full-cycle business	2 838	1 262	-	-	-	2 838
Total guarantees	**144 624**	**120 807**	**10 217**	**(7 592)**	**(38 945)**	**98 087**
Grants						
Energy Efficiency Grants for Multi-apartment Buildings	6	-	-	-	-	6
Housing grant programme "Balsts"	4 704	-	-	-	-	4 704
Grants for energy efficiency improvement of family buildings	809	-	-	-	-	809
Social Entrepreneurship Programme II	586	-	-	-	-	586
Energy efficiency project grant	846	-	-	-	-	846
Grants for improving energy efficiency of family buildings	543	-	-	-	-	543
PF1 Multi-apartment buildings grants with consecutive grant payments	294	-	-	-	-	294
Total grants	**7 788**	**-**	**-**	**-**	**-**	**7 788**
Venture Capital Funds						
Fund of Funds and venture capital funds	36 251	18 011	-	-	-	36 251
Investment Fund Activity	7 036	6 333	-	-	-	7 036
Baltic Innovation Fund	1 956	587	-	(182)	-	1 774
Baltic Innovation Fund II	2 531	759	-	(148)	-	2 383
PF1 Contingent equity investments (5G)	25 656	9 819	-	-	-	25 656
Total venture capital funds	**73 430**	**35 509**	**-**	**(330)**	**-**	**73 100**
Other Activities						
Energy Efficiency Fund	6	-	-	-	-	6
Total other activities	**6**	**-**	**-**	**-**	**-**	**6**
2021-2027 Participation fund No 1	3 341	-	-	-	-	3 341
Total support programme funding	**722 646**	**269 321**	**10 217**	**(11 805)**	**(46 585)**	**664 256**

[1] Combined financial instrument.

[2] Risk coverage (Portfolio Loss Reserve) of EUR 810 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.

[3] Risk coverage (Portfolio Loss Reserve) of EUR 5,610 thousand has been included in the reserve, which is part of the specific reserves attributable to support programs (see Note 38 (2))

38 Support programme funding (cont'd)

(1) The Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Company's credit risk losses as at 31 December 2023, in thousands of euros:

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

38 Support programme funding (cont'd)

(1) The Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Company's credit risk losses as at 31 December 2023, in thousands of euros (cont'd):

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

[1] Combined financial instrument.

[2] Combined financial instrument. On 5 July 2021, risk coverage (Portfolio Loss Reserve) of EUR 788 thousand has been included in the reserve for mitigation of the consequences of Covid-19, which is part of the specific reserves attributable to support programs.

[3] Risk coverage (Portfolio Loss Reserve) of EUR 1,402 thousand has been included in the reserve, which is part of the specific reserves attributable to support programs (see Note 38 (2))

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

38 Support programme funding (cont'd)

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

(2) Movement in the Company's support programme funding in 12 months of 2024, in thousands of euros:

Financial Instrument / Programme	Financing, net	Financing received	Reallo-cated funding between program-mes	Compen-sated grants/ capital rebate	Compen-sated income and expense	Change in FV of Venture capital / Capital rebate	Programmes' income/ profit distri-bution	Other changes	Changes in provi-sions covered by Risk Coverage Reserve	Financing, net
	31.12.2023.									31.12.2024.
Loans										
ERDF II	8 301	-	(2 028)	-	-	-	2	-	-	6 275
ESF II	860	-	-	-	-	-	37	-	-	897
Microcredits of Swiss programme (closed programme)	563	-	(225)	-	-	-	-	(5)	2	335
ERDF I	234	-	-	-	-	-	(201)	-	-	33
ESF I	236	-	-	-	-	-	(82)	-	-	154
ERDF II (second round)	2 245	-	(1 050)	-	-	-	10	(13)	7	1 199
Incubators (from ESF II)	82	-	(82)	-	-	-	-	-	-	-
ERDF II 2 Public fund	226	-	-	-	-	-	-	-	-	226
Fund of Funds programme – Start-up loans	2 510	-	-	-	-	-	-	12	38	2 560
Fund of Funds programme – Microcredits	288	-	-	-	-	-	-	2	1	291
Fund of Funds programme – Parallel loans	2 965	-	-	-	-	-	-	(143)	500	3 322
Energy Efficiency Loans for Multi-apartment Buildings (I)	19 055	-	(2 552)	-	(55)	-	559	(189)	28	16 846
Start-up State Aid Cumulation Lending Programme	1 004	-	-	-	-	-	-	(5)	42	1 041
Other loans to start-ups	1 757	-	(1 450)	-	-	-	13	(1)	1	320
Mezzanine Programme – Loans	3 035	-	(129)	-	(41)	-	150	-	(27)	2 988
Guarantees and interest grants programme	3 112	-	-	-	-	-	-	(26)	-	3 086
SME energy efficiency loans	2 263	-	-	-	-	-	-	35	346	2 644
SME growth loans	-	-	3 000	-	-	-	-	(346)	(349)	2 305
ERDF SME growth loans	21 491	-	1 090	-	(45)	-	-	-	(486)	22 050
ERDF loans for business sustainability	24 739	-	(2 047)	-	(85)	-	-	-	162	22 769
Parallel loans	1 757	-	-	-	-	-	-	(116)	83	1 724
Parallel loans 2	3 015	-	-	-	(5)	-	-	-	25	3 035
Loans for enterprises in rural territories	7 080	2 900	(1 410)	-	-	-	-	330	(18)	8 882
Start-up loans to innovative entrepreneurs	7 759	-	(231)	-	(5)	-	-	-	34	7 557
Multi-apartment building improvement loans	854	-	3 500	-	-	-	-	53	(24)	4 383
Energy Efficiency Loans for Multi-apartment Buildings (II)	13 882	-	(4 597)	-	(560)	-	343	-	10	9 078

38 Support programme funding (cont'd)

(2) Movement in the Company's support programme funding in 12 months of 2024, in thousands of euros: (cont'd)

Financial Instrument / Programme	Financing, net	Financing received	Reallocated funding between programmes	Compen-sated grants/ capital rebate	Compen-sated income and expense	Change in FV of Venture capital / Capital rebate	Programmes' income/ profit distri-bution	Other changes	Changes in provi-sions covered by Risk Coverage Reserve	Financing, net
	31.12.2023.									31.12.2024.
Cultural industry support programme [1]	300	-	108	-	(32)	-	-	(131)	-	245
ELFLA Agricultural and rural development loans	11 891	6 000	500	-	(493)	-	450	-	(70)	18 278
Working capital loans to agriculture [2]	-	10 134	2 910	-	(509)	-	-	(239)	(682)	11 614
Co-funding loans for the construction of affordable housing	-	-	2 611	-	-	-	-	-	(278)	2 333
RRF energy efficiency loans[1]	21 340	24 176	-	(4 803)	(329)	(8 535)	307	101	-	32 257
RRF digitization loans[1]	13 573	31 600	-	(5 176)	-	(8 491)	326	(15)	-	31 817
RRF Energy Efficiency Loans for Multi-apartment Buildings[1]	17 185	17 185	(12 385)	(442)	(1 395)	(2 637)	100	-	-	17 611
RRF housing construction loans[1]	12 791	30 030	-	-	-	(2 802)	3	-	-	40 022
Investment Loans with capital rebate	127 739	55 000	(21 011)	-	-	(31 599)	-	(762)	-	129 367
Investment Loans with capital rebate – co-funding loans	-	12 500	21 011	-	-	-	-	-	-	33 511
Loans for sustainability	-	-	1 000	-	-	-	-	(222)	(42)	736
PF1 Start-up and Micro ERDF loans	4 699	-	4 718	-	(317)	-	199	-	(330)	8 969
PF1 Productivity growth loans	-	-	14 404	-	(395)	-	191	-	(103)	14 097
PF1 Business sustainability loans	-	-	8 755	-	(84)	-	54	-	(122)	8 603
PF1 Innovation loans	-	-	8 484	-	(10)	-	-	-	-	8 474
Advance payment 2021-2027 in the Participation Fund No 1 loan segment	15 424	-	(15 424)	-	-	-	-	-	-	-
Total loans	**354 255**	**189 525**	**7 470**	**(10 421)[7]**	**(4 360)**	**(54 064)**	**2 461**	**(1 680)**	**(1 252)**	**481 934**

38 Support programme funding (cont'd)

(2) Movement in the Company's support programme funding in 12 months of 2024, in thousands of euros: (cont'd)

Financial Instrument / Programme	Financing, net	Financing received	Reallocated funding between programmes	Compen-sated grants/ capital rebate	Compen-sated income and expense	Change in FV of Venture capital / Capital rebate	Programmes' income/ profit distri-bution	Other changes	Changes in provi-sions covered by Risk Coverage Reserve	Financing, net
	31.12.2023.									31.12.2024.
Guarantees										
Fund of Funds programme - Guarantees	38 422	-	(2 177)	-	(285)	-	-	(31)	2 331	38 260
Energy Efficiency Guarantees for Multi-apartment Buildings	6 808	-	3 649	-	(146)	-	353	-	130	10 794
Housing Guarantee Programme	5 645	3 538	-	-	-	-	-	(73)	(343)	8 767
Housing Guarantee Programme for NAF soldiers	92	549	-	-	-	-	-	(466)	(175)	-
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	5 430	-	-	-	-	-	-	1 105	(677)	5 858
Mezzanine Programme - Guarantees	834	-	129	-	(13)	-	8	-	14	972
Portfolio Guarantee Fund	4 529	-	-	-	(69)	-	-	279	(5)	4 734
Export credit guarantees	4 032	-	-	-	-	-	-	(590)	61	3 503
Study and student portfolio guarantees	729	-	120	-	(55)	-	-	-	-	794
Agricultural Guarantees	141	-	-	-	-	-	-	(186)	45	-
ELFLA Agricultural and rural development guarantees	2 832	-	(2 000)	-	(19)	-	6	-	(63)	756
RRM energy car guarantees	1 500	-	-	(5)	-	-	9	-	(14)	1 490
RRM Multi-apartment building energy efficiency guarantees	-	-	12 385	(10)	(1 284)	-	-	1	(297)	10 795
PF1 Individual guarantees for digitalisation and automation	1 480	-	(33)	-	(11)	-	24	-	(11)	1 449
PF1 Guarantees for full-cycle business	402	-	11 085	-	(285)	-	172	-	(4 297)	7 077
PF1 Portfolio guarantees for full-cycle business	2 961	-	(148)	-	(21)	-	46	-	-	2 838
Advance payment 2021-2027 in the Participation Fund No 1 guarantee segment	9 961	-	(9 961)	-	-	-	-	-	-	-
Total guarantees	**85 798**	**4 087**	**13 049**	**(15)**	**(2 188)**	**-**	**618**	**39**	**(3 301)**	**98 087**

38 Support programme funding (cont'd)

(2) Movement in the Company's support programme funding in 12 months of 2024, in thousands of euros: (cont'd)

Financial Instrument / Programme	Financing, net	Financing received	Reallocated funding between programmes	Compensated grants/ capital rebate	Compensated income and expense	Change in FV of Venture capital / Capital rebate	Programmes' income/ profit distribution	Other changes	Changes in provisions covered by Risk Coverage Reserve	Financing, net
	31.12.2023.									31.12.2024.
Grants										
Energy Efficiency Grants for Multi-apartment Buildings	65 094	45	-	(64 556)	(305)	-	-	(272)	-	6
Housing grant programme "Balsts"	4 828	3 600	-	(3 724)	-	-	-	-	-	4 704
Grants for energy efficiency improvement of family buildings [1]	1 450	-	225	(457)	(409)	-	-	-	-	809
Social Entrepreneurship Programme	511	-	-	(511)	-	-	-	-	-	-
Social Entrepreneurship Programme II	-	877	-	(130)	(161)	-	-	-	-	586
Energy efficiency grants for enterprises 2 RRM	503	608	-	(96)	(169)	-	-	-	-	846
Grants for improving energy efficiency of family buildings	1 164	-	-	(508)	(113)	-	-	-	-	543
Grants for Cultural industry support [1]	108	-	(108)	-	-	-	-	-	-	-
PF1 Multi-apartment Buildings grants with consecutive grant payments	-	581	-	(50)	(237)	-	-	-	-	294
Total grants	**73 658**	**5 711**	**117**	**(70 032)**	**(1 394)**	**-**	**-**	**(272)**	**-**	**7 788**
Venture Capital Funds										
Fund of Funds and venture capital funds	33 597	-	1 365	-	(2 146)[3]	(523)	5 632 [4]	(1 674)	-	36 251
Investment Fund Activity	5 936	-	-	-	(59)	(1 414)	2 133 [5]	394	46	7 036
Baltic Innovation Fund	1 560	-	-	-	(44)	-	-	258	-	1 774
Baltic Innovation Fund II	1 177	-	-	-	(42)	-	-	1 248	-	2 383
PF1 Contingent equity investments (5G)	-	-	25 608	-	(45)	-	93	-	-	25 656
Advance payment 2021-2027 in the Participation fund No 1 venture capital funds segment	15 654	-	(15 654)	-	-	-	-	-	-	-
Total venture capital funds	**57 924**	**-**	**11 319**	**-**	**(2 336)**	**(1 937)**	**7 858**	**226**	**46**	**73 100**
Other Activities										
Energy Efficiency Fund	38	-	-	-	(32)	-	-	-	-	6
Regional Creative Industries Alliance	-	274	-	(243)	(31)	-	-	-	-	-
Total other activities	**38**	**274**	**-**	**(243)**	**(63)**	**-**	**-**	**-**	**-**	**6**
2021-2027 Participation fund No 1	-	35 849	(31 835)	-	(673)	-	-	-	-	3 341
Funding allocated to increase reserve capital	8 976	2 925	(120)	-	-	-	-	(11 781)	-	-
Total support programme funding	**580 649**	**238 371**	**-**	**(80 711)**	**(11 014)**	**(56 001)**	**10 937**	**(13 468)**	**(4 507)**	**664 256**

[1] Combined financial instrument.
[2] include EUR 5,788 thousand reallocated funding from the special reserve capital (Note 41)
[3] include EUR 798 thousand management fees for the 4th generation venture capital funds.
[4] include EUR 1,027 thousand mezzanine interest received in 12 months of 2024 (see Note 11).
[5] include EUR 800 thousand mezzanine interest received and EUR 1,333 thousand net profit on investments in 2nd and 3rd generation venture capital funds in 12 months of 2024.
[6] The received public funding to finance the issued loans with capital rebate are measured at fair value. After measurement of the fair value of the said public funding, the difference between the received financing nominal value and its the fair value is classified as grant following IAS 20 requirements, see more in Note 21 *Loans with capital rebate*. The said grant is recognised in profit and loss statement at full amount to cover the loss on change in fair value of respective asset – loan with capital rebate. As a consequence the said grant amounting EUR 54 million has been recognised as income in the financial statements for the year 2024 (see Note 12).
[7] See Note 21 *Loans with capital rebate*

39 Issued Debt Securities

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

All amounts in thousands of euros

ISIN	Currency	Number of initially issued securities	Par Value	Date of issuance	Maturity Date	Discount / Coupon Rate	31.12.2024.	31.12.2023.
LV0000802353	EUR	20 000	1 000	17.10.2017	17.10.2024	1.37%	-	20 031
LV0000880037	EUR	10 000	1 000	07.03.2018	07.03.2025	1.30%	10 106	10 098
LV0000880037	EUR	15 000	1 000	05.06.2019	07.03.2025	1.30%	15 172	15 224
LV0000880037	EUR	20 000	1 000	15.04.2020	07.03.2025	1.30%	20 213	20 192
LV0000870095	EUR	20 000	1 000	08.10.2021	08.10.2026	0.44%	20 000	19 988
Total issued debt securities at the end of period ended 31 December							**65 491**	**85 533**

Proceeds of Green bonds are used to support sustainable projects in Latvia, while providing the Company capacity to diversify the Company's funding sources and contribute to development of the Baltic Bond market.

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

For further details on Green Bond Framework 2017 and 2021 and respective second party opinions issued by CICERO see https://www.altum.lv/investoriem/obligacijas/programma-17-7-gadu-zalas-obligacijas/par-zalajam-obligacijam/. For Investor report on Altum Green Bonds see https://www.altum.lv/wp-content/uploads/2024/09/ALTUM_Green-Bonds-Investor-report-30-June-2024-1.pdf

On October 17, 2024, the Green Bonds were redeemed at maturity, as a result the nominal value of the bonds issued at the end of the reporting period total EUR 65 million.

Movements in issued debt securities, in thousands of euros:

	31.12.2024.	31.12.2023.
At the beginning of period	85 533	85 513
Redemption of bonds	(20 000)	-
Accrued coupon	879	933
Coupon pay-out	(933)	(933)
Discount amortisation	(33)	(30)
Commission amortisation	45	50
Total issued debt securities at the end of period	**65 491**	**85 533**

Information about bondholders structure according to holders groups and total number of bondholders:

Bondholders group	**Number**		**%**	
	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.
Pension funds and investment funds	45	34	42%	61%
Financial institutions	9	8	8%	15%
Other legal entities	7	3	7%	5%
Insurance companies	8	8	8%	15%
Private individuals	37	2	35%	4%
Total	**106**	**55**	**100%**	**100%**

40 Share capital

All amounts in thousands of euros

	Quantity		Carrying amount	
	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.
Fully paid share capital				
Ordinary shares	211 033	204 862	211 033	204 862
Total fully paid share capital	**211 033**	**204 862**	**211 033**	**204 862**

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

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

In accordance with the decision of the Shareholders' Meeting of 30 October 2023, and in compliance with the Cabinet of Ministers' Order of 12 December 2023, an increase in Altum's share capital was registered in the Register of Companies on 3 January 2024. The share capital was increased by EUR 6 171 062, setting the amount of the share capital after the increase at EUR 211 033 395, consisting of 211 033 395 shares.

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

For more information see Note 1 (1).

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

41 Reserves

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

	Specific reserves for support programmes	Other specific reserves-difference recognised in reorganisation reserve	General reserve capital	Total reserves
Reserves as of 1 January 2023	**141 707**	**(15 935)**	**54 364**	**180 136**
Increase of reserve capital	2 839	-	-	2 839
Increase of Specific Reserves from General reserve capital at distribution of the profit for year 2022	64	-	(64)	-
Reduction of Specific Reserves from General reserve capital at distribution of the profit for year 2022	(5 310)	-	5 310	-
Decrease of reserve capital	(27 500)	-	-	(27 500)
2022 profit of the Company	-	-	11 484	11 484
Reallocation of general reserves to specific reserves attributable to support programmes	13 829	-	(13 829)	-
Reserves as of 31 December 2023	**125 629**	**(15 935)**	**57 265**	**166 959**
Increase of reserve capital	7 384	-	-	7 384
Reduction of reserve capital due to increased funding of Support Programmes	(18 288)	-	-	(18 288)
Increase of Specific Reserves from General reserve capital at distribution of the profit for year 2023	2 821	-	(2 821)	-
Reduction of Specific Reserves from General reserve capital at distribution of the profit for year 2023	(2 768)	-	2 768	-
2023 profit of the Company	-	-	17 810	17 810
Reserves as of 31 December 2024	**114 778**	**(15 935)**	**75 022**	**173 865**

41 Reserves (cont'd)

(2) Breakdown of the Company's "Specific reserves for support programmes", in thousands of euros:

	Reserve capital for non-Covid-19 guarantees programmes							**Reserve capital for mitigating of impact of Covid-19**		**Reserve capital for AIF "Altum capital fund"**	**Total specific reserves for support programmes**
	Housing Guarantee Programme	Study and student portfolio guarantees	Guarantees for agriculture, fisheries and rural development	Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	Loans for mitigating the consequences of the Ukrainian war	Guarantees for mitigating the consequences of the Ukrainian war	Baltic SME Initial Public Offering Fund	Working capital loans	Loan holiday guarantees		
Specific reserves as of 1 January 2023	**19 138**	**3 308**	**5 788**	**4 500**	**-**	**-**	**-**	**56 465**	**28 130**	**24 378**	**141 707**
of which:											
Portfolio Loss Reserve (Specific Reserves)	*19 138*	*3 308*	*5 788*	*4 500*	*-*	*-*	*-*	*40 702*	*28 130*	*8 413*	*109 979*
Increase of specific reserves	2 839	-	-	-	-	-	-	-	-	-	2 839
Increase of Specific Reserves from General reserve capital at distribution of the profit for year 2022	-	-	-	-	-	-	-	-	64	-	64
Reduction of Specific Reserves from General reserve capital at distribution of the profit for year 2022	-	(1 906)	-	(482)	-	-	-	(1 914)	(537)	(471)	(5 310)
Reserve capital redistribution	-	-	-	-	21 500	12 500	-	(21 500)	(12 500)	-	-
Decrease of reserve capital, directing funds to risk coverage of program Loans with capital discount	-	-	-	-	-	-	-	(17 500)	(10 000)	-	(27 500)
Reallocation of general reserves to specific reserves attributable to support programmes	-	-	-	-	-	-	13 829	-	-	-	13 829
Specific reserves as of 31 December 2023	**21 977**	**1 402**	**5 788**	**4 018**	**21 500**	**12 500**	**13 829**	**15 551**	**5 157**	**23 907**	**125 629**
of which:											
Portfolio Loss Reserve (Specific Reserves)	*21 977*	*1 402*	*5 788*	*4 018*	*21 234*	*12 500*	*1 018*	*15 551*	*5 157*	*7 942*	*96 587*

41 Reserves (cont'd)

(2) Breakdown of the Company's "Specific reserves for support programmes", in thousands of euros (cont'd):

	Reserve capital for non-Covid-19 guarantees programmes							Reserve capital for mitigating of impact of Covid-19		Reserve capital for AIF "Altum capital fund"	Total specific reserves for support programmes
	Housing Guarantee Programme	Study and student portfolio guarantees	Guarantees for agriculture, fisheries and rural development	Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	Loans for mitigating the consequences of the Ukrainian war	Guarantees for mitigating the consequences of the Ukrainian war	Baltic SME Initial Public Offering Fund	Working capital loans	Loan holiday guarantees		
Increase of reserve capital	1 774	5 610	-	-	-	-	-	-	-	-	7 384
Reduction of reserve capital due to increased funding of Support Programmes	-	-	(5 788)	-	-	(12 500)	-	-	-	-	(18 288)
Increase of Specific Reserves from General reserve capital at distribution of the profit for year 2023	-	-	-	-	-	-	-	717	2 030	73	2 820
Reduction of Specific Reserves from General reserve capital at distribution of the profit for year 2023	-	(1 402)	-	(718)	(647)	-	-	-	-	-	(2 767)
Specific reserves as of 31 December 2024	**23 751**	**5 610**	**-**	**3 300**	**20 853**	**-**	**13 829**	**16 268**	**7 187**	**23 980**	**114 778**
of which:											
Portfolio Loss Reserve (Specific Reserves)	*23 751*	*5 610*	*-*	*3 300*	*20 587*	*-*	*1 018*	*16 268*	*7 187*	*8 015*	*85 736*

The item Reserve capital for non-Covid-19 programs includes an increase in the special reserve capital in 2024 for Portfolio Guarantees for Studies and Students for the total amount of EUR 5,610 thousand in accordance with the decision of the Extraordinary Shareholders' Meeting of 28 June 2024, which has been taken on the basis of the Cabinet Regulation No.231 of 21 April 2020 Regulations regarding Loans for Studies and Students for Studying in Latvia from the Resources of Credit Institutions Guaranteed by the State Budget's Resources, and the Agreement of 10 August 2020 (with amendments of 14 December 2023) concluded with the Ministry of Education and Science regarding funding, implementation, co-operation, monitoring and information exchange of the Guarantee Program for Studies and Student Loans.

Item Reserve capital for non-Covid-19 programs includes reduction of the special reserve capital for the program Guarantees for Agriculture, Fisheries and Rural Development for the total amount of EUR 5,788 thousand that increases the financing of support programs in accordance with the decision of the Extraordinary Shareholders' Meeting of 29 April 2024, which was taken on the basis of the Cabinet Order No.737 of 8 November 2023 On Use of the Funding Granted to the Joint Stock Company Development Financial institution Altum (Minutes No.56 § 22) and the agreement of 18 December 2023 concluded with the Ministry of Agriculture On Granting of Loans for Funding of Working Capital in the Agriculture, Forestry, Fisheries and Aquaculture Sectors.

41 Reserves (cont'd)

(2) Breakdown of the Company's "Specific reserves for support programmes", in thousands of euros (cont'd)**:**

The reallocation of the funds resulting from the reduction in the specific capital reserve have been redirected to the financing of the Working capital loans to Agriculture. Thus, the reduction of the specific capital reserve by reducing the funding for certain support programs and the corresponding transfer of funding to liabilities of EUR 5,788 thousand for the financing of the Working capital loans to Agriculture, ensures that the same nature of funding is maintained- funding for the implementation of a new support program and for the coverage of expected losses. The transfer of funding from the specific capital reserve result in a corresponding reduction of the Portfolio loss reserve by EUR 5,788 thousand. The Risk coverage reserve in liabilities increased by EUR 860 thousand, considering estimated expected credit losses.

Item Reserve capital for non-Covid-19 programs includes a reduction in the special capital reserve allocated to The Guarantees for Mitigating the Consequences of the Ukrainian war program by a total amount of EUR 12,500 thousand. This adjustment increases the funding for financing support programs for the Loans with a capital rebate program, in accordance with the decision of the shareholders' meeting of December 2, 2024. The decision was adopted based of the Cabinet Regulation No.626 of 31 October 2023 "On the recognition as null and void of Cabinet Regulation No.377 of 21 June 2022, "Regulations on the guarantee program for mitigating the economic consequences of Russia Federation's military aggression against Ukraine "".

The reallocation of the funds resulting from the reduction in the special capital reserve have been redirected to the financing of the (Investment) Loans with a capital rebate program. Thus, the reduction of the specific capital reserve by reducing the funding for certain support programs and the corresponding transfer of funding to liabilities of EUR 12,500 thousand for the financing of the Loans with a capital rebate program, ensures that the same nature of funding is maintained- funding for the implementation of a new support program and for the coverage of expected losses. The transfer of funding from the specific capital reserve resulted in a corresponding reduction of the Portfolio loss reserve by EUR 12,500 thousand and the Risk coverage reserve in liabilities increased, considering estimated expected credit losses.

Item Reserve capital for non-Covid-19 programs includes an increase in specific capital reserve for the Housing Guarantee Program in 2024, totalling amount of 32 thousand euros. This adjustment follows the decision of the shareholders' meeting of December 2, 2024, which was adopted based on the agreement of 27 September 2024 No.2 with the Ministry of Defence on the contract to transfer funding to the program for State aid to soldiers of the national Armed Forces for the purchase of residential space.

Item Reserve capital for non-Covid-19 programs includes an increase in specific capital reserve for the Housing Guarantee Program in 2024, for a total amount of 1,742 thousand euros in accordance with the decision of the shareholders' meeting of December 2, 2024, adopted based of the agreement of December 10, 2022 on the financing of the program for state assistance for the purchase or construction of residential premises, as well as agreement No.3 concluded on October 18, 2024

Based on the Cabinet of Ministers Regulation, No.628 of October 31, 2023 "Amendments to the Cabinet of Ministers Regulation No.503 of July 6, 2021, Regulations Regarding Loans with a capital rebate for Investment Projects for Promoting Projects of Merchants for Facilitating Competitiveness " clause 7, in 2025, it is planned to reduce the reserve capital in the program Loans for Mitigating the consequences of the Ukrainian war by EUR 5,000 thousand. This adjustment will increase the funding for Support programs for the Loans with a capital rebate program.

The reallocation of the funds resulting from the reduction in the specific capital reserve will be redirected to the financing of the (Investment) Loans with a capital rebate program. Thus, the reduction of the specific capital reserve by reducing the funding for certain support programs and the corresponding transfer of funding to liabilities of EUR 5,000 thousand for the financing of the Loans with a capital rebate program will ensure that the same nature of funding is maintained- funding for the implementation of a new support program and for the coverage of expected losses. The transfer of funding from the specific capital reserve will result in a corresponding reduction of the Portfolio loss reserve by EUR 5,000 thousand and the Risk coverage reserve in liabilities will increase, considering estimated expected credit losses.

The funding included in the Specific Reserves will be used to cover the expected credit losses of the programs at full extent as well as such are disclosed separately as Portfolio Loss Reserve within respective reserve capital.

41 Reserves (cont'd)

(3) Analysis of portfolio loss reserve movements, in thousands of euros:

	Portfolio loss reserve for non-Covid-19 guarantees programmes							Portfolio loss reserve for mitigating of impact of Covid-19		Reserve capital for AIF "Altum capital fund"	Total portfolio loss reserve
	Housing Guarantee Programme	Study and student portfolio guarantees	Guarantees for agriculture, fisheries and rural development	Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	Loans for mitigating the consequences of the Ukrainian war	Guarantees for mitigating the consequences of the Ukrainian war	Baltic SME Initial Public Offering Fund	Working capital loans	Loan holiday guarantees		
Portfolio Loss Reserve as of 1 January 2023	**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)*	-	-	-	*(1 914)*	*(473)*	*(471)*	*(5 246)*
Increase of specific reserves	2 839	-	-	-	-	-	-	-	-	-	2 839
Increase of Specific Reserves from General reserve capital at distribution of the profit for year 2022	-	-	-	-	-	-	-	-	64	-	64
Reduction of Specific Reserves from General reserve capital at distribution of the profit for year 2022	-	(1 906)	-	(482)	-	-	-	(1 914)	(537)	(471)	(5 310)
Decrease of reserve capital, directing funds to risk coverage of program Loans with capital discount	-	-	-	-	-	-	1 018	(17 500)	(10 000)	-	(26 482)
Reserve capital redistribution	-	-	-	-	21 234	12 500	-	(5 737)	(12 500)	-	15 497
Portfolio Loss Reserve as of 31 December 2023	**21 977**	**1 402**	**5 788**	**4 018**	**21 234**	**12 500**	**1 018**	**15 551**	**5 157**	**7 942**	**96 587**
of which:											
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2023 annual report	-	*(1 402)*	-	*(718)*	*(647)*	-	-	*717*	*2 030*	*73*	*53*

41 Reserves (cont'd)

(3) Analysis of portfolio loss reserve movements, in thousands of euros (cont'd):

	Portfolio loss reserve for non-Covid-19 guarantees programmes							**Portfolio loss reserve for mitigating of impact of Covid-19**		**Reserve capital for AIF "Altum capital fund"**	**Total portfolio loss reserve**
	Housing Guarantee Programme	Study and student portfolio guarantees	Guarantees for agriculture, fisheries and rural development	Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	Loans for mitigating the consequences of the Ukrainian war[1]	Guarantees for mitigating the consequences of the Ukrainian war	Baltic SME Initial Public Offering Fund	Working capital loans	Loan holiday guarantees		
Increase of reserve capital	1 774	5 610	-	-	-	-	-	-	-	-	7 384
Reduction of reserve capital due to increased funding of Support Programmes	-	-	(5 788)	-	-	(12 500)	-	-	-	-	(18 288)
Increase of Specific Reserves from General reserve capital at distribution of the profit for year 2023	-	-	-	-	-	-	-	717	2 030	73	2 820
Reduction of Specific Reserves from General reserve capital at distribution of the profit for year 2023	-	(1 402)	-	(718)	(647)	-	-	-	-	-	(2 767)
Portfolio Loss Reserve as of 31 December 2024	**23 751**	**5 610**	**-**	**3 300**	**20 587**	**-**	**1 018**	**16 268**	**7 187**	**8 015**	**85 736**
of which:											
Portfolio Loss Reserve (Specific Reserves) to be used to cover credit loss upon approval of the 2024 annual report	*-*	*(1 558)*	*-*	*75*	*63*	*-*	*-*	*1 305*	*1 675*	*(179)*	*1 381*

42 Off-balance sheet items and contingent liabilities

All amounts in thousands of euros

	31.12.2024.	31.12.2023.
Contingent liabilities:		
Outstanding guarantees	523 538	480 025
Financial commitments:		
Loan commitments	170 045	88 846
Commitments to AIF "Altum capital fund" [1]	29 096	30 578
Commitments to investments in associates [2]	19 027	32 555
Commitments to other investments	20 532	21 123
Grant commitments	1 992	1 575
Total contingent liabilities and financial commitments	**764 230**	**654 702**

[1] Considering the investments made by AIF Altum capital fund as of 31 December 2024 EUR 19.8 million, as well as scheduled contributions to cover management fee EUR 0.3 million, the position " Commitments to AIF Altum capital fund" could decrease by EUR 28.8 million.

[2] Considering the investments are realized in the 2nd and 3rd generation venture capital funds and the subsequent liquidation of the funds, the position " Commitments to investments in associates" could decrease by EUR 0.9 million.

Impairment allowances for loan commitments, in thousands of euros:

	31.12.2024.	31.12.2023.
Loan commitments	170 045	88 846
Impairment allowances	(554)	(319)
Total unutilized loan facilities, net	**169 491**	**88 527**

Impairment allowances for grant commitments, in thousands of euros:

	31.12.2024.	31.12.2023.
Grant commitments	1 992	1 575
Impairment allowances	(55)	(25)
Total grant commitments, net	**1 937**	**1 550**

Analysis of the guarantee portfolio by client segments as at 31 December 2024, in thousands of euros:

	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	11 159	(920)	2 111	(201)	-	-	13 270	(1 121)
SME and Midcaps	166 951	(12 942)	16 940	(2 710)	4 786	(1 750)	188 677	(17 402)
Private individuals	317 941	(25 997)	2 942	(330)	708	(674)	321 591	(27 001)
Total segments	**496 051**	**(39 859)**	**21 993**	**(3 241)**	**5 494**	**(2 424)**	**523 538**	**(45 524)**
Total segments, net	**496 051**	**(39 859)**	**21 993**	**(3 241)**	**5 494**	**(2 424)**	**523 538**	**(45 524)**

42 Off-balance sheet items and contingent liabilities

(cont'd)

Breakdown of off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 31 December 2024, in thousands of euros:

	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	316 338 [1]	-	305	1 991	55 040	149 864	523 538
Financial commitments							
Loan commitments	170 045	-	-	-	-	-	170 045
Commitments to AIF "Altum capital fund" [2]	8	17	25	50	28 996	-	29 096
Commitments to investments in associates[3]	231	197	295	2 347	15 957	-	19 027
Commitments to other investments	289	578	867	1 734	9 972	7 092	20 532
Total financial commitments	170 573	792	1 187	4 131	54 925	7 092	238 700
Grant commitments	1 992	-	-	-	-	-	1 992
Total contingent liabilities and financial commitments	**488 903**	**792**	**1 492**	**6 122**	**109 965**	**156 956**	**764 230**

[1] 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.

[2] Considering the investments made by AIF Altum capital fund as of 31 December 2024 EUR 19.8 million, as well as scheduled contributions to cover management fee EUR 0.3 million, the position " Commitments to AIF Altum capital fund" could decrease by EUR 28.8 million.

[3] Considering the investments are realized in the 2nd and 3rd generation venture capital funds and the subsequent liquidation of the funds, the position " Commitments to investments in associates" could decrease by EUR 0.9 million.

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

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years and w/o maturity	**Total**
Contingent liabilities							
Outstanding guarantees	293 468 [1]	-	-	3	45 121	141 433	480 025
Financial commitments							
Loan commitments	88 846	-	-	-	-	-	88 846
Commitments to AIF "Altum capital fund" [2]	279	557	836	1 671	27 235	-	30 578
Commitments to investments in associates[3]	2 235	10 139	6 706	6 582	6 723	170	32 555
Commitments to other investments	333	665	998	1 996	10 250	6 881	21 123
Total financial commitments	91 693	11 361	8 540	10 249	44 208	7 051	173 102
Grant commitments	1 575	-	-	-	-	-	1 575
Total contingent liabilities and financial commitments	**386 736**	**11 361**	**8 540**	**10 252**	**89 329**	**148 484**	**654 702**

[1] 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.

[2] 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.

[3] 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.

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

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

		Committed funding		Uncalled committed funding	
	Contract period	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.
Investments in Associates					
KS Overkill Ventures Fund I	09.05.2026	3 200	3 200	575	599
KS Buildit Latvia Pre-Seed Fund	31.05.2026	4 160	4 160	585	520
KS Commercialization Reactor Pre-seed Fund	24.07.2026	4 160	4 160	466	479
KS INEC 1	29.11.2028	13 650	13 650	4 265	6 087
KS INEC 2	29.11.2028	5 850	5 850	2 211	2 985
KS Overkill Ventures Fund II	09.08.2026	1 800	1 800	234	267
KS Buildit Latvia Seed Fund	20.06.2026	2 200	2 200	485	729
KS Commercialization Reactor Seed Fund	22.08.2026	1 800	1 800	111	640
KS ZGI-4	14.08.2028	19 500	19 500	6 977	8 989
KS Baltcap Latvia Venture Capital Fund (fund is in the process of liquidation)	13.09.2024	20 000	20 000	-	3 841
KS Imprimatur Capital Technology Venture Fund (fund is in the process of liquidation)	10.06.2024	4 966	4 966	-	133
KS Imprimatur Capital Seed Fund (fund is in the process of liquidation)	11.06.2022	10 000	10 000	-	-
KS ZGI-3 (fund is in the process of liquidation)	31.12.2024	11 800	11 800	-	806
KS FlyCap investment Fund	31.12.2025	15 000	15 000	757	757
FlyCap Mezzanine Fund II	28.08.2029	12 790	12 790	1 422	4 124
KS Expansion Capital fund (fund is in the process of liquidation)	31.12.2024	15 000	15 000	132	132
AIF "Altum capital fund"	02.09.2027	48 910	48 910	29 096	30 578
Baltic Innovation Fund I	01.01.2029	26 000	26 000	807	1 467
Other investments					
Baltic Innovation Fund II	12.07.2036	26 000	26 000	14 800	17 150
Three Seas Initiatives Investment Fund	27.02.2035	20 000	20 000	5 732	3 973
Total funding		**266 786**	**266 786**	**68 655**	**84 256**

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

All amounts in thousands of euro

	31.12.2024.	31.12.2023.
At the beginning of period	**(278)**	**(499)**
Gain / (loss) from changes in fair value	2 772	221
At the end of the period	**2 494**	**(278)**

44 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, Ministry of Agriculture, 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 euros:

	Transactions with shareholders		**Associates**		**Other companies owned by the shareholders**	
	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.
Investments in venture capital funds	-	-	55 835	50 266	-	-
Investments in AIF "Altum capital fund"	-	-	16 392	16 327	-	-
Due to general governments	-	-	-	-	1 978	3 312
Support programme funding	543 225	421 510	-	-	126 422	139 139
Off-balance sheet financial liabilities for venture capital funds	-	-	19 027	32 555	-	-
Off-balance sheet financial liabilities for AIF "Altum capital fund"	-	-	29 096	30 578	-	-

Transactions with related parties, in thousands of euros:

	Received State aid funding		**Issued State aid funding or funding paid back**	
	01.01.2024.-31.12.2024.	01.01.2023.-31.12.2023.	01.01.2024.-31.12.2024.	01.01.2023.-31.12.2023.
Transactions with shareholders				
Ministry of Finance of the Republic of Latvia	44 794	28 726	(16 375)	(7 886)
Ministry of Agriculture of the Republic of Latvia	18	-	-	(1 212)
Ministry of Economics of the Republic of Latvia	166 871	85 174	-	-
Associates				
Venture capital funds	9 665	10 397	(7 653)	(11 350)
Other companies owned by the shareholders				
Rural Support Service	11 902	7 500	-	-
Central Finance and Contracting Agency of the Republic of Latvia	36 475	128 154	(2 008)	-
Ministry of Education and Science of the Republic of Latvia	2 925	2 925	-	-
Ministry of Culture of the Republic of Latvia	-	-	(132)	(1 892)
Ministry of Defence of the Republic of Latvia	581	528	-	-
Ministry of Welfare of the Republic of Latvia	846	1 688	-	(629)

The remuneration of the members of the Supervisory Council, Audit Committee and the Management Board of the Company in the 12 months of 2024 amounted to EUR 889 thousand (12 months of 2023: EUR 802 thousand), including social insurance tax.

	01.01.2024.-31.12.2024.	01.01.2023.-31.12.2023.
Remuneration to the Supervisory Council and the Management Board	720	695
to the Supervisory Council	*92*	*92*
to the Management Board	*580*	*557*
to the Audit Committee	*48*	*46*
Social insurance tax	169	164
Total	**889**	**859**

45 Fair values of assets and liabilities

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

	Total carrying amount		Total fair value incl.		Level 2		Level 3	
	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.
Assets measured at fair value								
Financial assets at fair value through other comprehensive income - investment securities	183 572	9 743	183 572	9 743	183 572	9 743	-	-
Other investments	29 043	25 398	29 043	25 398	-	-	29 043	25 398
Investments in associates	72 227	66 592	72 227	66 592	-	-	72 227	66 592
Investment properties	92 976	68 246	92 976	68 246	-	-	92 976	68 246
Loans with capital rebate	24 971	13 088	24 971	13 088	-	-	24 971	13 088
Assets with fair values disclosed								
Due from credit institutions and the Treasury	627 769	702 788	627 168	702 765	627 168	702 765	-	-
Financial assets at amortised cost:								
Investment securities	-	38	-	38	-	-	-	38
Loans	412 249	349 360	377 187	335 975	-	-	377 187	335 975
Other financial assets	2 937	3 922	2 937	3 922	-	-	2 937	3 922
Total assets	**1 445 744**	**1 239 175**	**1 410 081**	**1 225 767**	**810 740**	**712 508**	**599 341**	**513 259**
Liabilities measured at fair value								
Support programme funding	664 256	580 649	664 256	580 649	-	-	664 256	580 649
Liabilities with fair value disclosed								
Due to credit institutions	40 366	32 038	40 366	32 038	-	-	40 366	32 038
Due to general governments	207 634	174 656	196 654	174 656	-	-	196 654	174 656
Liabilities from financial guarantees	49 262	47 319	49 262	47 319	-	-	49 262	47 319
Financial liabilities at amortised cost - Issued debt securities	65 491	85 533	63 139	82 127	-	-	63 139	82 127
Total liabilities	**1 027 009**	**920 195**	**1 013 677**	**916 789**	**-**	**-**	**1 013 677**	**916 789**
Off-balance-sheet commitments for which the fair value is disclosed:								
Outstanding guarantees	523 538	480 025	523 538	480 025	-	-	523 538	480 025
Total off-balance sheet liabilities	**523 538**	**480 025**	**523 538**	**480 025**	**-**	**-**	**523 538**	**480 025**

Loans with capital rebate

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

The maximum amount of the capital rebate is determined at the time the loan is granted, but the actual amount of the capital rebate will depend on the performance of the financed project in the post-monitoring phase, taking into account the degree of achievement of the project's stated objectives, so the fair value calculation estimates the expected amount of the capital rebate based on assumptions about the timing and probability of the capital rebate being applied, allowing for the possibility that not all borrowers will achieve the stated project objectives to qualify for the capital rebate. The probability of the capital allowance being applied is determined by assessing the likelihood of each major project financed achieving its stated objectives or by using historical data on the amount of capital rebate applied. The losses resulting from a decrease in the fair value of the potential future capital rebate component are recognized in the Profit or Loss Statement. Further details are provided in Note 21.

The fair value measurement of the component of the loan to which the capital rebate will not be applied is based on assumptions about the expected future cash flows of the loan until maturity. The cash flows include the expected repayments of principal, reduced by the expected capital rebate at the date of application of the capital rebate, as well as interest payments and related costs (e.g. applicable administrative costs). To determine the fair value of future cash flows, the cash flows are reduced by the expected credit losses applying the borrower's probability of default (PD) and loss given default (LGD) measures, and discounted at respective loans interest rate.

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

Loans with capital rebate (cont'd)

The fair value of loans with capital rebate using discounted cash flow method is EUR 82,660 thousand as at 31 December 2024 (December 31, 2023: EUR 13,088 thousand) and it includes 57,689 EUR thousand (December 31, 2023: EUR 9,883 thousand) fair value of potential future capital rebate and EUR 24,971 thousand (December 31, 2023: EUR 3,205 thousand) fair value of loans to which the capital rebate will not be applied (see Note 21).

As of 31 December 2024, the Company has performed a sensitivity analysis of the fair value of loans with capital rebate to changes in the most influential inputs, in thousands of euros:

	Fair value		Discount rate				Probability of capital rebate			
			1 pp increase		1 pp decrease		1 pp increase		1 pp decrease	
	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	31.12.2023.
Potential future capital rebate component	57 689	9 883	(1 502)	(285)	1 574	300	535	107	(619)	(107)
The loan component	24 971	3 205	(242)	(90)	256	95	(439)	(89)	521	89
Total	82 660	13 088	(1 744)	(375)	1 830	395	96	18	(98)	(18)

Assets

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

Liabilities

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

Fair value hierarchy of financial assets and liabilities

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

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

Investment securities

Investment securities are valued by adjusting the nominal value of the relevant securities to their market price, excluding the accrued coupon. The market price is determined based on the average offer price quotations from 3 banks with which the Company has a settlement services agreement.

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

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

Investments in venture capital funds

The Company have a number of investments in venture capital funds.

Investments in venture capital funds, except for investment in Baltic Innovation Fund, Baltic Innovation Fund 2, the Three Seas Fund, and the Altum Capital Fund, are measured using the equity method at the Company level. Investments in Baltic Innovation Fund, Baltic Innovation Fund 2, the Three Seas Fund, and the Altum Capital Fund are measured at fair value through profit or loss.

Investment properties

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

Support programme funding

Support programme funding are liabilities used to ensure the liquidity of the support programme and to cover expected credit losses, as well as to compensate the costs of managing the support programme. Expected credit losses of the support programme throughout the life of the programme are covered by the Risk Coverage Reserve, which is part of the support programme funding. The Company determines the fair value of the support programme funding once a year using the discounted cash flow method. The discounted cash flow method is used to determine the present value of the estimated expected credit losses in the next three years after the end of the reporting period in those support programme in which the Company is a principal and new volumes are issued. The Company uses internal information to estimate the expected credit losses, which are included in the cash flows in an amount that does not exceed the amount of the Risk Coverage Reserve at the end of the reporting period. On the other hand, the discount rate used in the calculations reflects the Company's current financial market borrowing rate at the end of the reporting period. The discount rate is an unobservable input, therefore the Company performed its sensitivity analysis.

46 Segment Information

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

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

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

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

46 Segment Information (cont'd)

Analysis of the operating segments for the period from 1 January 2024 till 31 December 2024, in thousands of euros:

	Loans [1]	Guarantees[1]	Venture capital funds	Grants	Latvian Land Fund	Management of AIF "Altum capital fund"	Other services	Total
Interest income at effective interest rate (Note 4)	26 203	2 581	110	-	3 051	-	91	32 036
of which from loans:	23 639	-	-	-	3 051	-	-	26 690
of which path-through arrangement from loans	4 767	-	-	-	-	-	-	4 767
of which from deposits	2 563	2 581	110	-	-	-	91	5 345
Other interest and similar income (Note5):	2 635	5 293	102	-	101	-	3	8 134
of which from loans:	2 170	-	-	-	49	-	-	2 219
of which path-through arrangement from loans	614	-	-	-	-	-	-	614
of which from guarantees:	-	3 723	-	-	-	-	-	3 723
of which path-through arrangement from guarantees	-	837	-	-	-	-	-	837
of which from investment securities:	464	1 570	102	-	52	-	3	2 191
of which path-through arrangement from investment securities	-	1 019	99	-	-	-	-	1 118
Interest expense (Note 6):	(14 093)	(1 920)	(125)	-	(985)	-	(21)	(17 144)
of which path-through arrangement	(5 381)	(1 856)	(99)	-	-	-	-	(7 336)
Income for implementation of state aid programmes	3 972	1 526	1 307	995	-	-	126	7 926
Expenses to be compensated for implementation of state aid programmes	(4 271)	(1 164)	(1 237)	-	(681)	-	(125)	(7 478)
Gains from debt securities and foreign exchange translation	4	1	-	-	-	-	1	6
Share of profit/(losses) of investment in associates	-	-	9 028	-	-	-	-	9 028
Gains less losses from liabilities at fair value through profit or loss	-	-	(1 230)	-	-	-	-	(1 230)
Net gain on loans at fair value through profit or loss:	(7 465)	-	-	-	-	-	-	(7 465)
of which path-through arrangement from loans at fair value	893	-	-	-	-	-	-	893
Other income	-	-	-	4	7 954	179	51	8 188
Other expense	767	(689)	(584)	(24)	(487)	(179)	(7)	(1 203)
Staff costs	(2 662)	(833)	(269)	(635)	(343)	-	(603)	(5 345)
Administrative expense	(524)	(200)	(44)	(194)	(99)	-	(46)	(1 107)
Amortisation of intangible assets and depreciation of property, plant and equipment	(395)	(135)	(54)	(89)	(34)	-	(24)	(731)
Allowance for expected credit-losses, net	2 044	943	36	879	(3)	-	53	3 952
Profit or (loss) from assets held for sale revaluation	1 096	-	-	-	-	-	-	1 096
Total segment profit/(loss)	**7 311**	**5 403**	**7 040**	**936**	**8 474**	**-**	**(501)**	**28 663**
Investments in Associates	-	-	72 227	-	-	-	-	72 227
Other investments	-	-	29 043	-	-	-	-	29 043
Additions of property and equipment, intangible assets and investment property	361	105	33	67	21 733	-	24	22 323
Total segment assets	**557 289**	**162 114**	**200 777**	**9 583**	**507 826**	**-**	**17 761**	**1 455 350**
Total segment liabilities	**724 886**	**152 272**	**10 900**	**8 984**	**76 312**	**-**	**65 941**	**1 039 295**
Total off-balance	**170 015**	**523 538**	**68 655**	**1 992**	**30**	**-**	**-**	**764 230**
Assets under management (AUM)	-	-	-	-	-	33 514	-	33 514

[1] 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.

46 Segment Information (cont'd)

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

	Loans[1]	Guarantees[1]	Venture capital funds	Grants	Latvian Land Fund	Management of AIF "Altum capital fund"	Other services	Total
Interest income at effective interest rate (Note 4):	22 642	-	-	-	1 401	-	-	*24 043*
of which from loans:	21 641	-	-	-	1 401	-	-	*23 042*
of which path-through arrangement from loans	2 966	-	-	-	-	-	-	2 966
of which from deposits	2 402	-	-	-	-	-	-	*2 402*
Other interest and similar income (Note5):	2 044	4 101	21	1	6	-	1	*6 174*
of which from loans:	*1 927*	-	-	-	-	-	*1*	*1 928*
of which path-through arrangement from loans	*423*	-	-	-	-	-	-	*423*
of which from guarantees:	-	*4 101*	-	-	-	-	-	*4 101*
of which path-through arrangement from guarantees	-	*1 157*	-	-	-	-	-	*1 157*
of which from investment securities:	*117*	-	*21*	*1*	*6*	-	-	*145*
of which path-through arrangement from investment securities	-	-	-	-	-	-	-	-
Interest expense (Note 6):	(10 364)	(1 365)	(16)	(707)	-	-	-	*(12 452)*
of which path-through arrangement	(3 389)	(1 157)	-	-	-	-	-	*(4 546)*
Income for implementation of state aid programmes	2 810	2 101	2 202	2 666	-	-	45	9 824
Expenses to be compensated for implementation of state aid programmes	(2 177)	(1 172)	(2 138)	(1 609)	-	-	(45)	(7 141)
Gains from debt securities and foreign exchange translation	(2)	-	-	-	-	-	(1)	(3)
Share of profit/(losses) of investment in associates	-	-	3 064	-	-	-	-	3 064
Gains less losses from liabilities at fair value through profit or loss	-	-	(882)	-	-	-	-	(882)
Other income	-	-	-	14	8 503	210	270	8 997
Other expense	75	(171)	(209)	(40)	(448)	(210)	(13)	(1 016)
Staff costs	(3 462)	(478)	(434)	(688)	(266)	-	(437)	(5 765)
Administrative expense	(733)	(290)	(134)	(161)	(92)	-	(68)	(1 478)
Amortisation of intangible assets and depreciation of property, plant and equipment	(341)	(158)	(81)	(155)	(48)	-	(35)	(818)
Allowance for expected credit-losses, net	(6 138)	1 031	-	(177)	(10)	-	-	(5 294)
Profit or (loss) from assets held for sale revaluation	557	-	-	-	-	-	-	557
Total segment profit/(loss)	**4 911**	**3 599**	**1 393**	**(856)**	**9 046**	**-**	**(283)**	**17 810**
Investments in Associates	-	-	66 592	-	-	-	-	66 592
Other investments	-	-	25 398	-	-	-	-	25 398
Additions of property and equipment, intangible assets and investment property	313	94	25	121	8 898	-	22	9 473
Total segment assets	**742 941**	**171 153**	**172 046**	**79 217**	**97 551**	**-**	**53 178**	**1 316 086**
Total segment liabilities	**507 752**	**192 120**	**38 124**	**72 016**	**81 361**	**-**	**35 360**	**926 733**
Total off-balance	**88 682**	**480 025**	**53 678**	**1 575**	**164**	**30 578**	**-**	**654 702**
Assets under management (AUM)	-	-	-	-	-	33 381	-	33 381

47 Events after the reporting date

There are no events outside the normal course of business since the last day of the reporting year, which would have a significant effect on the financial position of the Company.

Neatkarīga revidenta ziņojums

AS “Attīstības finanšu institūcija Altum” akcionāram

Ziņojums par finanšu pārskatu revīziju

Mūsu atzinums

Mūsuprāt, finanšu pārskati sniedz patiesu un skaidru priekšstatu par AS “Attīstības finanšu institūcija Altum” (“Sabiedrība”) finanšu stāvokli 2024. gada 31. decembrī un Sabiedrības darbības finanšu rezultātiem un naudas plūsmu gadā, kas noslēdzās 2024. gada 31. decembrī, saskaņā ar Eiropas Savienībā (ES) apstiprinātajiem SFPS Grāmatvedības standartiem.

Mūsu atzinums atbilst mūsu 2025. gada 31. marta papildus ziņojumam Revīzijas komitejai.

Ko mēs esam revidējuši

Sabiedrības finanšu pārskati ietver:

- visaptverošo ienākumu pārskatu par gadu, kas noslēdzās 2024. gada 31. decembrī;
- finanšu stāvokļa pārskatu 2024. gada 31. decembrī;
- kapitāla un rezervju izmaiņu pārskatu par gadu, kas noslēdzās 2024. gada 31. decembrī;
- naudas plūsmas pārskatu par gadu, kas noslēdzās 2024. gada 31. decembrī; kā arī
- finanšu pārskatu pielikumus, kas ietver informāciju par būtiskām grāmatvedības politikām un citu paskaidrojošu informāciju.

Atzinuma pamatojums

Mēs veicām revīziju saskaņā ar Latvijas Republikā atzītajiem Starptautiskajiem revīzijas standartiem (SRS). Mūsu pienākumi, kas noteikti šajos standartos, ir turpmāk aprakstīti mūsu ziņojuma sadaļā Revidenta atbildība par finanšu pārskatu revīziju.

Mēs uzskatām, ka mūsu iegūtie revīzijas pierādījumi dod pietiekošu un atbilstošu pamatojumu mūsu atzinumam.

Neatkarība

Mēs esam neatkarīgi no Sabiedrības saskaņā ar Starptautisko Profesionālu grāmatvežu ētikas kodeksu (ieskaitot starptautiskos neatkarības standartus), kuru izdevusi Starptautiskā grāmatvežu ētikas standartu padome (SGĒSP kodekss), un Revīzijas pakalpojumu likumā iekļautajām ētikas prasībām, kas ir spēkā attiecībā uz mūsu veikto finanšu pārskatu revīziju Latvijas Republikā. Mēs esam izpildījuši mūsu citus ētikas pienākumus saskaņā ar SGĒSP kodeksu un Revīzijas pakalpojumu likumā iekļautās ētikas prasības.

Balstoties uz mūsu zināšanām un pārliecību, mēs paziņojam, ka ar revīziju nesaistītie pakalpojumi, kurus mēs esam snieguši Sabiedrībai ir saskaņā ar Latvijas Republikā spēkā esošajiem likumiem un citiem normatīvajiem aktiem un ka mēs neesam snieguši ar revīziju nesaistītos pakalpojumus, kas ir aizliegti saskaņā ar Latvijas Republikas Revīzijas pakalpojumu likuma 37.[6] pantu.

Laika periodā no 2024. gada 1. janvāra līdz 2024. gada 31. decembrim Sabiedrībai sniegtie ar revīziju nesaistītie pakalpojumi ir uzrādīti finanšu pārskatu 17. pielikumā.

Mūsu revīzijas pieeja

Pārskats

Būtiskums	• Kopējais būtiskums Sabiedrības revīzijā: EUR 13 miljoni, kas veido aptuveni 0.9% no Sabiedrības kopējiem aktīviem.
Galvenie revīzijas jautājumi	• Sagaidāmie kredītzaudējumi no kredītiem un finanšu garantijām klientiem. • Ieguldījumu riska kapitāla fondos un Pārējo ieguldījumu novērtēšana.

Plānojot mūsu revīzijas procedūras, mēs noteicām būtiskuma līmeni un izvērtējām finanšu pārskatiem piemītošos būtiskas neatbilstības riskus. Jo īpaši mēs izvērtējām, vai vadība ir veikusi subjektīvus pieņēmumus, piemēram, attiecībā uz nozīmīgām grāmatvedības aplēsēm, kas ietver pieņēmumus un nenoteiktību attiecībā uz nākotnes notikumiem. Tāpat kā citās mūsu veiktajās revīzijās, mēs izvērtējām vadības iekšējo kontroļu pārkāpšanas risku, tajā skaitā, vai ir pierādījumi par neobjektivitāti, kas norāda uz krāpšanas izraisītu būtiskas neatbilstības risku.

Mēs noteicām revīzijas apjomu, lai iegūtu pietiekamus revīzijas pierādījumus mūsu revidenta ziņojuma sniegšanai par finanšu pārskatiem kopumā. Nosakot revīzijas apjomu, mēs ņēmām vērā Sabiedrības struktūru, grāmatvedības uzskaites procesus un kontroles, un nozari, kurā Sabiedrība darbojas.

Būtiskums

Revīzijas apjoms ir atkarīgs no būtiskuma piemērošanas. Revīzija tiek plānota ar mērķi iegūt pietiekamu pārliecību par to, ka finanšu pārskati nesatur būtiskas neatbilstības. Neatbilstības var rasties krāpšanas vai kļūdu rezultātā. Tās tiek uzskatītas par būtiskām, ja atsevišķi vai kopā tās varētu ietekmēt lietotāju ekonomisko lēmumu pieņemšanu, kas balstīti uz finanšu pārskatiem.

Balstoties uz mūsu profesionālo spriedumu, mēs noteicām konkrētus būtiskuma sliekšņus, tajā skaitā kopējo Sabiedrības būtiskuma apmēru, kas piemērojams Sabiedrības finanšu pārskatam kopumā un ir atspoguļots zemāk esošajā tabulā. Tie, kopā ar kvalitatīvajiem apsvērumiem, palīdzēja mums noteikt revīzijas apjomu un revīzijas procedūru veidu, veikšanas laiku un apmēru, kā arī izvērtēt gan individuālo, gan apkopoto neatbilstību ietekmi uz finanšu pārskatu kopumā.

Kopējais Sabiedrības revīzijas būtiskuma apmērs	Kopējais būtiskums Sabiedrībai noteikts EUR 13 miljonu apmērā.
Kā mēs to noteicām	Aptuveni 0.9% no Sabiedrības kopējiem aktīviem 2024. gada 31. decembrī.
Pamatojums būtiskuma kritēriju piemērošanai	Mēs izvēlējāmies Sabiedrības kopējos aktīvus, jo šis, mūsuprāt, ir kritērijs, kurš ir vispiemērotākais Sabiedrībai, kuras galvenais mērķis ir realizēt valsts atbalsta programmas un veicināt finanšu pieejamību, lai sekmētu tautsaimniecības attīstību, un ko vērtē finanšu pārskata lietotāji. Mēs izvēlējāmies 0.9% no kopējiem aktīviem, kas iekļaujas kvantitatīvo robežlielumu skalā būtiskuma noteikšanai sabiedriskās nozīmes struktūrai.

Mēs vienojāmies ar Revīzijas komiteju, ka mēs tai ziņosim par mūsu revīzijas gaitā konstatētajām neatbilstībām, kas pārsniedz EUR 680 tūkstošus, kā arī par mazāka apmēra neatbilstībām, ja par tām, mūsuprāt, būtu jāziņo kvalitatīvu iemeslu dēļ.

Galvenie revīzijas jautājumi

Galvenie revīzijas jautājumi ir tie jautājumi, kuri saskaņā ar mūsu profesionālo vērtējumu pārskata perioda finanšu pārskatu revīzijā bija visbūtiskākie. Šie jautājumi tika risināti mūsu finanšu pārskatu revīzijas kopējā kontekstā, kā arī, veidojot mūsu revīzijas atzinumu. Mēs nesniedzam atsevišķu atzinumu par šiem jautājumiem.

Galvenais revīzijas jautājums	Kādas revīzijas procedūras mēs veicām attiecībā uz galveno revīzijas jautājumu
Sagaidāmie kredītzaudējumi no kredītiem un finanšu garantijām klientiem Skatīt finanšu pārskatu 2.(15), 15., 20., 33. un 42. pielikumus. Mēs pievērsām uzmanību šai jomai, jo 9. SFPS "Finanšu instrumenti" sagaidāmo kredītzaudējumu (SKZ) modeļa piemērošana kredītiem un finanšu garantijām ietver sarežģītus un subjektīvus vērtējumus gan attiecībā uz sagaidāmo kredītzaudējumu atzīšanas laiku, gan apmēru. Galvenās sagaidāmo kredītzaudējumu aprēķina modeļa iezīmes ietver kredītu un finanšu garantiju klasifikāciju 3 posmos, kredītriska parametru izvērtēšanu un nākotnes informācijas piemērošanu. Sabiedrība nosaka kredītzaudējumu apmēru kredītiem un finanšu garantijām, izmantojot SKZ modeli, kas ņem vērā kredītu un finanšu garantiju vērtību saistību nepildīšanas brīdī, saistību nepildīšanas iestāšanās varbūtību un citus zināmos riska faktorus, kas ietekmē katra aizņēmēja saistību posmu. Tāpat tiek ņemtas vērā sagaidāmās naudas plūsmas no kredīta atmaksas vai ķīlas realizācijas (saistību nepildīšanas zaudējumi), kā arī korekcijas sagaidāmajos kredītzaudējumos nākotnes makroekonomisko scenāriju izmaiņu ietekmē. Visiem individuāli nenozīmīgiem kredītiem, kas klasificēti 1., 2. un 3. posmā sagaidāmie kredītzaudējumi tiek aprēķināti uz portfeļa bāzes, piemērojot SKZ modeli. Individuāli nozīmīgajiem kredītiem, kas klasificēti 1. un 2. posmā, SKZ tiek aprēķināti individuāli, izmantojot kredītu eksperta pieņēmumus, lai noteiktu saistību nepildīšanas iestāšanas varbūtību (PD) un zaudējumus iestājoties saistību neizpildei (LGD). 3. posma individuāli nozīmīgiem aizdevumiem SKZ tiek noteikti pēc diskontētās naudas plūsmas (DCF) metodes. Katrai finanšu garantijai SKZ tiek noteikts pēc augstākās no divām vērtībām - SKZ, kas	Mēs izvērtējām, vai Sabiedrības uzskaites politikas attiecībā uz SKZ kredītiem un finanšu garantijām atbilst ES apstiprinātajiem SFPS Grāmatvedības standartiem, izvērtējot katru būtisko modeļa komponenti: vērtību saistību nepildīšanas brīdī, saistību nepildīšanas iestāšanās varbūtību un saistību nepildīšanas zaudējumus un kredītriska būtiska pieauguma definīcijas, makroekonomisko scenāriju pielietošanu. Mēs izvērtējām kontroļu attiecībā uz atbilstošiem kredītu un finanšu garantiju datiem un SKZ aprēķiniem būtību un to darbības efektivitāti. Šīs kontroles ietvēra kontroles attiecībā uz SKZ modeļa ievaddatu pareizību, kredītu kvalitātes uzraudzību un izsniegto kredītu apstiprināšanu. Tāpat, mēs veicām detalizētas procedūras, lai pārliecinātos par kredītu un finanšu garantiju datu, kas tiek izmantoti SKZ aprēķinā 2024. gada 31. decembrī, ticamību, pārbaudot līgumu datumus, procentu un komisiju likmes, ķīlu vērtības un veidus, klasifikāciju posmos, kā arī kavējumu ilgumu, peļņu nesošu/nenesošu kredītu statusu un citus datus. Mēs piesaistījām mūsu ekspertu, lai novērtētu SKZ modeli un pārrēķinātu SKZ kolektīvi novērtētajiem kredītiem un finanšu garantijām. Mēs arī veicām SKZ aprēķina modelī izmantoto datu pareizības pārbaudi. Izlases kārtā izvēlētiem individuāli nozīmīgajiem kredītiem mēs izvērtējām Sabiedrības kredītu eksperta pieņēmumu pamatotību attiecībā uz PD un LGD kredītiem, kas klasificēti 1. un 2. posmā, un 3. posma aizdevumiem mēs pārbaudījām nākotnes naudas plūsmas, tai skaitā nodrošinājuma esamību un novērtējumu. Mēs arī izvērtējām finanšu pārskatos atklāto informāciju par kredītrisku.

aprēķināti uz portfeļa bāzes, piemērojot SKZ modeli, vai arī pēc patiesās vērtības korekcijas, kas aprēķināta, balstoties uz nākotnes naudas plūsmu.

2024. gada 31. decembrī Sabiedrības sagaidāmie kredītzaudējumi no kredītiem bija EUR 22,996 tūkstoši (skatīt 20. pielikumu) un no finanšu garantijām EUR 45,524 tūkstoši (skatīt 33. pielikumu).

Ieguldījumu riska kapitāla fondos un pārējo ieguldījumu novērtēšana

Skatīt finanšu pārskatu 2.(15), 23. un 24. pielikumus.

Sabiedrībai ir būtiski ieguldījumi Riska kapitāla fondos (RKF) un pārējie ieguldījumi.

Ieguldījumi RKF finanšu pārskatos ir klasificēti kā ieguldījumi asociētajos uzņēmumos un novērtēti patiesajā vērtībā ar pārvērtēšanu peļņā vai zaudējumos. Pārējie ieguldījumi ir ieguldījumi fondos (Fondi), kuros Sabiedrības daļa ir mazāka par 25%, un tie tiek novērtēti patiesajā vērtībā ar pārvērtēšanu peļņā vai zaudējumos.

Ieguldījumu RKF un Fondos patiesā vērtība tiek noteikta pamatojoties uz RKF un Fondos veikto ieguldījumu patieso vērtību. RKF un Fondi pārsvarā veic ieguldījumus parāda un kapitāla instrumentos, kas reti tiek tirgoti aktīvos tirgos. Sabiedrība izmanto diskontētās naudas plūsmas modeļus, lai noteiktu šo ieguldījumu patieso vērtību. Attiecīgi, tiek piemēroti būtiski spriedumi un aplēses, lai noteiktu RKF un Fondu patieso vērtību, būtiskākie no tiem ir diskonta likmes un nākotnes naudas plūsmas.

2024. gada 31. decembrī RKF patiesā vērtība ir EUR 72,227 tūkstoši (skatīt 24. pielikumu) un Fondu patiesā vērtība ir EUR 29,043 tūkstoši (skatīt 23. pielikumu).

Mēs izvērtējām, vai Sabiedrības uzskates politikas attiecībā uz ieguldījumu RKF un Fondos novērtēšanu atbilst ES apstiprinātajiem SFPS Grāmatvedības standartiem.

Mēs saņēmām un izskatījām RKF un Fondu, kuriem tie bija pieejami, revidētos finanšu pārskatus un pārliecinājāmies, ka finanšu pārskatos RKF un Fondu veiktie ieguldījumi ir uzrādīti patiesajā vērtībā. Mēs saņēmām un izskatījām visu RKF un Fondu Investoru ziņojumus par 2024. gada 4. ceturksni, kuros uzrādītas visu veikto ieguldījumu patiesās vērtības. Mēs ieguvām izpratni par to darbības rezultātiem un sagaidāmajām realizācijas vērtībām, kuras ir uzskatāmas par pierādījumu RKF un Fondu veikto ieguldījumu patiesajām vērtībām, no Sabiedrības speciālistiem, kas atbildīgi par RKF un Fondu veikto ieguldījumu uzraudzību.

Izlasē iekļautajiem ieguldījumiem, mēs saņēmām RKF veikto ieguldījumu patiesās vērtības aprēķinus, ko sagatavojuši RKF pārvaldnieki un kurus pārbaudījuši Sabiedrības vērtēšanas speciālisti.

Mēs arī iesaistījām savus vērtēšanas ekspertus, lai izskatītu ieguldījumu patiesās vērtības novērtēšanā izmantotās metodes un būtiskās aplēses: diskonta likmes un nākotnes naudas plūsmas. Mēs pārbaudījām aprēķinos izmantotās formulas un matemātisko pareizību.

Mēs izskatījām līgumu reģistru un pārbaudījām izlasē iekļautos jaunos ieguldījumus, ko veikuši RKF. Mēs arī izvērtējām informāciju, kas iekļauta ieguldījumu aprakstos, kas sagatavoti pirms ieguldījums tiek veikts.

Mēs arī izvērtējām finanšu pārskatos atklāto informāciju par RKF un Fondiem.

Ziņošana par citu informāciju, tai skaitā par Vadības ziņojumu

Vadība ir atbildīga par citu informāciju. Cita informācija ietver:

- Informāciju par Altum, kas sniegta Gada pārskata 2. lappusē;
- Vadības ziņojumu, kas sniegts Gada pārskatā no 3. līdz 11. lappusei,
- Informāciju par padomi un valdi, kas sniegta Gada pārskata 12. lappusē,
- Paziņojumu par vadības atbildību, kas sniegts Gada pārskata 13. lappusē,
- Citus pielikumus gada pārskatam:
  - Galvenos finanšu un darbības rādītājus, kas sniegti Gada pārskatā no 125. līdz 131. lappusei;
  - Paziņojumu par korporatīvo pārvaldību 2024. gadā, kas sniegts Gada pārskata pielikumā ar pielikuma numerāciju no 1. līdz 46. lappusei.

bet tā neietver finanšu pārskatus un mūsu revidenta ziņojumu par tiem.

Mūsu ziņojums par finanšu pārskatiem neattiecas uz gada pārskatā ietverto augstāk norādīto citu informāciju.

Saistībā ar finanšu pārskatu revīziju mūsu pienākums ir iepazīties ar augstāk norādīto citu informāciju un, to darot, izvērtēt, vai šī cita informācija būtiski neatšķiras no finanšu pārskatu informācijas vai no mūsu zināšanām, kuras mēs ieguvām revīzijas gaitā, un vai tā nesatur cita veida būtiskas neatbilstības.

Attiecībā uz Vadības ziņojumu mēs arī veicām procedūras atbilstoši Latvijas Republikas Revīzijas pakalpojumu likuma prasībām. Šīs procedūras ietver izvērtējumu par to, vai Vadības ziņojums ir sagatavots saskaņā ar attiecīgo likumdošanu.

Papildus, saskaņā ar Latvijas Republikas Revīzijas pakalpojumu likumu, attiecībā uz Paziņojumu par korporatīvo pārvaldību mūsu pienākums ir sniegt viedokli, vai Paziņojumā par korporatīvo pārvaldību par 2024. gadu, ir sniegta informācija saskaņā ar Finanšu instrumentu tirgus likuma 56.2 panta trešās daļas prasībām.

Pamatojoties uz mūsu revīzijas ietvaros veiktajām procedūrām, mūsuprāt:

- Informācija, kas sniegta citā iepriekš norādītajā informācijā par pārskata gadu, par kuru ir sagatavoti finanšu pārskati, atbilst finanšu pārskatiem,
- Vadības ziņojums ir sagatavots saskaņā ar Latvijas Republikas Gada pārskatu un konsolidēto gada pārskatu likuma prasībām, un
- Paziņojumā par korporatīvo pārvaldību par 2024. gadu, ir sniegta informācija saskaņā ar Finanšu instrumentu tirgus likuma 56.2 panta trešās daļas prasībām.

Papildus tam, ņemot vērā revīzijas laikā gūtās zināšanas un izpratni par Sabiedrību un tās darbības vidi, mums ir pienākums ziņot, ja mēs esam konstatējuši būtiskas neatbilstības citā informācijā, ko mēs esam saņēmuši pirms šī revidenta ziņojuma datuma. Mūsu uzmanības lokā nav nonācis nekas, par ko šai sakarā būtu jāziņo.

Vadības un personu, kurām uzticēta pārvaldība, atbildība par finanšu pārskatiem

Vadība ir atbildīga par šo finanšu pārskatu, kas sniedz patiesu un skaidru priekšstatu saskaņā ES apstiprinātajiem SFPS Grāmatvedības standartiem, sagatavošanu un par tādu iekšējo kontroli, kādu vadība uzskata par nepieciešamu, lai nodrošinātu finanšu pārskatu, kas nesatur ne krāpšanas, ne kļūdu izraisītas būtiskas neatbilstības, sagatavošanu.

Sagatavojot finanšu pārskatus, vadības pienākums ir izvērtēt Sabiedrības spēju turpināt darbību, pēc nepieciešamības atbilstoši skaidrot apstākļus saistībā ar Sabiedrības spēju turpināt darbību un piemērot darbības turpināšanas principu, ja vien vadība neplāno likvidēt Sabiedrību, vai pārtraukt to darbību, vai arī tai nav citas reālas alternatīvas Sabiedrības likvidēšanai vai darbības pārtraukšanai.

Personas, kurām uzticēta pārvaldība, ir atbildīgas par Sabiedrības finanšu pārskatu sagatavošanas pārraudzību.

Revidenta atbildība par finanšu pārskatu revīziju

Mūsu mērķis ir iegūt pietiekamu pārliecību par to, ka finanšu pārskati kopumā nesatur kļūdu vai krāpšanas izraisītas būtiskas neatbilstības, un izsniegt revidenta ziņojumu, kurā izteikts atzinums. Pietiekama pārliecība ir augsta līmeņa pārliecība, bet tā negarantē, ka revīzijā, kas veikta saskaņā ar SRS, vienmēr tiks atklāta būtiska neatbilstība, ja tāda pastāv. Neatbilstības var rasties krāpšanas vai kļūdu rezultātā, un tās ir uzskatāmas par būtiskām, ja var pamatoti paredzēt, ka tās katra atsevišķi vai visas kopā varētu ietekmēt saimnieciskos lēmumus, ko lietotāji pieņem, balstoties uz šiem finanšu pārskatiem.

Veicot revīziju saskaņā ar SRS, visa revīzijas procesa gaitā mēs izdarām profesionālus spriedumus un ievērojam profesionālo skepsi. Mēs arī:

- Identificējam un izvērtējam riskus, ka finanšu pārskatos varētu būt krāpšanas vai kļūdu dēļ radušās būtiskas neatbilstības, izstrādājam un veicam revīzijas procedūras šo risku mazināšanai, kā arī iegūstam revīzijas pierādījumus, kas sniedz pietiekamu un atbilstošu pamatojumu mūsu atzinumam. Risks, ka netiks atklātas krāpšanas rezultātā radušās būtiskas neatbilstības, ir augstāks, nekā kļūdu izraisītām būtiskām neatbilstībām, jo krāpšana var ietvert slepenas norunas, dokumentu viltošanu, ar nodomu neuzrādītu informāciju, nepatiesi uzrādītu informāciju vai iekšējās kontroles pārkāpumus.
- Iegūstam izpratni par iekšējo kontroli, kas ir būtiska revīzijas veikšanai, lai izstrādātu konkrētajiem apstākļiem atbilstošas revīzijas procedūras, bet nevis, lai sniegtu atzinumu par Sabiedrības iekšējās kontroles efektivitāti.
- Izvērtējam pielietoto grāmatvedības uzskaites politiku atbilstību un grāmatvedības aplēšu un attiecīgās vadības uzrādītās informācijas pamatotību.
- Izdarām secinājumu par vadības piemērotā darbības turpināšanas principa atbilstību, un, pamatojoties uz iegūtajiem revīzijas pierādījumiem, par to, vai pastāv būtiska nenoteiktība attiecībā uz notikumiem vai apstākļiem, kas var radīt nozīmīgas šaubas par Sabiedrības spēju turpināt darbību. Ja mēs secinām, ka būtiska nenoteiktība pastāv, revidenta ziņojumā tiek vērsta uzmanība uz finanšu pārskatos sniegto informāciju par šiem apstākļiem, vai ja šāda informācija nav sniegta, mēs sniedzam modificētu atzinumu. Mūsu secinājumi ir pamatoti ar revīzijas pierādījumiem, kas iegūti līdz revidenta ziņojuma datumam. Tomēr nākotnes notikumu vai apstākļu ietekmē Sabiedrība savu darbību var pārtraukt.
- Izvērtējam vispārēju finanšu pārskatu izklāstu, struktūru un saturu, ieskaitot pielikumā atklāto informāciju, un to, vai finanšu pārskati patiesi atspoguļo pārskatu pamatā esošos darījumus un notikumus.

Mēs ziņojam personām, kurām uzticēta pārvaldība, tostarp par plānoto revīzijas apjomu un laiku un par svarīgiem revīzijas novērojumiem, ieskaitot būtiskus iekšējās kontroles trūkumus, kurus mēs identificējam revīzijas laikā.

Personām, kurām uzticēta pārvaldība, mēs arī sniedzam paziņojumu par to, ka mēs esam izpildījuši saistošās ētikas prasības attiecībā uz neatkarību, un sniedzam informāciju par visām attiecībām un citiem apstākļiem, kurus varētu pamatoti uzskatīt par tādiem, kas varētu ietekmēt mūsu neatkarību, un, ja nepieciešams, par pasākumiem šādas ietekmes izslēgšanai vai piemērotajiem ietekmes ierobežošanas pasākumiem.

No visiem jautājumiem, par kuriem esam ziņojuši personām, kurām uzticēta pārvaldība, nosakām tos jautājumus, kurus uzskatām par visbūtiskākajiem finanšu pārskatu revīzijai šajā pārskata periodā un kas tādēļ uzskatāmi par galvenajiem revīzijas jautājumiem. Mēs izklāstām šos jautājumus revidenta ziņojumā, izņemot, ja tiesību aktos liegts publiskot šādu informāciju, kā arī izņemot tos ļoti retos gadījumus, kad uzskatām, ka attiecīgais jautājums nav uzrādāms mūsu ziņojumā, jo ir pamatoti paredzams, ka sabiedrības interešu ieguvums no šādas informācijas publiskošanas neatsvērtu tās izpaušanas dēļ radušās negatīvās sekas.

Ziņojums par citām normatīvo aktu prasībām

Ziņojums par finanšu pārskatu ziņošanas atbilstību Vienotā elektroniskā ziņošanas formāta (ESEF) prasībām

Finanšu pārskatu ziņošanas metodi Sabiedrības valde ir piemērojusi, lai atbilstu 2018. gada 17. decembra Komisijas Deleģētās regulas (ES) 2019/815 3. punkta prasībām, ar ko Eiropas Parlamenta un Padomes Direktīvu 2004/109/EK papildina attiecībā uz regulatīvajiem par vienotā elektroniskā ziņošanas specifikāciju ("ESEF regula"). Piemērojamās prasības attiecībā uz finanšu pārskatu ziņošanu ir ietvertas ESEF regulā. Pamatojoties uz šīm prasībām finanšu pārskati ir jāsniedz XHTML formātā. Apliecinām, ka 2024. gada finanšu pārskatu elektroniskās atskaites formāts šajā ziņā atbilst ESEF regulai.

Iecelšana un revīzijas termiņš

Mēs pirmo reizi tikām iecelti par Sabiedrības revidentiem ar 2023. gada 14. decembra akcionāru lēmumu. Esam bijuši revidenti divus gadus pēc kārtas.

Revīzijas, kuras rezultātā ir sagatavots šis neatkarīgā revidenta ziņojums, atbildīgā partnere ir Ilandra Lejiņa.

PricewaterhouseCoopers SIA
Zvērinātu revidentu komercsabiedrība
Licence Nr. 5

Ilandra Lejiņa
Valdes locekle
Atbildīgā zvērinātā revidente
Sertifikāta Nr.168

Rīga, Latvija
2025. gada 31. martā

NEATKARĪGA REVIDENTA ZIŅOJUMS PARAKSTĪTS ELEKTRONISKI AR DROŠU ELEKTRONISKO PARAKSTU UN SATUR LAIKA ZĪMOGU.

OTHER NOTES TO THE ANNUAL REPORT

OTHER NOTES TO THE ANNUAL REPORT

KEY FINANCIAL AND PERFORMANCE INDICATORS

Based on data from financial statements for the respective reporting period

	2024 12M	2024 9M	2024 6M
Key financial data			
Net interest income (EUR '000)	23 026	16 672	10 651
Operating profit (EUR '000)	28 663	26 647	12 808
Profit for the period (EUR '000)	28 663	26 647	12 808
Cost to income ratio (CIR)	23.32%	20.97%	32.58%
Employees	254	258	258
Total assets (EUR '000)	1 455 350	1 391 224	1 310 745
Financial debt (EUR '000)	755 011	707 837	493 751
Tangible common equity (TCE) / Tangible managed assets (TMA) [1]	**21.6%**	**23.1%**	**23.4%**
Equity and reserves (EUR '000)	416 055	424 107	407 543
Return on average equity (ROE)	7.1%	8.7%	6.4%
Total risk coverage: (EUR '000)	**309 853**	**302 980**	**308 155 [5]**
Risk coverage reserve	269 321	246 549	252 489 [5]
Risk coverage reserve used for provisions	(46 585)	(41 311)	(41 006)
Portfolio loss reserve (specific reserve capital)	85 736	96 462	96 462
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	1 381	1 280	210
Liquidity ratio for 180 days [3]	342%	248%	285%
Net Cash flows from operating activities (EUR '000)	135 234	19 199	(13 135)
Net Cash flows from financing activities (EUR '000)	4 579	2 805	2 805
Net Cash flows from investing activities (EUR '000)	(249 994)	(170 986)	(163 300)
Support instruments gross value (EUR '000), of which	**1 177 888**	**1 165 444**	**1 123 052**
Grants	3 159	3 150	3 048
Financial instruments gross value (EUR '000) [4]			
Loans (excluding sales and leaseback transactions)	418 079	450 420	415 639
Guarantees	523 538	501 345	496 237
Venture capital funds	97 999	94 054	92 163
Latvian Land Fund, of which:	135 113	116 475	115 965
- sales and leaseback transactions	42 137	39 531	39 521
- investment properties	92 976	76 944	76 444
Total	**1 174 729**	**1 162 294**	**1 120 004**
Number of transactions	38 730	37 740	36 814
Volumes issued (EUR '000) (by financial instrument) [4]			
Loans (excluding sales and leaseback transactions)	221 741	154 995	99 687
Guarantees	142 902	102 058	61 920
Venture capital funds	15 745	11 890	6 921
Latvian Land Fund, of which:	40 506	25 272	22 413
- sales and leaseback transactions	19 692	15 546	13 312
- investment properties	20 814	9 726	9 101
Total	**420 894**	**294 215**	**190 941**
Number of transactions	6 710	4 791	3 504
Total contribution to economy by volumes issued in the reporting period, including the participation of the final recipients (EUR '000)	978 319	946 008 [2]	946 008 [2]
Leverage for raised private funding	129%	233%	219%
Volume of support programmes funding per employee (EUR '000)	4 625	4 505	4 341
Long-term rating assigned by Moody's Ratings	Baa1	Baa1	Baa1

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

OTHER NOTES TO THE ANNUAL REPORT (cont'd)

KEY FINANCIAL AND PERFORMANCE INDICATORS (cont'd)

[2] Data as of 31 December 2023, considering that the indicator "Total contribution to the national economy, including beneficiary participation, based on issued volumes during the reporting (EUR thousands)" is assessed annually at the end of the reporting year.

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

[4] Taking into account the significance of the volume, Latvian Land Fund portfolio, which consists of sales and 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 sales and leaseback transactions are accounted for under the loans, the loan volume in this table has been reduced for the volume of the sales and leaseback transactions as it is recorded under Latvian Land Fund portfolio.

[5] As of Q2 2024 Term deposits increase is reclassified within Cash flows from investment activities from Cash flows from operating activities. Thus restated comparatives for Net cash flows from operating activities as at 31 December 2023 should be EUR 138 724 thousand instead of EUR 35 724 thousand and restated comparatives for Net cash flows from investing activities as at 31 December 2023 should be EUR (121 467) thousand instead of EUR (18 467) thousand.

OTHER NOTES TO THE ANNUAL REPORT (cont'd)

KEY FINANCIAL AND PERFORMANCE INDICATORS (cont'd)

Based on data from audited financial statements for the respective years

	2024	2023	2022	2021	2020	2019
Key financial data						
Net interest income (EUR '000)	23 026	17 765	16 974	16 717	14 572	11 569
Operating profit (EUR '000)	28 663	17 810	11 484	13 829	5 539	8 131
Profit for the period (EUR '000)	28 663	17 810	11 484	13 829	5 539	8 131
Cost to income ratio (CIR)	23.32%	26.34%	38.26%	39.46%	47.51%	52.58%
Employees	254	255	234	226	211	203
Total assets (EUR '000)	1 455 350	1 316 086	1 099 588	976 204	850 704	560 061
Financial debt (EUR '000)	755 011	599 305	458 382	360 909	342 490	217 943
Tangible common equity (TCE) / Tangible managed assets (TMA) [1]	**21.6%**	**23.4%**	**27.01%**	**33.82%**	**33.56%**	**29.40%**
Equity and reserves (EUR '000)	416 055	389 353	395 983	440 736	382 594	232 738
Return on average equity (ROE)	7.1%	4.5%	2.7%	3.4%	1.8%	3.6%
Total risk coverage: (EUR '000)	**309 853**	**281 355 [2]**	**297 218**	**285 954**	**180 205**	**87 456**
Risk coverage reserve	269 321	226 793 [2]	230 524	159 196	112 567	99 778
Risk coverage reserve used for provisions	(46 585)	(42 078)	(38 039)	(29 496)	(28 197)	(27 829)
Portfolio loss reserve (specific reserve capital)	85 736	96 587	109 979	159 700	102 264	15 507
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	1 381	53	(5 246)	(3 446)	(6 429)	-
Liquidity ratio for 180 days [3]	342%	430%	366%	518%	464%	582%
Net Cash flows from operating activities (EUR '000)	135 234	35 724 [4]	89 535	49 555	21 966	39 813
Net Cash flows from financing activities (EUR '000)	4 579	9 009	3 525	43 768	165 800	18 700
Net Cash flows from investing activities (EUR '000)	(249 994)	(18 467)[4]	(8 437)	4 553	(4 016)	(11 230)
Support instruments gross value (EUR '000), of which	**1 177 888**	**1 101 797**	**1 064 821**	**979 130**	**872 302**	**667 649**
Grants	3 159	68 132	58 280	45 397	31 107	17 186
Financial instruments gross value (EUR '000)						
Loans (excluding sales and leaseback transactions)	418 079	359 246	311 844	315 674	302 481	225 144
Guarantees	523 538	480 025	481 013	414 978	359 605	284 232
Venture capital funds	97 999	97 456	90 277	85 973	73 165	68 331
Latvian Land Fund, of which: [5]	135 113	96 938	80 542	79 163	68 258	39 634
- sales and leaseback transactions	42 137	28 692	27 089	32 999	31 500	15 268
- investment properties	92 976	68 246	53 453	46 164	36 758	24 366
Total	**1 174 729**	**1 033 665**	**963 676**	**895 788**	**803 509**	**617 341**
Number of transactions	38 730	35 260	33 976	30 978	26 578	22 437
Volumes issued (EUR '000) (by financial instrument)						
Loans (excluding sales and leaseback transactions)	221 741	141 993	95 820	100 966	138 238	64 320
Guarantees	142 902	99 440	153 067	126 997	137 425	98 240
Venture capital funds	15 745	23 920	18 526	29 158	14 014	9 022
Latvian Land Fund, of which: [5]	40 506	17 676	7 414	10 595	28 191	16 384
- sales and leaseback transactions	19 692	7 916	3 105	3 254	16 796	7 239
- investment properties	20 814	9 760	4 309	7 341	11 395	9 145
Total	**420 894**	**283 029**	**274 827**	**267 716**	**317 868**	**187 966**
Number of transactions	6 710	4 846	6 539	6 579	6 147	5 559
Total contribution to economy by volumes issued in the reporting period, including the participation of the final recipients (EUR '000)	978 319	946 008	765 577	791 646	696 306	531 661
Leverage for raised private funding	129%	229%	123%	177%	114%	142%
Volume of support programmes funding per employee (EUR '000)	4 625	4 054	4 118	3 964	3 808	3 041
Long-term rating assigned by Moody's Ratings	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1

[1] TMA includes off-balance sheet item outstanding guarantees.

OTHER NOTES TO THE ANNUAL REPORT (cont'd)

KEY FINANCIAL AND PERFORMANCE INDICATORS (cont'd)

[2] As of Q3 2024 Risk Coverage Reserve excludes the public funding for full coverage of potential capital rebate component. Thus 1) restated comparatives for Risk Coverage Reserve as at 31 December 2023 are EUR 226 793 thousand instead of EUR 315 649 thousand and 2) restated comparatives for Total Risk Coverage as at 31 December 2023 are EUR 281 355 thousand instead of EUR 370 211 thousand.

[3] Liquidity ratio calculation takes into account the previous experience and management estimate of expected amount and timing of guarantees claims

[4] As of Q2 2024 Term deposits increase is reclassified within Cash flows from investment activities from Cash flows from operating activities. Thus restated comparatives for Net cash flows from operating activities as at 31 December 2023 should be EUR 138 724 thousand instead of EUR 35 724 thousand and restated comparatives for Net cash flows from investing activities as at 31 December 2023 should be EUR (121 467) thousand instead of EUR (18 467) thousand.

[5] Taking into account the significance of the volume, Latvian Land Fund portfolio, which consists of sales and 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 sales and leaseback transactions are accounted for under the loans, the loan volume in this table has been reduced for the volume of the sales and leaseback transactions as it is recorded under Latvian Land Fund portfolio.

OTHER NOTES TO THE ANNUAL REPORT (cont'd)

DEFINITIONS OF RATIOS

Net interest income	"Net interest income" 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 "Net 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 "Allowance for expected credit losses" 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 allowance for expected credit losses 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 financial assets measured at fair value through Other Comprehensive Income. 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" and "Other assets". Data for the calculation of both indicators (TCE, TMA) are obtained from Altum Financial statements: Statement of Financial Position and Statement of Changes in Equity, notes - Off balance sheet items and contingent liabilities and Provisions. ALTUM uses the ratio "TCE/TMA" to evaluate Altum 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, Assets and Liabilities Management Committee of Altum monitors its level on a quarterly basis.
Return on average equity (ROE)	"Return on average equity" (ROE) is calculated by dividing the "Profit for the period" of the relevant period, converted into annual terms, by the average amount of "Equity and reserves" at the beginning and end of the period.

OTHER NOTES TO THE ANNUAL REPORT (cont'd)

DEFINITION OF RATIOS (cont'd)

Total risk coverage	"Total Risk Coverage" is the net funding available for covering the expected credit losses of the support 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 credit losses are estimated before implementation of the respective support programme and part of the public funding received under respective support programme for coverage of expected credit losses 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 allowance for expected credit losses 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.
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 - 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 months with the currently available liquidity resources. "180-days-liquidity ratio" helps to manage Altum's liquidity risk in line with Altum funding management objectives and risk framework. Risk, Assets and Liabilities 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 Latvian Land Fund
Total contribution to the economy, including the participation of the final recipients, by volumes issued in the period	"'Total contribution to the economy, including the participation of the final recipients, by volumes issued in the period" is calculated by adding the financing provided by the private co-financier and the project promoter to the volumes issued by Altum.
Leverage for raised private funding	"Leverage for raised private funding" indicates the amount of additional private funding 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.
Employees	Average number of full time employees in the report period excluding members of the Supervisory Board 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 "Employees".
Venture capital	The Venture Capital Funds presented at their gross value.

JSC DEVELOPMENT FINANCE INSTITUTION ALTUM

Corporate Governance Report
for the year ended 31 December 2024

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General information

The Corporate Governance Report 2024 of the joint-stock company Attīstības Finanšu Institūcija ALTUM (Development Finance Institution ALTUM, hereinafter – ALTUM), unified registration No. 50103744891, is prepared in accordance with the requirements of Article 56(2)(3) of the Financial Instrument Market Law and based on the good corporate governance recommendations for capital companies in Latvia Corporate Governance Code (January 2021) (hereinafter – the Code) developed by the Corporate Governance Advisory Council. The recommendations were developed taking into consideration the requirements for companies provided in the legislation of the Republic of Latvia as well as corporate governance recommendations of the Organization for Economic Co-operation and Development. Besides, the Corporate Governance Report covers environmental, social and corporate governance (hereinafter – ESG) considerations based on the Nasdaq ESG Reporting Guide 2.0 (May 2019). ESG risk management principles and reflected information are based on ECB (European Central Bank) guidelines and TCFD (Task Force on Climate-related Financial Disclosures) Recommendations.

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

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

TEAM

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

EXCELLENCE

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

RESPONSIBILITY

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

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

Strategy 2025-2027

According to the AS "Development Finance Institution ALTUM" Strategy for 2025–2027, which is currently in the final stage of approval, the following strategic development directions and key long-term objectives have been set.

- The primary financial objective in implementing state support programs is to ensure a positive return on ALTUM's capital.
- **The main non-financial objective is to promote access to financing for economic development, focusing on the following key areas:**
    - Implementation of programs under the new EU fund planning period for 2021–2027. The programs focus on climate change mitigation solutions and sustainable financing for businesses, including expanding financial instruments for innovation, research and development, productivity, digitalization, and energy efficiency in both residential buildings and the business sector;
    - Promoting housing affordability in regions;
    - Increasing the role of venture capital instruments in business financing by actively implementing 5th-generation venture capital funds for companies from early to growth stages;
    - Supporting capital market development by launching Baltic Capital Market Acceleration Funds (IPO Fund);
    - Further development of the Land Fund of Latvia
- Strengthening ALTUM's role in direct lending by actively issuing and managing loans. Given the insufficient private sector offering, this includes initiating private housing loans in Latvia's regions.
- To modernize customer service and optimize loan application evaluation processes, IT system upgrades and the implementation of customer relationship management (CRM) platform technologies.

The shareholders' meeting, in approving ALTUM's operational plan and budget for 2025 in line with the developed Strategy, set the following key objectives and tasks for ALTUM for 2025:

<u>The primary goal and task – to ensure the growth of ALTUM's portfolio</u> through the implementation of state support programs while maintaining a positive return on capital and operational efficiency.

<u>Goals and targets</u>:

▪ Active implementation of the EU RRF programs and the large investment loan program with capital rebate, significantly increasing transaction volumes. ▪ Execution of projects approved under the EU Recovery Fund program in the multi-apartment building energy efficiency segment and the launch of the new EU fund planning period program. ▪ Active implementation of the 4th phase of portfolio guarantees to enhance small and medium-sized enterprises' access to bank financing.	▪ Advancing more accessible financing for businesses by continuing the allocation of loans up to €100,000 with eased collateral requirements, initiated in 2024, and exploring opportunities to further relax loan conditions for borrowers, particularly in regional areas. ▪ Launching direct mortgage lending in territories outside the capital city and its surrounding areas, subject to approval from the European Commission.	▪ Expanding the role of venture capital instruments in business financing by actively implementing 5th-generation venture capital funds and the Baltic Capital Market Acceleration Fund. ▪ Modernizing IT systems and enhancing efficiency to ensure the integrity and security of information, data, and systems, as well as to improve and develop financial instruments and customer service.

Strategy 2022 -2024

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

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

In implementing the EU Cohesion Policy for the 2021–2027 planning period, more than EUR 400 million will be available in financial instruments across at least 10 support programs for business support from 2024 onwards. Considering the impact of the COVID-19 pandemic on the economy, a Recovery Fund was established to address this impact. However, the completion of the EU Funds 2014–2020 planning period at the end of 2023 delayed the launch of programs for the new planning period.

In 2024, funding under the EU Cohesion Policy for the 2021–2027 planning period was available at EUR 86 million across 5 programs, while at least four new programs are planned to be launched in 2025. Their conditions were approved at the end of 2024 and in January 2025, targeting areas such as energy efficiency improvements in multi-apartment residential buildings, productivity loans for business innovation, renewable energy use and efficiency improvements in district heating and cooling, and promoting renewable energy (biomethane). The total funding for these programs exceeds EUR 300 million.

In April and July 2024, public procurement processes for the selection of 5th generation venture capital fund managers were completed, resulting in the selection of one growth fund and three startup venture capital fund managers. Agreements with all selected fund managers (both growth and venture capital funds) were signed at the end of 2024 and the beginning of 2025. Over the next five years, the new venture capital fund managers will invest in promising and viable companies, with a total investment exceeding EUR 100 million, of which EUR 80 million will be provided by ALTUM. The growth fund and startup funds plan to begin investing in companies in the second quarter of 2025.

Implementing the financial instruments of the EU Funds 2021–2027 planning period, ALTUM has introduced combined financial instruments that include a grant element in the form of capital rebate. A single transaction combines financial instruments with a grant element, where the grant portion is less than half of the total support amount. This mechanism significantly simplifies the implementation of multiple programs from an administrative perspective, allowing businesses to receive both types of support through a single application. The capital rebate will be granted after the completion of the project, once the planned project results have been achieved.

As part of implementing the strategy, since the fourth quarter of 2022, programs funded by the European Recovery and Resilience Facility (RRF) have been available. These are directed toward priority areas such as climate change mitigation solutions, energy efficiency improvements in multi-apartment buildings, transitioning to renewable energy technologies, energy efficiency improvements in companies, construction of rental housing, and the implementation of business digitization projects, which began in February 2023.

The provision of loans with capital rebate for large investment projects, launched in December 2022, continued throughout 2023 and 2024.

By the end of 2023, programs funded from the EU Funds 2021–2027 planning period under ALTUM's Participation Fund had been launched, focusing on promoting business productivity, research, and innovation.

EU funding continues to support energy efficiency improvements in both multi-apartment buildings and private houses. The Transitional Period funding from the European Agricultural Fund for Rural Development (EAFRD) provides additional financing for the farmer guarantee program and the Small Loans in Rural Areas program. Furthermore, under the Common Agricultural Policy Strategic Plan for 2023–2027, a new measure is planned – loans with capital discounts for small rural entrepreneurs.

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

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

Strategy 2022 -2024 (cont`d)

To prepare for the implementation of the European Union's InvestEU program, ALTUM, in collaboration with the selected independent auditor, conducted a Pillar Assessment of ALTUM's compliance in 2023. This assessment is a prerequisite for ALTUM to apply for the role of InvestEU implementation partner and, in the future, the role of collaboration partner in the implementation of EU funds, thereby increasing the availability of new specialized and suitable financial instruments for Latvian companies.

The first phase of the assessment was completed by the end of 2023, with a draft report submitted to the European Commission. After consultation with the European Commission, key recommendations were identified. The implementation of these recommendations has been completed, and an independent auditor's assessment confirming this has been obtained. The report has been sent to the European Commission for review and feedback.

The assessment is expected to be completed in the second quarter of 2025, once the European Commission has gained sufficient confidence in the implementation of the recommendations based on the information provided by ALTUM and the auditor's opinion. A decision on submitting an application for the role of InvestEU implementation partner has not yet been made.

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

- The main financial objective in implementing the state support programmes is to ensure positive return on ALTUM's equity.
- The main non-financial objective is to support and facilitate availability of finances to business and to contribute to national economic development.
- ALTUM priority areas include issuing and servicing guarantees and loans, investments in venture capital funds in various growth stages, solutions for climate change mitigation including implementation of energy efficiency programmes in both the residential building and corporate segment, initiation of new projects by expanding the range of the financial instruments offered, as well as the development of the Latvian Land Fund
- The main target activities embrace support for entrepreneurs, farmers and certain categories of persons; energy efficiency; the management of the Latvian Land Fund
- ALTUM will particularly focus on environmental, social and corporate governance (ESG) considerations, both in financing decisions and in ALTUM's internal processes.

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

Financial and non-financial targets

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

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

Financial and non-financial targets (cont'd)

Information on achieving the 2024 non-financial targets set out in the Strategy:

- **New transaction volumes (incl. grants) reached EUR 428 million in 2024**, which is **by EUR 89 million more** (+26%) than the targeted EUR 339 million in the Strategy for 2024. Compared to 2023, the figure has increased by EUR 139 million (+48%).

  The strong growth was mainly driven by a **substantial increase in new transaction volumes in loans and guarantees (+EUR 80 million and +EUR 44 million respectively compared to the same period in 2023).** As to loans, the biggest increase was due to the Resilience and Recovery Facility loans and investment loans for Midcaps with a capital rebate amounting to EUR 41 million and EUR 25 million respectively. In 2024, the portfolio of working capital loans to farmers saw the growth of new transaction volume by EUR 26 million more than in 2023. In 2024, the increase in new transactions in guarantees was mainly driven by the increase in the energy efficiency of multi-apartment building programme under the Resilience and Recovery Facility (+EUR 17 million) and in the housing guarantee programme (+EUR 11 million). The Land Fund also saw a sharp rise in 2024, with new transactions significantly exceeding (+EUR 23 million) those of 2023.

- **At the end of 2024, the gross portfolio (incl. grants) amounted to EUR 1,178 million** which is by EUR 121 million less (-9%) than the targeted EUR 1,299 million in the Strategy for 2024. Compared to 2023, the figure has increased by EUR 76 million (+7%).

  The gross portfolio of financial instruments (excl. grants) was EUR 1,175 million, an increase of EUR 141 million (+13.6%) compared to the end of 2023).

  The largest increase was in **the loan portfolio, which grew by EUR 59 million (+16.4%) over the 12-month period**, 20% of which was accounted for by the Resilience and Recovery Facility loans and investment loans for Midcaps with a capital rebate. The guarantee portfolio grew to EUR 524 million (+9.1% compared to the end of 2023), driven by support programmes for individuals, i.e. housing guarantees for families, members of the National Armed Forces and young professionals, as well as guarantees for improving energy efficiency of multi - apartment buildings. The Land Fund's transaction portfolio increased by EUR 38 million (+39.4%).

  The grant portfolio left the largest impact on the gross portfolio of support instruments (incl. grants); **at the end of 2024 the grant portfolio was by EUR 120 million less compared to the one set in the Strategy (EUR 123 million**). In the EU programming period 2021-2027, it is possible to implement financial instruments, which also include a grant element in the form of capital rebate. At the end of 2024, the loan portfolio (excl. reverse rent transactions included in the Land Fund portfolio) was EUR 63 million lower (-13%) than set in the Strategy (EUR 481 million) while the portfolio of venture capital instruments was by EUR 5 million higher (+5%) than set in the Strategy (EUR 93 million). Meanwhile, the guarantee portfolio and the portfolio of the Land Fund were by EUR 23 million (+4%) and EUR 33 million (+24%) respectively higher than set in the Strategy (EUR 501 million and EUR 102 million, respectively.

  By segment, the largest portfolio (33%) is created in the segment of Small, Medium and Large Enterprises (SMEs and Midcaps) (31 December 2023: 36%), followed by Individuals - 32% (31 December 2023: 31%), Agriculture - 27% (31 December 2023: 23%) and Financial Intermediaries - 8% (31 December 2023: 10%).

Financial and non-financial targets (cont'd)

Information on achieving the 2024 non-financial targets set out in the Strategy (cont'd)**:**

- **Moody's credit rating in the Strategy is set two notches below the Moody's rating assigned to the Latvian state**.

  On 28 January 2025, the international credit rating agency Moody's Ratings (Moody's) **affirmed ALTUM's Baa1 long-term credit rating with a stable outlook.** The credit rating is at the same level as that affirmed on 2 February 2024. The short-term rating is also affirmed at P-2. ALTUM's credit rating is based on the Moody's Finance Companies Methodology (July 2024). ALTUM's long-term credit rating Baa1 is one of the highest ratings assigned to Latvian capital companies.

  ALTUM's long-term credit rating Baa1, affirmed by Moody's, is one notch below the rating assigned to the Latvian state, which was A3 at the year-end 2024, and ALTUM's rating is above the threshold set in the Strategy.

  ALTUM's long-term credit rating Baa1, affirmed by Moody's, is one notch below the rating assigned to the Latvian state, which was A3 at the year-end 2024, and ALTUM's rating is above the threshold set in the Strategy.

- **Total contribution to economy by ALTUM volumes issued in 2024 totalled EUR 978 million**, which is by EUR 205 million more (+27%) than targeted in the Strategy for 2024 (EUR 773 million). Compared to 2023, the figure has increased by 3%. The indicator represents the total contribution to the economy, including the participation of the beneficiaries, i.e. the funding contributed by the private co-financier and the project promoter.
- **The volume of the state support programmes (incl. grants) per employee amounted to EUR 4.6 million**, which is by EUR 1 million less (-17%) than targeted in the Strategy for 2024 (EUR 5.6 million). Compared to 2023, the figure has increased by 2%.
- **Voluntary employee turnover was 7%, which is below the indicator targeted in the Strategy (<10%)** and below the same indicator of 2023 (-1%). Reduced staff turnover contributes to reaching ALTUM's objectives.
- The number of **trained employees reached 96%, exceeding the number targeted in the Strategy** (>70%) and is the same as in 2023. The extensive use of distance learning contributed to the result.

In 2024, ALTUM met its main non-financial target as set out in the Strategy: **to support and facilitate availability of finances to business and to contribute to national economic development.**

Financial and non-financial targets (cont'd)

Information on achieving the 2024 financial targets set out in the Strategy

- In 2024, **Return on Equity ROE was 7.1%,** which was above the indicator targeted in the Strategy (>=1.3%), up by 2.6% in absolute terms compared to 2023.
- **The profit of EUR 28.7 million** exceeded the indicator targeted in the Strategy for 2024 (EUR 9.8 million), up by EUR 10.9 million compared to 2023.
- **Equity (at the end of the year) totalled EUR 416 million** (EUR 422 million targeted in the Strategy for 2024), up by EUR 26.7 million compared to 2023. Equity is in line with the Strategy. The 2024 increase in equity was due to the following factors: the profit for the reporting period; increase in the share capital of EUR 6.2 million in accordance with the resolution of the shareholders' meeting of 30 November 2023, based on Cabinet Order of 12 December 2023; increase in the capital reserve by EUR 7.4 million for the implementation of the housing guarantee and the study and student portfolio guarantee programmes of EUR 1.8 million and EUR 5.6 million, respectively; reduction of capital reserve by EUR 18.3 million for the guarantee programme for agriculture, fisheries and rural development and the guarantee programme for mitigating the consequences of the war in Ukraine, meanwhile increasing the funding for the support programmes. As a result of the reduction of the specific capital reserve, the reallocated funding of EUR 5.8 million for the guarantee programme for agriculture, fisheries and rural development was redirected for financing working capital loans to farmers. As a consequence of the reduction of the specific capital reserve, the reallocated funding of EUR 12.5 million for the guarantee programme for mitigating the consequences of the war in Ukraine was redirected for financing investment loans for midcaps with a capital rebate. Thus, the reduction of the specific capital reserve by reducing the funding for certain support programmes and the transfer of the corresponding funding to commitments to finance other support programmes was made while maintaining the nature of the funding, i.e. funding for the implementation of a new support programme and coverage of expected losses.
- **Cost-to-Income Ratio** was 23% and below the targeted in the Strategy (<=65%, down by 3% in absolute terms compared to 2023.
- **The 6-month liquidity ratio of 342%** was higher than the targeted ratio (>=100%), down by 88% in absolute terms compared to 2023. ALTUM maintains high level of liquidity. In 2024, ALTUM received funding from several EU funds – from the Resilience and Recovery Facility and the EU funding programmes for the programming period 2021-2027, which increased ALTUM's liquid assets.

Financial and non-financial targets (cont'd)

Information on achieving the 2024 financial targets set out in the Strategy (cont`d)

- **Tangible common equity (TCE) / Total tangible managed assets (TMA) was 22%,** which was above the indicator **targeted in the Strategy (>=20%). Compared to 2023, this ratio decreased by 1% in absolute terms. Such a decrease** was due to the change in equity (see the commentary to the indicator "Equity (year-end)") and the increase in total assets under management by EUR 249 million (+15%) in 2024. The above ratio shows that ALTUM's own funds are sufficient to cover the risks associated with its operations.

In 2024, ALTUM's main financial target as set out in the Strategy was met: **to deliver a positive return on ALTUM's equity through the state support programmes.**

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

Additional information on the achievement of non-financial and financial targets is available in the Annual Report for the year ending 31 December 2024 (hereinafter Annual Report) - the Management Report and Other Notes to the Annual Report.

Contribution to economy

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

In 2024: EUR 978 million

In 2023: EUR 946 million

In 2022: EUR 766 million

Internal control and risk management system

Internal control

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

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

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

In 2024, the Internal Audit Division prepared 14 (2023: 12) audit reports in accordance with the agreed action plan, providing an assessment of the functioning of the process management and control system; they were presented to the ALTUM Supervisory Board. During the reporting year, 108 (2023:47) audit recommendations were made, two of which were not implemented for objective reasons. The audit reports provided assurance to the ALTUM management on business processes, e.g., operational planning, drawing up and approving the budget and operational plan, monitoring budget implementation, budget adjustments, credit and operational risk management, monitoring collateral valuation, implementation of the activities of the Latvian Land Fund, RRF loans under low-rent housing construction programme, setting and application of interest rates, interest rate movements, determination of origination fee, customer compliance, loan origination and supervision, monitoring of red flags, etc.

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

Since 1 December 2017, ALTUM has an **Audit Committee;** among other things, it monitors the effectiveness of the internal control and risk management to the extent it relates to financial reporting and impartiality. The Audit Committee monitors ALTUM's financial reporting process and performs other duties as required by the Financial Instrument Market Law. In 2024, 6 meetings of the Audit Committee were held, during which 6 issues were reviewed (in 2023, there were 9 committee meetings, during which 12 issues were reviewed). For more detailed information, please visit the ALTUM website at www.ALTUM.lv under the "ABOUT ALTUM" section, in the subsection "Audit Committee".

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

Internal control and risk management system (cont'd)

Internal control (cont'd)

ALTUM's principles on the processing of personal data, recruitment processes including, provide information on the way ALTUM handles personal data through its internal resources, including information systems. Personal data is any information relating to an identified or identifiable natural person. In order to provide information on the processing of personal data, ALTUM gives the above information on its website under the section "Privacy Policy" in accordance with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

Risk management

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

ALTUM has a risk management framework, taking into account the Company size, structure and operational specificities as well as the limited capacity to manage individual risks. The Risk Management Strategy contains the core principles of risk management and is approved by the ALTUM Supervisory Board. The strategy defines the acceptable ranges of risk exposures and risk-award ratios for the main risk types based on the risk classification. The ALTUM Board implements risk management policy complying in its strategic activities with the risk limits set by the Supervisory Board.

ALTUM manages risks affecting its operations in accordance with the Company approved internal regulations for risk management, which describe and define the measures used to manage risks inherent in its operations.

Risk management regulations and internal rules aim to take preventive risk management measures to build a pre-emptive and balanced risk management framework, ensuring that transactions and other operations are assessed prior to their start. At the same time, the internal risk management system is continuously monitored and improved in line with ALTUM's growing business volumes and corporate governance structure.

Risk management adheres to the principle of sound management, based on the following key elements:

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

ALTUM uses various risk analysis methods and tools to manage its risks and sets risk limits and restrictions. Risk management is integrated into all ALTUM management processes and is carried out on the basis of established and approved policies, strategies, procedures, methodologies and other internal regulations. The risk management process includes the identification and management of risks, including measurement, evaluation, the procedure for monitoring compliance with the set restrictions and limits, identification of risk mitigating measures and risk reporting.

In line with macroeconomic changes and trends, adjustment of risk management takes place as well, including not only specific support to particular business sectors within the framework of the support programmes, but also the management and monitoring of the risks of the beneficiaries under these programmes through portfolio risk management tools such as credit risk management and other elements related to portfolio quality monitoring.

Information on the elements of the risk management framework is available in ALTUM's Annual Report 2024.

To make the terms of cooperation transparent in the context of assessing the AML/reputation, while complying with the binding regulations, criteria/limitations for cooperation with clients were developed and published on the ALTUM website.

Internal control and risk management system (cont'd)

Risk management(cont'd)

As part of its sanctions risk management, ALTUM conducts an in-depth analysis of clients and their business partners concerning their links with countries known to be or likely to be involved in circumventing the imposed sanctions. To mitigate sanctions risk, given the broad sanctions imposed against Russia and Belarus and their legal entities as a result of Russian invasion of Ukraine, ALTUM set additional control measures during both the granting of financial instruments and the monitoring of the business relationship, and paid increased attention to the "Know Your Customer" approach, including an assessment of the customer's reputation, personal and business activities.

For ESG risk management of ALTUM's credit portfolio and guarantee portfolio, see the section "ESG Risk Management for ALTUM's Credit Portfolio and Guarantee Portfolio."

When managing the Fund, ABC applies best practices from the private equity and venture capital industry. The Investment Committee, which is responsible for investment evaluation and decision-making, also includes independent industry experts. Reporting to the Fund's investors is conducted in accordance with the Invest Europe guidelines, while investment valuation is carried out following an internally developed procedure based on the valuation guidelines approved by the IPEV (International Private Equity and Venture Capital Valuation) Board.

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

Independent audit

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

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

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

- the applicant is registered in accordance with the requirements of the laws and regulations of the country of registration or permanent residence.

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

The following criteria were applied for the auditor selection:

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

Contribution to sustainability

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

In support of the Global Shared Agenda to halt climate change, eradicate poverty and fight inequality by 2030, ALTUM follows those companies committed to contributing to sustainable development and has prioritised the UN Sustainable Development Goals (UN SDGs), which are closely linked to the company operations and strategic objectives. The UN SDGs have been identified based on a stakeholder survey and the Company influence, as shown in ALTUM's mater ALTUM has defined four areas of sustainability activities in its work, through which the achievement of the UN Sustainable Development Goals is promoted.

Sustainability Action Areas	UN Sustainable Development Goals
Development Finance Institution business - Financial instrument portfolio and investment impact, sustainable financing - Capital markets - Credit risk management	
Development Finance Institution operations - Corporate governance - Procurement - In-house environmental protection	
Employee relations and Workplace - Employee well-being - Promotion and exchange of expertise and experience	
Sustainability Management and Reporting - Sustainability governance - Sustainability reporting of ALTUM and AIF ALTUM Capital Fund	

Since the beginning of 2021, ALTUM's management has prioritized sustainable financing and the integration of ESG aspects into credit risk management and business processes. This is also one of the goals set by ALTUM's 2022-2024 Strategy.

When developing ALTUM's medium-term strategy for 2025–2027, sustainability aspects are integrated into both lending and risk management. The focus is placed on transition financing and products across various segments to support business transformation. Following the hierarchy of strategic documents, the ALTUM Sustainability Strategy will be approved after approval of the medium-term strategy for 2025–2027.

ALTUM upholds responsible business practices based on internationally recognized regulations and guidelines, ensuring transparency, ethical conduct, and sustainable development. The company's activities are focused not only on compliance but also on proactive actions to create sustainable value for all stakeholders, including employees, investors, clients, and society as a whole.

ALTUM continuously improves and develops processes to monitor adherence to the UN Global Compact principles and ensure alignment with the OECD Guidelines for Multinational Enterprises. ALTUM upholds human rights across all business functions and works to comply with the UN Guiding Principles on Business and Human Rights.

Contribution to Sustainability (cont'd)

We work towards sustainable finance and the integration of sustainability into all ALTUM processes and disclosures related to sustainability in the financial services sector:

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

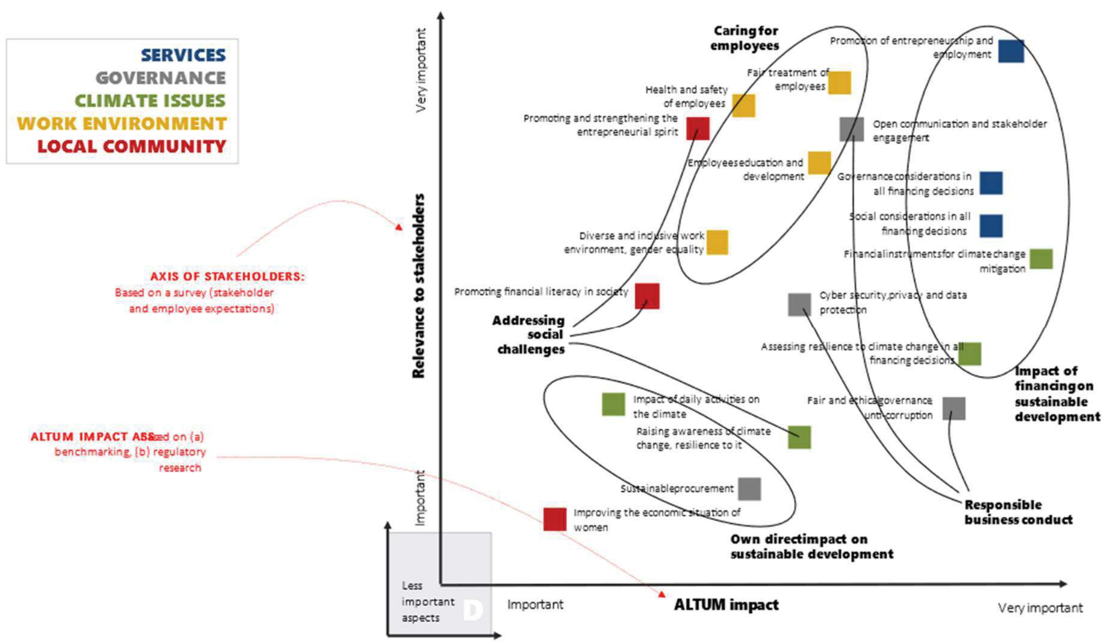
Double materiality matrix

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

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

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

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



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

Sustainable financing

ALTUM's level of ambition regarding sustainable financing is implemented voluntarily and is determined by (i) the expectations of stakeholders such as investors, credit rating agencies, international lenders, and Nasdaq Baltic towards ALTUM as Latvia's development financial institution, which has a significant impact on the Latvian economy, and (ii) compliance requirements for public financing available from the EU Cohesion Policy and/or the Recovery and Resilience Facility (RRF), which contribute to the Sustainable Europe Investment Plan/Green Deal Investment Plan, where ALTUM plays a critically important role in implementing financial instruments for the SME sector in Latvia.

ALTUM's level of ambition is also influenced by sustainable finance regulations that already apply to a portion of ALTUM's portfolio (for example, the portfolio financed under ALTUM's Green Bond Framework 2021, previously the Green Bond Framework 2017), in accordance with the Green and Social Bond Principles published by the International Capital Market Association (ICMA). Although not binding for ALTUM, ALTUM follows the practices of the international financial institution sector in its daily operations. As such, guidelines from the European Banking Authority (EBA) and the European Central Bank (ECB) on the integration of ESG aspects into credit risk management, including lending and supervision, as well as climate risk management (Transition Risk and Physical Climate Risk), have been reviewed and are in the process of further integration into ALTUM's internal processes.

In 2022, the Bank of Latvia (until 31 December 2022 Financial and Capital Market Commission) developed a roadmap for a sustainable financial sector in Latvia with a view to clarifying the financial sector watchdog's expectations on the position and actions of financial and capital market participants in identifying and managing sustainability risks. The purpose of the roadmap is to promote a common understanding among financial and capital market participants regarding the necessary steps to identify and manage sustainability risks.

ALTUM's ESG commitment is based on the roadmap developed in 2022, the implementation of which over several years has promoted the development of sustainable finance. The measures implemented and the goals achieved under this roadmap align with the guidelines of the roadmap developed by the Bank of Latvia.

In 2024, development of sustainable financial products continued. The transition **product for SMEs towards a low-carbon economy** is gaining momentum, and the development of an **agricultural transition finance** product is underway.

Sustainable financing (cont'd)

The agricultural segment product is targeted at projects that enhance the energy efficiency of agricultural machinery and product manufacturing, as well as improve the climate resilience. Special attention is given to client engagement to facilitate their transition to a low-carbon economy.

Regarding ESG aspect integration into credit risk management, in 2024. ALTUM continued work on integrating the ESG scoring model into the loan issuance processes. This model will be applied in the evaluation of new transactions for SMEs, large enterprises, and farmers above a specified materiality threshold, as well as for monitoring the existing portfolio and collateral assessments. The ESG scoring model will also help determine the level of transition risk at the individual transaction level. The implementation of this model is gradual and will start in spring 2025, taking into account clients' readiness to complete the standardized ESG questionnaire published by banks in April 2024. This will provide data for ESG risk assessment and insights into clients' planned and actual sustainability KPIs.

Since early summer 2024, an employee training program has been in progress to successfully integrate individual ESG assessments into loan issuance and portfolio monitoring processes. Additionally, a climate physical risk assessment tool has been developed to be applied at an individual level for monitoring a large number of transactions, such as investment property portfolios. In Q4 2024, the individual assessment of mapped financed assets began using this newly developed tool.

The AIF ALTUM Capital Fund carefully evaluates companies' ESG performance and the economic changes affecting supply and value chains before making investments. In compliance with the Sustainable Finance Disclosure Regulation (SFDR), the fund published guidelines at the end of 2022 on the impact of investment decisions on sustainability factors (Principal Adverse Impact Indicators). At the beginning of 2024, an evaluation of the fund's portfolio companies' principal adverse impact indicators for 2023 was conducted. It should be noted that the key adverse impact indicators of the Fund's managed portfolio do not indicate a significant negative impact of investment decisions on sustainability factors, both at the end of 2023 and in the updated assessment for the end of 2024.

ALTUM is committed to following the best industry practices in Europe, where strong positions have been taken by defining clear sustainability targets and excluding specific industries and projects from financing, regardless of funding sources. Many institutions have already ceased financing energy production projects that use fossil fuels. ALTUM will review its current client portfolio, encouraging their transition to sustainable development and gradually phasing out financing for projects that do not meet ALTUM's ESG criteria in credit risk management.

Portfolio contribution in sustainable development

Financed projects supporting Environmental goals

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

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

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

°C | °CICERO Medium Green

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

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

Portfolio contribution in sustainable development (cont'd)

All the new programmes available within the framework of RRF funding have a sustainability focus in terms of the activities to be supported, but they are of different types and fall into the following groups: (i) climate programmes that ensure compliant with DNSH for the specific environmental objective of the Taxonomy (ii) a digitisation programme aimed at increasing productivity, and (iii) a rental housing programme with the social objective of reducing inequalities. ALTUM continues to develop new sustainability products across various segments. In 2023, a product was introduced in the **SME segment to support businesses in their transition to a low-carbon economy**—reducing the CO2 footprint of their product or service lifecycle, adapting to supply chain ESG requirements, and strengthening resilience to the impacts of physical climate risks. In 2024, work has begun on a **transition financing offer for the agricultural sector**. The expansion of the transition financing product is aimed at projects that promote the energy efficiency of agricultural machinery and product manufacturing, as well as improve farm climate resilience. The increase in the volume of new transactions for sustainable loans has been positively impacted by the additional incentive granted since the fall of 2023 – a discount on the financing cost of sustainable projects, which is initially applied for 18 months from the moment the loan is granted.

The intensive work with clients in the SME segment on financing green building projects and market education, which has been ongoing for many years, bore fruit in 2024 – this year marks the first year that loan issuance in the green building sector began, reaching 4.6 million EUR.

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

The **ALTUM Energy Efficiency Technical Competence Center** team provides consulting services to businesses on energy efficiency assessments, energy audits, and the preparation of technical documentation for investment projects. The team has built its expertise since 2017 when ALTUM issued **Green Bonds** to raise funds for financing sustainable projects.

Our team's knowledge of energy efficiency solutions and market trends extends beyond standard solutions, offering added value to clients. Over the past five years, the projects consulted by our team—if all energy audit recommendations were implemented—would result in an annual savings of more than **16,000 t CO_2e**.

In **2024**, the total estimated CO_2 savings from the consulted projects will reach **297 t CO_2e per year**. However, this figure does not yet reflect the impact of several large-scale projects still undergoing energy audits. One of the most significant examples is the **energy audits of more than 300 public buildings in Riga**. For more information about the Energy Grant, please see here.

Financed projects supporting Social goals

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

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

(i) socially significant projects,

(ii) socially vulnerable groups,

(iii) business startups and development in rural areas regardless of profession or age, and

(iv) social enterprises, fostering social entrepreneurship and integrating individuals into the workforce who might otherwise struggle to fully integrate into society.

Portfolio contribution in sustainable development (cont'd)

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

The affordable housing program is rapidly developing in 2024, contributing to the achievement of social goals in the SME segment. The program provides support for the construction of three or more apartment affordable and energy-efficient residential buildings in regions, aiming to promote housing affordability for households that cannot afford housing under market conditions.

Initially, 41.6 million euros were allocated for the financing of affordable housing construction under the program. However, starting from 2025, an additional 29 million euros will be available, bringing the total RRF funding for the program to nearly 71 million euros. By the end of 2024, loans totalling nearly 38 million euros have been finalized for 7 projects, covering the construction of 486 apartments.

RRF affordable housing program financed project locations in **2024**:

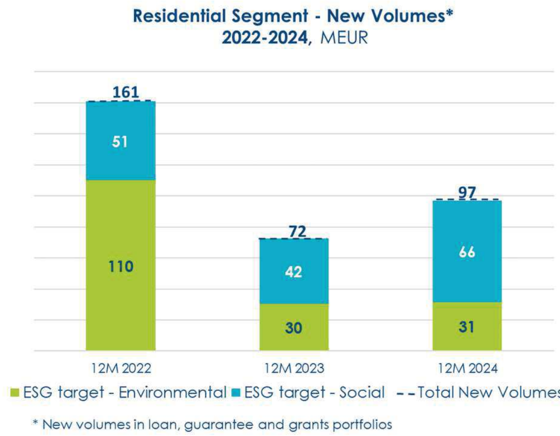
Recognizing that entrepreneurs and residents in the regions of Latvia face greater challenges in attracting development loans—due to both collateral value and purchasing power—ALTUM is consistently working to increase funding accessibility for these client segments in areas outside Riga and its surrounding regions. In **2018**, ALTUM introduced a special small loan program specifically for entrepreneurs in rural areas, which has seen stable and growing demand. Since the program's launch, **EUR 48 million** has been issued. To further promote business development in Latvia's regions, a new offering was created in **2024**, allowing loans up to **100,000 euros** to be granted with reduced or no collateral requirements. The first year's data show that this is particularly relevant for entrepreneurs in the regions, with **72%** of the transactions occurring outside Riga.In the **residential segment**, ALTUM increased its guarantee limits to **50%** of the mortgage loan amount for home purchases outside Riga and its surrounding areas in **2024**. However, since the increase in guarantee limits did not significantly boost the volume of mortgage lending in the regions, and the private sector's offerings remain insufficient, ALTUM plans to begin **direct housing lending** in rural areas in **2025**. The proposal is currently being coordinated with the **European Commission**.

Portfolio contribution in sustainable development (cont'd)

Below you can find an overview of ALTUM's new transactions **promoting environmental and social goals over the past three years:**

In achieving social goals, the most significant contribution in the **residential segment** in **2024** came from **housing guarantees**, with the total amount of guarantees issued reaching **EUR 51 million**. This increase can be explained by changes in the housing guarantee conditions. In **2024**, the **Housing Guarantee Program** increased the amount of guarantees granted to families in the regions and also raised the maximum transaction amount allowed under the program.

The achievement of social goals in the loan portfolio for the residential segment was facilitated by the **rapid growth of the RRF affordable housing** construction program in 2024, where loan issuance began, with loans amounting to 6 million EUR in 2024.



Loans issued to support **environmental goals in the residential segment** amount to 14 million EUR (-15 million EUR compared to 2023), primarily consisting of loans for improving the energy efficiency of multi-apartment buildings. It should be noted that the volume of loans issued in the residential segment has decreased compared to 2023 due to changes in the product offering for multi-apartment building energy efficiency projects in 2024. The focus has shifted to guarantee instruments as a supplement to loan products, with the volume of guarantees issued in 2024 offsetting the decline in loans. However, total new transaction volumes still do not compare to the high levels of 2022, when the previous planning period program concluded.

Sustainability loans issued in the **SME segment to support environmental goals reached 36 million EUR in 2024** (+7 million EUR compared to 2023), primarily in the energy efficiency, renewable energy, and green building sectors. A significant increase compared to 2023 was driven by the RRF energy efficiency program with a capital rebate.

Meanwhile, the volume of loans issued for projects that support social goals has been boosted by the startup loan program, with a strong focus on financing in regional areas.

Portfolio contribution in sustainable development (cont'd)

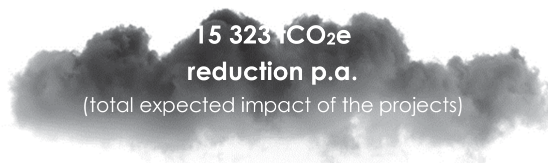
In 2024, the total planned **CO2 reduction impact of ALTUM-financed projects supporting environmental goals is expected to reach 15.3 thousand tons of CO2e** per year (2023: 17.9 thousand tons of CO2e), amounting to 308 tons of CO2e (2023: 636 tons of CO2e) per million EUR invested annually.

Analysing by segment, ALTUM-financed projects supporting environmental goals in the **SME sector are expected to contribute to a CO2 reduction of 422 tons CO2e (2023: 643 tons CO2e) per million EUR invested** per year. This decline compared to 2023 is attributed to the specific nature of the financed projects.

It is important to note that CO2 reductions are not calculated for SME green building or energy storage infrastructure projects, meaning their positive sustainability impact should be considered additionally.

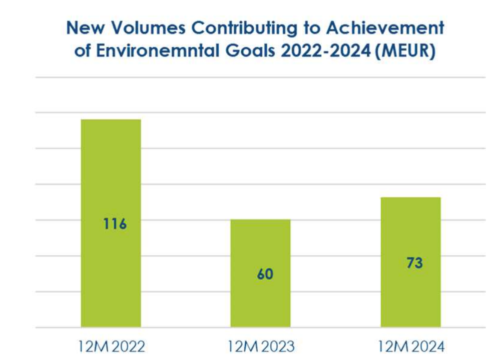
Meanwhile, ALTUM-financed projects contributing to environmental goals in the **residential segment are expected to result in a CO2 reduction of 25 tons CO2e (2023: 106 tons CO2e) per million EUR invested** annually, showing a seemingly significant decline compared to 2023. However, this is explained by a higher share of investment in the project and the inclusion of significantly lower CO2e footprints for heat energy suppliers in the calculations—an evident improvement due to recent years' shifts towards more environmentally friendly heat energy production solutions.

Impact from new volumes in 2024



excluding the impact of passive buildings, for which CO2 reduction is not calculated.
(total expected impact of the projects)

The above activities providing guarantees and grants under the programmes for improving energy in multi-apartment buildings and private houses in the Individuals segment and loans for sustainable projects in the SME segment resulted in the following volumes of new transactions contributing to reaching the environmental objectives:



* New volumes in loan, guarantee and grant portfolios

Providing guarantees for home purchase (Individuals segment) and a full range of state support financial instruments to companies to overcome the effects of the Covid-19 pandemic resulted in the following volumes of new transactions contributing to social objectives:

* New volumes in loan, guarantee and grant portfolios

ESG – Corporate Governance

Ensuring ALTUM's effective operation in the long term is only possible by adhering to the principles of sustainable business, which consist of three interconnected and equally important ESG aspects – Environmental, Social, and Governance.

Corporate governance is a fundamental basis for ALTUM's operations, ensuring transparency, accountability, and sustainable development. The year 2024 was marked by significant achievements and high recognition in various areas, demonstrating ALTUM's practices in sustainability, investor relations, and promoting diversity. The achieved results reflect the company's strategic approach to responsible business practices and continuous improvements in corporate governance processes.

ALTUM's corporate governance model, which is continuously refined, serves as the foundation for achieving ALTUM's strategic objectives. Since 2021, ALTUM has been applying the Corporate Governance Recommendations outlined in the Code.

Adherence to the corporate governance principles set out in the Code promotes the company's long-term value growth, efficient management, and operational transparency, applicable at all ALTUM levels. It establishes a successful network of relationships among shareholders, the Supervisory Board, the Management Board, employees, clients, and the broader society. In its daily operations, ALTUM fosters open and reliable communication with all stakeholders, while also ensuring compliance with Latvian and international legal norms and ethical standards.

When evaluating the compliance of ALTUM's corporate governance system with the corporate governance principles established in the Code and the observance of these principles in ALTUM's operations, ALTUM fully adheres to all corporate governance principles outlined in the Code.

Highlights and achievements 2024

Below are the most significant events and recognitions awarded to ALTUM for the year 2024.

Long-term credit rating Baa1	Best Investor relations in the Baltics among Bond Issuers	Platinum category award in the Sustainability Index	"Employer Open to Diversity 2023" by Society Integration Foundation	2nd place in "Fair Pay 2023" organised by Figure Baltic Advisory

On February 2, 2024, Moody's reaffirmed **ALTUM's long-term credit rating at Baaa1 with a stable outloo**k, which is the same level as confirmed on December 16, 2022. According to Moody's updated Government-Related Issuers Methodology published on January 25, 2024, ALTUM is no longer classified as a government-related issuer, and its baseline credit assessment (baa3) has been withdrawn. As of February 2, 2024, ALTUM has been assigned a separate standalone credit assessment at the previous baa3 level, replacing the withdrawn baseline credit assessment. ALTUM initially received the Baa1 long-term credit rating in 2017, which is one of the highest among Latvian state-owned enterprises. This high rating allows ALTUM to successfully implement its long-term financing strategy by regularly issuing bonds. Financial market resource mobilization ensures ALTUM's financing source diversification, promotes sustainability and self-sufficiency in financing mobilization, while also fostering the development of the Baltic capital markets.

In spring 2025, ALTUM was awarded the 3rd place in the Nasdaq Baltic Awards 2025 category "Best Investor Relations on Bond List". For the awards, the Nasdaq Baltic-listed companies were evaluated based on their achievements in transparency, investor relations and good corporate governance practices. Moreover, the companies' trading activity was considered, taking into account market analysts' and investors' assessments.

Highlights and achievements (cont'd)

In the Sustainability Index organised by the Institute for Corporate Sustainability and Responsibility, which assesses a company's sustainability according to international requirements in all areas of corporate social responsibility, **ALTUM received the Platinum category award for the fourth consecutive year.** The Sustainability Index score is one of the visible manifestations of the invisible day-to-day work that companies are doing to uphold the principles of corporate sustainability and responsibility, balancing the interests of shareholders, employees, customers, the environment, business partners and others with the conditions for sustainable performance, thereby becoming the leaders of tomorrow.

In 2024, ALTUM received high acclaim for its fair and equitable approach to determining compensation. In the "Fair Pay 2024" study conducted by the compensation research and management consulting firm Figure Baltic Advisory (formerly known as "Fontes"), ALTUM won the third place in the category of small and medium-sized enterprises. Several aspects were evaluated when analysing the companies: internal fairness (compensation for equivalent or similar-value positions within the company), external fairness (the company-paid compensation in relation to similar positions in the labour market), and social fairness (the gap between male and female compensation for equivalent positions). Among the criteria considered was the gender ratio in leadership positions, starting from middle-level management.

Likewise, for the second year running, in 2024, ALTUM's efforts in promoting diversity were recognized. In the “Diversity Award 2024” organised by the Society Integration Foundation, ALTUM was awarded bronze status, affirming its dedication to implementing diversity principles and its commitment to fostering an inclusive work environment. The award was designed to promote tolerance towards diversity in Latvian businesses and the job market, as well as to enhance social understanding of the concept of diversity, while also sharing examples of best practices.

Nomination and selection of the supreme governing bodies

Competent and experienced management is a precondition for effective business performance and decision-making that contributes to long-term value growth.

ALTUM's governance model is designed to follow good corporate governance practices, contained in the Code, separating strategic and operational management. The company has a three-tier governance structure. ALTUM is governed by a shareholders' meeting, the Supervisory Board and the Management Board. In the cases set out in the Law on Governance of Capital Shares of a Public Person and Capital Companies, decisions are also taken by the Cabinet of Ministers as the supreme decision-making body. Under the Commercial Law, both the Management Board and the Supervisory Board are jointly and severally liable.

Evaluating the compliance of ALTUM's corporate governance system with corporate governance principles set out in the Code and compliance with these principles in ALTUM's operations, ALTUM fully complies with the corporate governance principles defined in the Code. The composition and terms of operation of ALTUM's Supervisory Board as well as the Management board are determined by the Law on Development Finance Institution (hereinafter - AFI Law)

According to Article 7 of the AFI Law, members of ALTUM Supervisory Board and Management Board are subject to the requirements set out in the Credit Institution Law for members of the Supervisory Board and the Management Board of a credit institution.

ALTUM Supervisory Board is composed of three members. Each shareholder is entitled to nominate one candidate for election to the Supervisory Board. Chairperson of the Supervisory Board is a member of the Supervisory Board nominated by the Ministry of Finance. ALTUM Management Board is limited to five members. The Supervisory Board elects Chairperson of the Management Board from among its members. The term of office of the Supervisory Board and the members of the Management Board is three years.

Nomination and selection of the supreme governing bodies (cont'd)

The procedure for nominating members of the Management Board and the Supervisory Board is governed by the Law on Governance of Capital Shares of a Public Person and Capital Companies and Regulations of the Cabinet of Ministers "The procedure for nominating management board and supervisory board members in capital companies where capital shares are owned by the State or derived public person". The holder of the state capital shares or the Supervisory Board of the capital company establishes a Nomination Committee to evaluate the candidates for membership of the Management Board or the Supervisory Board. The Nomination Committee includes representatives nominated by the holder of the state capital shares or the Supervisory Board and the Cross-Sectoral Coordination Centre (from 1 March 2023 the Cross-Sectoral Coordination Department of the State Chancellery) (hereinafter - SCC) as well as independent experts and, if necessary, observers with advisory rights.

Potential candidates for the Management Board and the Supervisory Board are selected through an application procedure. An exception is made only in cases provided for by law where a member of the Supervisory Board or the Management Board is reappointed for a new term of office or it is not possible to nominate a person for a term of office that would ensure the capacity of the Supervisory Board or the Management Board.

If it is not possible to nominate a candidate for a member of the Supervisory Board or the Management Board within a time limit which would ensure the institution's legal capacity, a candidate meeting the relevant criteria of professionalism and competence shall be appointed as a member of the Supervisory Board or the Management Board. The person so elected holds office until a member of the Supervisory Board or of the Management Board is elected in accordance with the nomination procedure laid down by law, but for no longer than one year.

The nomination procedure for ALTUM Supervisory Board and Management Board members ensures the recommendations set in the Code of Corporate Governance and promotes good corporate governance in the Company.

Governance Structure

Shareholders

Effective involvement of shareholders in decision-making helps to achieve the Company's financial and non-financial objectives and ensures its sustainability.

Finanšu ministrija	Ekonomikas ministrija	Zemkopības ministrija
Baiba Bāne,	**Edmunds Valantis,**	**Ģirts Krūmiņš,**
State Secretary of the Ministry of Finance, continues as a representative of ALTUM shareholders	State Secretary of the Ministry of Economics, continues as a representative of ALTUM shareholders	State Secretary of the Ministry of Agriculture, continues as a representative of ALTUM shareholders

Supervisory Board

The members of ALTUM Supervisory Board have relevant experience and expertise, and possess a range of skills and knowledge, including in the financial sector, business development management as well as corporate strategy and financial management. The Supervisory Board is gender-balanced and respects the principles of diversity.

Līga Kļaviņa

Chairperson of the Supervisory Board

Deputy State Secretary for Financial Policy at the Ministry of Finance of the Republic of Latvia. Prior to that, she held several senior positions in the Ministry of Finance, representing the interests of the Latvian State in state-owned companies as well as working for a long time in international financial institutions.

Holder of a Master's degree in Law from the Institute of International Affairs, University of Latvia.

Term of office: 26.12.2025

Krišjānis Znotiņš

Member of the Supervisory Board (independent)

15+ years experience in the management and corporate governance working in executive positions in financial sector companies (DNB leasing, Eleving Group Latvia, Wandoo finance, Luminor bank).

Holds Bachelor's degree from the Banku Augstskola and Master's degree in business management in international finance and banking from SBS Swiss Business School (Switzerland).

Term of office: 30.04.2027.

Ansis Grasmanis

Member of the Supervisory Board (independent)

20+ years experience in the management and corporate governance and 10+ years experience in risk management and internal control, working in top management positions in financial sector companies (SEB bank, Swedbank), has held top positions as Chairman of the Board of Directors at Banka per Biznes (Kosovo) as the EBRD's nominated member of the Board of Directors, member of the Supervisory Board at the First Ukrainian International Bank (Ukraine), Banku Augstskola and SJSC State Real Estate.

Holds Master's degree in mathematics from the University of Latvia and FCT (Association of Corporate Treasurers) and FCCA (Chartered Association of Certified accountants) qualifications.

Term of office: 30.04.2027

ALTUM has a well-defined and clear organization of the Supervisory Board's work, ensuring timely, high-quality, and relevant information availability that facilitates the effective execution of the Board's tasks and the full engagement of Board members in decision-making. In 2024, 10 Supervisory Board meetings were held, addressing issues related to ALTUM's oversight and management, as well as evaluating the work of the Audit Committee, the activities and independence of the Internal Audit Department, and matters concerning the operation of the Internal Control System, implementation, execution, and monitoring of state support programs. The Board actively participated in the development of the next period's Strategy through regular joint work sessions of the Board and the Management Board, covering areas such as corporate governance, risk management, and development programs. Additionally, the Supervisory Board establishes and evaluates the individual performance indicators (KPIs) to be achieved by Management Board members and regularly monitors operational results and Strategy implementation. The Board is also represented on the Audit Committee and, in 2024, participated in the selection committee for the Head of the Internal Audit Department.

Governance structure (cont'd)

Management Board

Reinis Bērziņš

Chairperson of the Management Board

Business management and finance professional with extensive experience in managing companies and institutions.

Holder of a Master's degree in International Finance and Banking from BA School of Business and Finance, a Master's degree in Business Administration from the Swiss Business School and a Master's degree in Law from the University of Latvia.

Main areas of responsibility: finance and resource management and sustainability management.

Member of the Supervisory Board of the Three Seas Initiative Investment Fund, an international investment fund, Chairman of the Advisers' Convention of BA School of Business and Finance. Chairman of the Supervisory Board of Riga Stradiņš University.

Managing ALTUM since 12 October 2015.

Term of office: 27.05.2027

Jēkabs Krieviņš

Member of the Management Board

Financial expert with more than 25 years of experience in the organisation and management of corporate lending, gained working in both the commercial banking and public financial institutions sectors.

Holder of a Master's degree in Business and Institutional Management from Riga Business School, a Certificate in Banking from BA School of Business and Finance and a Bachelor's degree in Economics from the Latvian University of Agriculture (now the Latvian University of Life Sciences and Technologies).

Main areas of responsibility: IT and technology development, ALTUM's customer and regional service centres, private housing guarantees, oversight of the Latvian Land Fund.

Member of the Board of the European Association of Guarantee Institutions (AECM)

Term of office: 27.05.2027

Inese Zīle

Member of the Management Board

20 years' experience in the financial sector, including more than 15 years managing various departments, as well as experience in the public sector.

Holder of a Master's degree in International Economics and Business from the University of Latvia.

Main areas of responsibility: development and implementation of ALTUM's state support programmes, energy efficiency in residential buildings, corporate client services, marketing and public relations.

ALTUM's representative on the Supervisory Board of the Finance Latvia Association. Member of the Supervisory Board of VAS Sadales tīkls.

Term of office: 27.05.2027.

Ieva Jansone-Buka

Member of the Management Board

Experience in the financial sector, working in senior positions in both commercial and corporate banking.

Holder of a Professional Master's degree in business from the Stockholm School of Economics in Riga, a Bachelor's degree in Management and Political Science from the University of Latvia.

Main areas of responsibility: venture capital financial instruments, organisation and management of the lending process, export guarantees, implementation of the social entrepreneurship and energy efficiency programmes, compliance

Member of the Supervisory board of SIA Tet.

Term of office: 17.03.2027.

Juris Jansons

Member of the Management Board

More than 20 years of experience in operational compliance, financial crime prevention and risk management, gained in senior positions in the commercial banking sector.

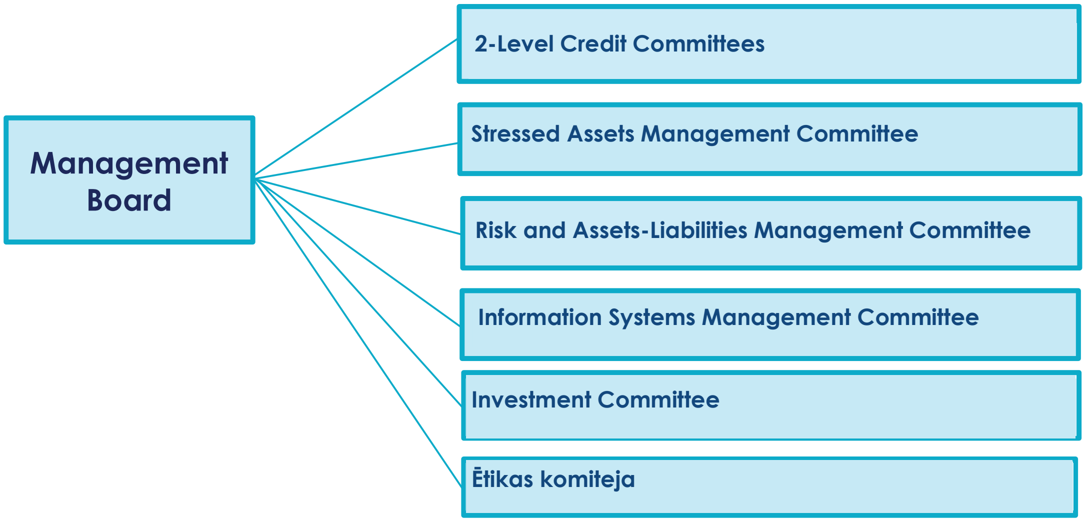
A Master's degree in Law from the University of Latvia. In addition to many years of experience in the field of anti-money laundering, holding CAMS certificate.

Main areas of responsibility: risk management, anti-money laundering and countering the financing of terrorism and proliferation, legal and, administrative management, monitoring of client liabilities and human resources.

Term of office: 08.01.2026

Governance structure (cont'd)

Committees were established by a decision of the ALTUM Management Board. Their main tasks, rights and responsibilities, principles of operation as well as the rights and obligations of the members of the Committees are set out in the Committee Regulations.



Information on ALTUM management, ALTUM shareholder representatives, ALTUM Audit Committee and ALTUM governance is available on ALTUM's website www.ALTUM.lv, in the "ABOUT ALTUM" section under "Corporate Governance".

The remuneration of the Supervisory Board and the Management Board is determined by the legislation of the Republic of Latvia - the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Cabinet Regulations issued on the basis thereof. The law establishes a uniform framework for the remuneration of the members of the Supervisory Board and the Management Board of state owned companies. SCC Guidelines for Determining the Remuneration of Members of the Management Board and the Supervisory Board of a Capital Company of a Public Person and a Public Private Capital Company define the procedure for payment of a bonus or variable remuneration to the Management Board after the approval of the annual report and assessing the performance of the company, its Management Board and Supervisory Board in the reporting year.

Audit Committee

More about Audit Committee can be found in the section "Internal control and risk management".

Transparency of the company's operations

Transparency is the foundation for effective investor relations and successful communication with shareholders and other stakeholders. ALTUM regularly and timely informs shareholders and other stakeholders about the company business activities, financial performance, governance and other relevant issues, disclosing accurate, complete, objective, up-to-date and reliable information. The Company's website publishes information on governance, the strategy and the lines of business, the annual report as well as the articles of association, the Code of Conduct guidelines, company key policies and the corporate governance report.

Disclosure is made within the time limits prescribed by law or immediately after the occurrence of an event requiring disclosure. The information is disclosed in Latvian and English.

ALTUM has its regulated information as well as internal and external communication procedures. On behalf of the company, authorized persons answer inquiries made by investors and stakeholders as well as communicate with the media. In October 2017, ALTUM started listing on Nasdaq Riga, and regularly ALTUM discloses information in accordance with the "Procedure by which Nasdaq Riga OMX issuers disclose information" and ALTUM's internal rules.

Organisational culture and ethical conduct

ALTUM has zero tolerance for bribery and corruption and prohibits it in any form, directly or indirectly. ALTUM does not engage in corrupt practices and fully condemns them. To ensure adequate management of corruption, bribery and conflict of interest risks, ALTUM has established an organizational control system that ensures preventive risk management and a control environment that aims to prevent corruption risks by preventing conflict of interest and corrupt practices and bribery in decision-making and in the working environment in general.

ALTUM's ethical principles are laid down in the Ethical Code and serve as the standard of conduct for ALTUM management and all employees. The Ethical Code comprises guidelines for employees' day-to-day communication with colleagues, customers, business partners; it helps create a responsible, safe and comfortable working environment, which in turn promotes loyalty and ethical conduct among employees, thus ensuring the attainment of the Company's long-term goals.

ALTUM provides a number of secure and protected channels, among them for raising an alarm, in order to detect any possible bribery or corruption activity, or any violation of anti-corruption laws and regulations. No complaints about corruption or whistleblowing reports were received in 2024.

Stakeholder management

Regular and meaningful communication with stakeholders is an important tool in identifying and addressing issues relevant for each stakeholder group. ALTUM stakeholders have been identified while recognising ALTUM's specific role in the national economy. As a development finance institution, ALTUM ensures access to finance for defined groups of entrepreneurs and private individuals. This support provides a positive and meaningful long-term impact on the society. To ensure effective cooperation ALTUM communication practices are tailored for the needs of each stakeholder group.

- **Clients**

ALTUM's client service network is subordinated to the Company's main non-financial objective to promote access to finance for business. This is achieved by maximising the availability of staff advice to all customer segments, both face-to-face and remotely.

Clients are offered face-to-face consultations in all regions of Latvia, and employees regularly visit clients to get to know their business better.

Efficient customer service system for clients who wish to communicate remotely. ALTUM offers fully remote customer service starting with a consultation and loan application to the decision-making. In order to improve remote servicing and reduce the need for paper, the staff encourages clients to use electronic signatures.

For the second year, client satisfaction was measured by their feedback to an on-line survey. All clients of our lending services were requested to complete it. The survey asked clients to comment on the simplicity and clarity of the processes, the competence and responsiveness of the staff, the performance of the client portal, the speed of decision-making and other important aspects of client service.

- **Employees**

Employee involvement is essential for the improvement of ALTUM's working environment, safety, training processes, etc., as well as for the development of new ALTUM business lines, the creation, implementation and improvement of support programmes. Employees' views are sought periodically through employee surveys, in cooperation with their authorised representatives, working groups, hackathons, etc.

- **Shareholders and supervisory board**

Shareholders

Transparency is the foundation for effective investor relations and successful communication with shareholders and other stakeholders. ALTUM regularly and timely informs shareholders and other stakeholders about the company business activities, financial performance, governance and other relevant issues, disclosing accurate, complete, objective, up-to-date and reliable information.

Shareholder involvement in decision-making contributes to achieving company's financial and non-financial objectives and ensures its sustainability.

Stakeholder management (cont'd)

Supervisory board

Supervisory board represents interests of the shareholders, oversees work of the management board, participates in strategic development of JSC ALTUM and supervises its financial and risk management. ALTUM has defined procedure for organisation of work of the supervisory board and the availability of high-quality information. This allows for an effective performance of supervisory board members and their inclusion into decision-making process.

The principles of the Supervisory Board's operations, as well as its main duties, are defined by the statutes and the rules of procedure for organizing the Board's work. The Board's tasks and responsibilities are regulated by legal acts.

More information on JSC ALTUM's shareholders and supervisory board can be found here.

- **Investors**

Sound financial, risk and corporate governance is a prerequisite for well-organised and successful investor relations. Regular bond emissions on NASDAQ Riga since 2017 have strengthened ALTUM's position as an active member of the capital markets. Investor road show and consistent communication is an integral part of preparation for bond emission. Provision of high-quality quarterly financial and operational information and stock market notifications on significant operational events at ALTUM are an inherent part of investor relations. ALTUM carries out these activities with highest responsibility and diligence.

- **Financial sector**

For the assessment of collaboration partners, specifically banks, ALTUM conducts an annual survey where bank employees provide feedback on the services provided by ALTUM, employee competence, and evaluate past collaborations.

- **Policy makers, governmental or regulatory institutions**

ALTUM collaborates with ministries of Republic of Latvia to identify priorities and needs of policy-makers as well as problems facing their industries. This allows for an efficient cooperation between institutions in development of support instruments for respective industries.

- **Suppliers**

ALTUM works on development of supplier code of conduct to ensure collaboration compliant with environmental, social and governance aspects.

- **Professional associations and educational institutions**

To promote scientific and entrepreneurial cooperation, youth involvement in scientific research, quality research and commercialisation of innovative ideas, ALTUM cooperates with Riga Stradiņš University, Latvia University of Life Sciences and Technology, Jelgava Technical School and Latvian academy of Agriculture and Forestry.

ALTUM promotes innovative agricultural practices and their real-life application by providing financial support to the best scientific research from Latvian academy of Agriculture and Forestry. Collaboration with BA School of Business and Finance ensures involvement of new finance professionals in developing research on availability and effectiveness of financial instruments. This allows new professionals to link their academic studies with development and current practices of financial sector.

- **Non-Governmental organisations, experts and professional associations**

ALTUM cooperates with industry experts and organisations to align financial product development with interests of entrepreneurs and other parties involved. ALTUM is open to advice of experts and professional organisation in creating new and improving current financial products.

Stakeholder management (cont'd)

Supplier Code of Conduct

To ensure successful cooperation with stakeholders, ALTUM introduced a Supplier Code of Conduct in the summer of 2024. This code sets out the requirements for business partners from whom ALTUM purchases goods or services, ensuring principles of fair collaboration. It includes respect for human rights, prevention of discrimination, provision of a safe and healthy work environment, environmental protection, climate change mitigation, and the prohibition of bribery and corruption. Suppliers whose contract value, excluding VAT, is equal to or greater than 100,000 euros are required to confirm their compliance with this code. More information can be found here.

Sustainability Governance

ALTUM's sustainability governance structure is comprehensive and involves employees from several ALTUM units. By engaging management at various levels and forming specialized working groups, ALTUM ensures the strategic setting and implementation of ESG goals, effective ESG risk management, the development of sustainable financing, and compliance with external ESG requirements.

The Supervisory Board defines the strategic direction, while the Management Board ensures the implementation of the ESG strategy and approves the ESG risk assessment. Specialized working groups and departments integrate ESG into daily operations. Sustainability and risk management experts coordinate ESG initiatives, conduct risk assessments and monitoring, while the Sustainable Financial Products Working Group develops new solutions. More on sustainability management at ALTUM can be found here.

ESG - Environment

ALTUM runs a continuous environmental management and operational improvement cycle, including the revision of its long-term and short-term environmental targets to find a balance between efficiency of business operations and their impact on the environment and quality of life.

ALTUM is aware of its impact on climate change, as well as the impact of climate change on ALTUM's operations. ALTUM's environmental policy defines its objectives and commitment to conduct its activities with the least possible negative impact on the environment, both directly and indirectly.

As the Latvian development finance institution, ALTUM's environmental impact is mostly indirect and comes from the support programmes it provides to its clients. ALTUM recognises its important role as a state owned company and a financial sector player in achieving the ambitious targets set out in the National Energy and Climate Plan 2021-2030. ALTUM's credit policy as well as its cooperation with other financial sector actors are frequently reviewed in line with these challenges.

ESG risk management

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

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

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

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

Table 1: Transition risk heatmap - high and very high transition risk exposure in individual economic sectors as at period-end

	31.12.2024		31.12.2023	
	'000 EUR	**% of total credit exposure**	**'000 EUR**	**% of total credit exposure**
Agriculture	29 248	4%	29 854	6%
Wood and paper production	74 307	11%	49 913	10%
Food and beverage production	34 674	5%	11 540	2%
Chemicals	16 871	2%	12 249	3%
Construction materials	10 483	2%	6 425	1%
Metals and Mining	14 961	2%	5 031	1%
Consumer goods	715	0.1%	1 310	0.3%
Logistics	2 173	0.3%	940	0.2%
Other	1 976	0.3%	1 863	0.4%
Transition risk at high / very high label:	**185 408**	**27%**	**119 125**	**25%**
Total credit exposure*:	**687 950**	**100%**	**477 576**	**100%**

*Total credit exposure: gross credit portfolio and loan commitments

ESG risk management (cont'd)

In 2024, work was carried out on integrating the ESG scoring model into the loan issuance processes. It will be applied to the SME / Large Enterprise and Agricultural segments during the evaluation of new transactions above a certain materiality threshold, as well as in the monitoring of the existing portfolio and collateral assessments. The ESG scoring model will also enable the assessment of transition risk at the individual transaction level. The implementation of the ESG scoring model is being carried out gradually, considering clients' readiness to complete the unified bank ESG questionnaire published in April 2024. This questionnaire aims to gather information for ESG risk assessment and collect planned/actual client sustainability KPI data.

Since the beginning of summer 2024, an employee training program has been underway to successfully integrate individual ESG assessments into loan issuance and loan portfolio monitoring processes. Additionally, a climate physical risk assessment tool has been developed for application at the individual level to monitor large-scale transaction portfolios, such as investment property portfolios. In the fourth quarter of 2024, the individual assessment of mapped financed assets was initiated using the newly developed tool.

Mitigation of direct impact

Being a development finance institution, ALTUM has a relatively small direct impact on environment. Still the Company aims to further reduce its own environmental footprint.

One of the most widely used calculation frameworks worldwide for measuring CO_2 or GHG emissions is the Greenhouse Gas Protocol (GHGP), a voluntary accounting and reporting mechanism for GHG emissions. ALTUM uses it as a basis for voluntarily calculating, accounting for and later comparing the company CO_2 footprint and publicly reporting about the results. To make the data collection structured and comparable, the GHG Protocol is based on three Scopes:

Scope 1	direct emissions or GHG emissions from company-owned and controlled resources. The scope covers GHGs emitted in the course of carrying out its business activities or in the production of its products;
Scope 2	indirect GHG emissions from the consumption of purchased electricity, steam, heat and cooling;
Scope 3	all other indirect emissions in the value chain, starting with logistics, suppliers, product use, etc. generated outside the company.

Corporate Governance Report 2023 provides data on Scope 1 and Scope 2 emissions.

The CO_2 footprint is a measure of the total carbon dioxide emissions directly and indirectly caused by ALTUM activities. ALTUM measures its CO_2 footprint since 2018 and the calculations are made in accordance with Cabinet Regulation No 42 of 23 January 2018 "Methodology for Calculating Greenhouse Gas Emissions", which sets out the calculation methodology and CO_2 emission factors for transport fuels, district heating and electricity.

In 2023, the total emissions (Scope 1 and Scope 2) amounted to 89 tCO2e, (2022: 99 tCO2e), representing a decrease of 58.6% compared to 2018 (216 tCO2e). Compared to 2022, there has been a 10% reduction in the emissions generated by Scope 1 and Scope 2.

SCOPE 1	fuel	24 tCO_2e	SCOPE 2	electricity	11 tCO_2e
	diesel	0 tCO_2e		heat	34 tCO_2e
	Total:	**24 tCO_2e**		**Total:**	**45 tCO_2e**

Mitigation of direct impact (cont'd)

In order to achieve its intention for reduction of GHG emissions, an energy audit of the Company was also carried out in 2018, covering the analyses of natural gas, car fleet and electricity consumption and possible activities to improve energy efficiency. Based on the conclusions and recommendations of the energy audit, ALTUM annually implements targeted activities to increase the Company's energy efficiency: work is underway to improve the energy efficiency of operations and buildings, reduce business travel through remote meetings, teleworking and the transition to an energy-efficient car fleet for the company needs. Special emphasis is placed on educating employees, encouraging a change in their attitudes and increasing their commitment to reducing their individual environmental impact as well.

Assessment of the intensity of CO_2 emissions:

In 2023, **emission generated per employee amounted to** 0.27 tCO2 (2023: 0.42), which is 71% less than in 2018 (2018: 0.97 tCO2e).

In 2024, ALTUM **generated 0.05 tCO2 per EUR 1 million of gross financial instrument portfolio**, which is 37% less than in 2022 (2023: 0.08 tCO2 emissions per EUR 1 million of financial instrument portfolio). Since 2018, there has been an 87% reduction in emissions (2018: 0.41 tCO2 emissions per EUR 1 million of financial instrument portfolio). Since 2018, ALTUM has not only reduced emissions but also increased the size of its gross credit portfolio.

The opinion on the greenhouse gas emission volumes was prepared by ALTUM and approved by the technical expert SIA TUV NORD Baltic in February 2024.

ALTUM strives to minimise the amount of waste it produces, segregates waste, provides separate waste bins for batteries (hazardous waste) in offices, promotes recycling and reduces greenhouse gas emissions that are directly linked to ALTUM activities.

Key actions:

- Replacement and upgrading of the heating system in the central office
- Replacement of the car fleet, significantly reducing fuel consumption and CO2 emissions
- LED lighting installed in offices, as well as motion sensors in certain areas
- Waste sorting ensured
- Digital document management system established
- Reduced office paper consumption and continuous recycling of waste paper
- Drinking water filters installed, PET bottles phased out
- Cleaning service ensured, including the use of environmentally friendly products
- Roof insulation works, significantly reducing heat loss.
- Bike parking and shower facilities installed

Mitigation of indirect impacts

ALTUM provides a wide range of support to individual and corporate customers for improving energy efficiency. We have come to a strong conviction that sustainability is the future we want to be a part of. ALTUM defines business sustainability as the creation of long-term value, taking into account economic, ethical, social and environmental considerations. We have taken notice of the latest laws and regulations and their requirements promoting the supervision and mitigation of the impact of climate change. ALTUM initiated work on prevention of ESG related risks in credit risk management and business processes. A correct management of ESG risks is a sound business practice that must be implemented by ALTUM, its clients and cooperation partners

ALTUM focuses on sustainable development and innovative solutions to ensure financial stability. For more information on ALTUM's indirect impact mitigation, please refer to the section "**ALTUM's Project Impact on Environmental and Social Aspects**."

ESG - Social

Human resources management

ALTUM's Human Resources policy defines the core principles of sustainable personnel management with the aim of ensuring unified and effective personnel management within the company. This is to attract, retain, and develop qualified, professional, and motivated employees to achieve high organizational efficiency and ensure compliance with labour laws, improve work organization, and promote employee development and loyalty to ALTUM.

ALTUM takes pride in third-party evaluations of its personnel management practices. In 2024, we received the "Diversity-Friendly Employer" bronze status for our positive performance in implementing diversity principles and our commitment to excellence in creating an inclusive work environment. Additionally, in the "Fair Wage Payers" ranking by the personnel consultancy and research company "Figure Baltic Advisory," ALTUM ranked 3rd in the small and medium-sized enterprise category, receiving recognition for its work in gender equality.

Diversity, inclusive work environment, and human rights

In accordance with ALTUM's Diversity, Equality, and Inclusion Policy, ALTUM supports diversity and equal rights in personnel selection, growth, and development, in no way endorsing or promoting discrimination based on race, religion, age, ethnicity, sexual orientation, disability, and other aspects. ALTUM aims for long-term employment relationships and is pleased with the relatively low turnover rate among employees, as well as the significant tenure of many of our employees in the company. **In 2024, the natural employee turnover (voluntary resignation) was 7% (2023: 8%). The average length of service within the company is 10 years (2023: 9 years), with the longest length of service being 31 years (2023: 30 years).**

ALTUM is characterized by diversity, equality, and a non-discriminatory approach. Our goal is to create an inclusive work environment where employees can fully realize their potential. Respect and fairness are fundamental principles outlined in ALTUM's Code of Ethics. ALTUM's approach to inclusion, diversity, and human rights issues, as well as the whistleblowing mechanism, are defined in the Code of Ethics. In 2024, no reports (2023: no reports) were received through the Code of Ethics reporting mechanism.

ALTUM provides an inclusive work environment that supports diversity and prohibits discrimination based on ethnicity, age, gender, disability, sexual orientation, religion, political opinion, marital status, social background, or similar characteristics. ALTUM's internal culture is focused on cooperation, support, and respect, thus implementing one of ALTUM's values – "team". ALTUM monitors diversity and inclusion indicators in various areas. This helps analyse the current situation and address challenging areas, including gender pay gaps, gender balance, and age indicators.

The diversity of ALTUM employees is of significant value, as their unique professional and life experiences contribute to growth and development to the company. ALTUM is a participant in the Latvian Diversity Charter – we work on creating an inclusive environment within the company and support the activities of the charter. We have also joined the "Strength in Diversity" movement initiated by the Society Integration Fund, aiming to support and share experiences on diversity management and learn to practice diversity management.

ALTUM has been awarded the status of "Family-Friendly Company" by the Society Integration Fund.

In 2024, the average number of employees was 253 – 71% women and 29% men. ALTUM has a wide age range among its employees: 9% are under 30 years old, 65% are between 31 and 50 years old, and 26% are over 51 years old. The youngest employee in 2024 was 20 years old, and the oldest was 71 years old. The average age of ALTUM employees is 46 years.

In 2024, there were 47 senior and middle management employees at ALTUM – 64% women and 36% men:

- 66% of managers are between 31 and 50 years old;
- 34% of managers are over 51 years old.

The number of specialists in 2024 was 206, of whom 73% were women and 27% men:

- 11% of employees are under 30 years old;
- 65% of employees are between 31 and 50 years old;
- 24% of employees are over 51 years old.

Human resource management (cont'd)

ALTUM values the professional growth of its employees within the company – in the case of vacancies, the potential of existing employees is initially evaluated. Last year, 31 job vacancies were announced for candidates. The vacancies announced in 2024 were filled in a timely manner, reflecting a positive employer image and a high-quality recruitment process. All ALTUM employees had the opportunity to participate in 10 internal recruitment competitions, with 5 vacancies filled by candidates from within ALTUM. Regarding professional development, 7% (17 employees) received a promotion in 2024.

All ALTUM employees have signed written employment contracts, and official labour relations are registered, providing all necessary information to the relevant state institutions.

In 2024, ALTUM employed **an average of 244 employees** (2023: 232) with indefinite-term contracts and 9 employees (2023: 26) with fixed-term contracts. ALTUM's work specifics allow employees to work full-time (99.2% of employees) and part-time (0.8% of employees). Flexible working hours and remote working options (hybrid work) are available to employees.

Working conditions, remuneration, benefits, and other employment terms are designed to ensure equal opportunities for all employees and facilitate work-life balance and parental duties. No complaints regarding working hours, wages, or absence violations that would qualify as human rights violations were received by ALTUM in 2024.

ALTUM's remuneration system ensures equal pay for equal work for both women and men, regardless of age. To ensure competitive remuneration in line with the company's financial capabilities, qualitative data from the labor market and salary surveys are used. Each year, ALTUM participates in the salary survey conducted by the personnel consultancy and research company Figure to evaluate employee compensation against the labor market.

ALTUM continuously works on reducing the pay gap between women and men. The company ensures a fair and transparent remuneration policy, regularly analyzing average salary differences between genders, and striving to minimize unjustified discrepancies. Each employee's salary is determined individually, considering the job level, area of responsibility, employee's competence, experience, and, in some cases, market conditions. Pay differences may be influenced by differences in job content, individual performance, experience, diversity of roles, and competencies.

The ALTUM remuneration system consists of compensation for work, various additional benefits, and allowances. The procedures and criteria for granting these are defined in the company's internal regulatory documents. All permanent employees of the company have a Collective Bargaining Agreement. ALTUM's range of additional benefits and allowances is designed to provide support and care for its employees. ALTUM supports its employees during important life events and also offers extra holidays that employees can use at their discretion and as needed – for taking care of family members, religious holidays, rest and health improvement, or other needs.

In 2024, 6 employees (2022: 7) took parental leave, all of whom were women. All female employees who were on parental leave returned to their professional duties at the company.

To promote the attraction of young talent in the future and provide a methodological foundation for students to gain practical skills in their specialties, ALTUM offers internship opportunities where valuable experience can be gained in areas such as finance, risk management, communications, energy efficiency, the implementation of state support programs, information technology, marketing, and other fields.

In collaboration with the largest state-accredited higher education institutions, in 2024 ALTUM provided internship opportunities for 8 students (2023: 6) from universities and colleges, including the Banking University, the University of Latvia, the Latvia University of Life Sciences and Technologies, the Vidzeme University of Applied Sciences, the Riga Technical College, and the Riga State Technical School. The interns worked in areas such as information technology, energy efficiency, project management, and risk management. Following the internship period, two interns received positive evaluations for their collaboration and were offered employment contracts.

ALTUM's public information on remuneration policy principles, as well as the main principles of ALTUM's professional ethics, are available on the ALTUM website at www.ALTUM.lv, under the section "ABOUT ALTUM" in the subsection "Personnel/Vacancies."

Human resource management (cont'd)

Employee health, safety, and well-being

At ALTUM, the well-being and safety of employees is a top priority. To maintain and promote employee health, ALTUM provides health insurance to all permanent employees immediately after their probation period. This insurance covers a wide range of services, including outpatient and inpatient care, medication reimbursements, and consultations with various specialists, such as psychologists, psychiatrists, and psychotherapists. All employees are also insured against accidents from their first day of work.

In 2024, ALTUM continued to focus on its employees' mental health and well-being. As part of the annual "Health Month" project, training sessions were organized on how to effectively manage stress, maintain emotional balance, and adopt healthy eating habits. In both spring and autumn, employees had access to the "Life Balance" forum, where well-known experts in Latvia discussed topics such as "Work-Life Balance," "Family Balance," and "Peace with Oneself."

To promote a healthy and active lifestyle, ALTUM employees had the opportunity to join the company team for the Riga Marathon. Additionally, ALTUM supports cycling as a daily means of transportation by providing safe bike racks and showers at its main locations. ALTUM also participated in the "Sustainable Business League" walking challenge, where the ALTUM team ranked 5th out of 23 teams in its category (50–100 participants), walking a total of 18,594 km and taking 26,031,383 steps, thereby reducing air pollution by 3,347 kg of CO_2.

Employees are regularly informed about workplace safety requirements. In compliance with legal regulations, ALTUM provides onboarding training, initial workplace inductions, refresher sessions, and specific training on various topics. Employees are also sent for mandatory health checks, in line with their roles, workplace risk assessments, and legal requirements. Every year, ALTUM assesses workplace risks and develops a safety action plan for the year, conducting regular workplace inspections to identify potential hazards and promote employee involvement in improving the working environment.

To enhance employees' ability to administer **first aid in emergencies**, ALTUM provided first-aid training to all employees.

ALTUM also organized vaccination initiatives, including collective vaccinations in October (before the flu season) and March (against tick-borne encephalitis). The company ensures that employees are provided with personal protective equipment and technical resources, such as Covid-19 self-testing kits, hand sanitizers, and temperature measurement devices.

ALTUM ensures energy-efficient workplaces that support modern working practices, including digital opportunities. The working environment is continuously improved every year.

In 2024, an annual employee survey on well-being was conducted, including satisfaction with the benefits and allowances provided by ALTUM. The average score for the well-being survey in 2024 was 7.6 (2023: 7.3).

ALTUM employees also engaged in voluntary work, donating their work hours to various community initiatives. In 2024, they shared their professional knowledge and experience, including participating as evaluation committee members in student research projects, community project competitions, and more.

ALTUM employees actively donated blood during Donor Days and supported initiatives like Dr. Clown's charity, filling the "Courage Boxes" of the Children's Hospital with toys, and donating materials to the "Visi var!" organization that works with people with disabilities. Additionally, the company helped equip the "Cerību spārni" association's care centers and group homes in Smiltene, Bauska, Cēsis, and Mālpils with useful household items. ALTUM employees also participated in the nationwide "Lielā Talka" (Great Cleanup) project, where they supported the Latvian Association for the Blind by improving and cleaning the territory of the Strazdumuiža Park.

Human resource management (cont'd)

Education and training

ALTUM's goal is to foster a culture of learning and knowledge exchange, aimed at employee growth, engagement, and collaboration, ensuring high performance and the company's competitiveness. The company offers both internal and external training opportunities, allowing employees to develop their skills individually or within teams. Employees can enhance their competencies based on recommendations from managers or through their own initiatives.

In line with strategic goals, ALTUM focuses on employee qualification improvement, continuous skill and knowledge development, and providing opportunities to gain diverse experience within the company. The aim of personnel training is to improve work performance and efficiency, develop essential job-related skills, provide additional skills for professional growth, and prepare employees for new roles and responsibilities.

In 2024, employees participated in 140 various external and internal training events – seminars, webinars, courses, lectures, and conferences (2023: 124). On average, each employee dedicated 29 hours (2023: 16) to knowledge enhancement throughout the year, excluding studies at higher educational institutions.

Employees have improved their knowledge and skills through public training groups, in-house learning programs, and specially tailored courses. The most suitable solutions for professional development and competence enhancement are used in organizing the learning process.

A "Friday Learning Hour" has been implemented, where industry specialists, process owners, and even employees themselves lead training sessions based on business needs. During these sessions, employees are informed about updates, changes in regulations, and answers to any unclear questions related to work processes. This initiative allows document developers to receive feedback from users and apply it in process improvement.

All employees are required to participate in mandatory training on fire safety, labour protection, data protection and processing, and IT security. Additionally, in 2024, knowledge on corruption prevention, risk management, sustainable lending, and ESG topics were updated. At the end of several training programs, employees were required to demonstrate their knowledge through a test.

One of the key priorities is the company's digital transformation and the development of employees' digital skills. In 2024, training on the safe use of digital tools, their functions, and how employees can apply them to increase work process efficiency was organized.

Seminars on leadership and management skills development, including team management, collaboration, and change management, were held for mid- and senior-level managers.

ALTUM financially supports higher education studies, foreign language improvement, and further specialization through professional development programs organized by state-accredited educational institutions with European Union funding. ALTUM believes that acquiring such knowledge provides additional benefits for effective performance in core responsibilities and is part of the employee benefits package.

The MS Teams platform is not only used for communication and posting updates but also as a training repository. The "ALTUM Academy" section of MS Teams hosts various digital training materials, including webinar recordings, presentations, audio recordings, video training, etc. This interactive format encourages employee participation in training, thereby enhancing their ability to consolidate and apply newly acquired knowledge in practice. This platform is particularly essential for employees working remotely, allowing them to learn at their own pace, at a convenient time and location.

The MS Teams section "Welcome to ALTUM!" compiles the most important information for new ALTUM employees. As such, new employees receive not only continuous guidance from their mentors and training plans but also the opportunity to independently acquire competence and new information to integrate successfully into the company.

Stakeholder evaluation

Bank employee satisfaction

ALTUM carried out its annual partner survey as a part of the engagement assessment of its cooperation partners, i.e., banks, in which very good results were once again achieved in 2024: 78% of bank employees in this year's online survey indicated that they had used ALTUM loan guarantees in 2024.

Highlights of the cooperation with ALTUM in the area of credit guarantees, where the following were highly rated:

- ease of communication with ALTUM;
- ALTUM's clear assessment criteria;
- Prompt decision making.

Following the conclusion drawn from the previous year that the importance of easy communication between banks and ALTUM is increasing, in 2023 ALTUM implemented several measures to promote employee accessibility and communication - more details are provided in the subsection "Client Satisfaction".

The assessment of ALTUM by bank employees remains high. 78% of surveyed employees believe that ALTUM guarantees enable transactions that otherwise would not have occurred. In 2024, 65% of bank representatives rated ALTUM's reputation as excellent or very high, compared to 79% in 2023 and 83% in 2022.

Client satisfaction

For the past four years, ALTUM has been assessing customer satisfaction through an online survey, inviting all lending service clients to participate. The survey asks clients to provide feedback on aspects such as the simplicity and clarity of the process, employee competence and responsiveness, the functionality of the customer portal, decision-making speed, and other key customer service elements.

In response to feedback received in previous years, ALTUM introduced several measures to improve the loan application review process. Clients have positively evaluated the changes, and the customer satisfaction indicators for 2024 have significantly increased across all criteria compared to the previous year's ratings.

The greatest improvement in satisfaction was seen in the previously lowest-rated criterion, "application review speed," which 84% of respondents rated highly (2023: 71%). Clients appreciated the recent facilitation measures, particularly in supporting small and medium-sized enterprise (SME) financing. ALTUM reduced collateral requirements for loans up to €100,000, making these loans more accessible and affordable for entrepreneurs. The process was streamlined by reducing the documentation required, which also increased the speed of loan application assessments. This change ensured that entrepreneurs no longer had to bear the cost of commercial mortgage evaluations or spend time on administrative tasks.

These changes also significantly improved satisfaction with another historically low-rated criterion, "submitted documents," which 82% of respondents rated positively in 2024 (2023: 75%).

Alongside improvements in customer service and credit processes, ALTUM introduced several additional measures in 2024 that supported business financing and contributed to economic growth. For example, the overall loan interest rate for SMEs was reduced by about half for new loans, and the interest rate for agricultural working capital loans was also lowered. ALTUM also provided a 25% interest rate subsidy for investment and working capital loans in its portfolio.These activities were highly appreciated by clients, with 97% of customers expressing a high level of satisfaction with their collaboration with ALTUM, indicating they would recommend ALTUM to family, friends, and acquaintances (2023: 91%).

Client service

Clients

ALTUM's client service network is subordinated to the Company's main non-financial objective to promote access to finance for business. This is achieved by maximising the availability of staff advice to all customer segments, both face-to-face and remotely.

Clients are offered face-to-face consultations in all regions of Latvia, and employees regularly visit clients to get to know their business better. There is also an efficient customer service system for clients who wish to communicate remotely. ALTUM offers fully remote customer service starting with a consultation and loan application to the decision-making. In order to improve remote servicing and reduce the need for paper, the staff encourages clients to increasingly use electronic signatures.

Client service (cont'd)

Complaints

Client complaints or dissatisfaction about issues within ALTUM's remit or the actions of its employees open an opportunity to improve the services provided, enhance cooperation with clients and develop the Company's internal processes.

In 2024, there were no complaints related to breaches of client privacy and the processing of personal data, nor were there any cases related to the loss, leakage or theft of client data.

Enhancing Customer Competence on State and European Union Support Instruments

ALTUM has made significant efforts to **enhance client competence** regarding national and European Union support instruments. The company's employees actively share their knowledge to help clients understand the available support programs, including through collaboration with municipalities to promote regional entrepreneurship. In 2024, ALTUM representatives met with entrepreneurs in cities such as Riga, Liepaja, Marupe, Ogre, Saulkrasti, and Salaspils, organizing seminars, presentations, and discussions to raise awareness of ALTUM's programs and the support available from the government and the European Union.

The process of client competence development is ongoing, and in 2024, ALTUM provided extensive information to its clients and potential clients on the latest updates in various support programs. One example of this ongoing work is the continued dissemination of information regarding apartment- building support programs. ALTUM representatives participated in events organized by partner organizations, including discussions hosted by the Ministry of Economics on energy-efficient housing and updates on relevant programs presented to committees in Riga, Bauska Municipality, and the Latvian Association of Property Managers and Administrators. ALTUM has also worked intensively to enhance competence in **energy efficiency and sustainability** programs. This was achieved through seminars and presentations in cooperation with regional business clubs, the Latvian Chamber of Commerce and Industry (LTRK), and municipalities.

Additionally, ALTUM promotes awareness of **affordable housing** and other ALTUM programs. In 2024, the company launched the **Social Entrepreneurship Program** and organized events to introduce new programs. Notable events included presentations at the Ministry of Welfare's social entrepreneurship conference and a social entrepreneurship idea competition. In total, ALTUM representatives dedicated more than 600 hours in 2024 on cliente competence improvement and local community development.

In daily operations, ALTUM continues to work with various stakeholders to promote awareness of national and European Union support programs. The company collaborates actively with ministries, professional associations, business communities, and other key actors.

ALTUM's contribution to public education and community development can also be found in the section **"Public Support and Investment in Local Development."**

Accessibility

Digital accessibility

ALTUM works to promote digital accessibility. ALTUM's website was migrated to a platform that ensures accessibility requirements in line with Cabinet Regulation No 455 "Procedures for Publishing Information on the Internet by Institutions", dated 14 July 2020. The new functionality allows for the four basic principles of accessibility, which require digital content to be:

- perceivable - accessibility to alternative display of images, multimedia content and other digital content;
- operable - the ability to access and use digital content freely - not only with a computer mouse, but also with the so-called assistive technologies such as the TAB key;
- understandable - presenting digital content in plain language so that it can be understood by all users, including people with different perceptual limitations, including the ability to change text size, contrast;
- robust - the ability to align digital content with different types of devices such as screen readers, virtual voice assistants for smartphones, etc.)

Project examples: The "12-step roadmap for the energy efficiency process of apartment buildings" serves as an example of explaining a complex process to residents. Additionally, examples of simple communication in the field of apartment building energy efficiency or events held in the building's courtyard, close to the residents, are also provided.

Physical accessibility

ALTUM Regional Centers in Liepaja, Valmiera, and Riga operate in spaces that ensure environmental accessibility, high energy efficiency, and individually adjustable utility service indicators. The regional centers offer consultations for people with mobility impairments, and in cases where access to office premises is difficult, ALTUM collaborates with local municipalities to provide alternative spaces.

The regional office in Riga is located in the ZEISS OFFICE complex, which is certified with BREEAM "Excellent" and meets the highest sustainability standards. The complex's rooftops host Riga's largest solar panel power station, providing green energy and lower heating costs. The office premises feature individually adjustable underfloor ventilation and cooling systems, CO_2 level-adjustable ventilation, soundproof glass partitions, and water faucets with reduced consumption.

At ALTUM's central office at Dome Square, an open-plan office has been implemented, and work is underway to introduce a specialized passenger lift. Additionally, insulation work has been completed on the roof and outer walls of upper floor offices, which will enhance energy efficiency in the long term and improve the work environment for employees and clients. ALTUM continues to develop its office infrastructure by introducing new sustainable solutions.

Services accessibility

Finance Latvia Association has published the developed Guidelines on the Accessibility of Financial Services (Development, Technology, Compliance), in which ALTUM experts actively participated. These guidelines continue to serve as an essential support tool for financial sector participants, helping ensure that client needs are met regardless of disability or functional limitations. In 2025, ALTUM continues to support initiatives that promote more inclusive financial services and their accessibility for all social groups.

Membership in professional associations and partnerships

Public Sector

Finanšu ministrija

Ekonomikas ministrija

Zemkopības ministrija

Klimata un enerģētikas ministrija

Labklājības ministrija

Associations and Non-Governmental Organisations

Financial Institutions

Membership in professional associations and partnerships (cont'd)

International Organisations and Financial Institutions

ALTUM is an investor in the Three Seas Initiative Investment Fund. The fund was established with the goal of supporting transportation, energy, and digital infrastructure projects in the Central and Eastern European region, promoting economic development and ensuring that the region's infrastructure meets high standards. The Chairman of the Board, Reinis Bērziņš, holds the position of a Supervisory Board member.

Expert Organisations

Public support, investment in local community development

ALTUM not only works on enhancing client competence regarding national and European Union support programs but also actively strives to improve overall public awareness.

Throughout the year, ALTUM's management and employees actively engage in public education initiatives, focusing on various events aimed at fostering business development, improving societal well-being, contributing to climate change mitigation, and promoting long-term economic growth. ALTUM's leadership and experts have primarily shared their expertise in the following areas: sustainable financing, corporate governance, capital market development, the meaningful use of financial instruments—including financing for green projects and digitalization—as well as energy efficiency projects for both businesses and individuals.

In total, ALTUM's management and employees dedicated over 600 hours in 2024 to public and client education activities, participating in conferences, expert discussions, and seminars tailored for professional audiences, general entrepreneurs, and, in some cases, private individuals.

In collaboration with the media, educational content projects are being developed to highlight successfully implemented initiatives across different programs. For example, a partnership with Delfi focuses on loans for multi-apartment building renovations.

Initiatives implemented in 2024:

Innovation, Infrastructure	*Three Seas Initiative Investment Fund (3SIIF)*	Promotion of a new financing initiative aimed at supporting transport, energy, and digital infrastructure projects in the Central and Eastern European region, fostering economic development and compliance with high infrastructure standards.
	Venture Capital Ecosystem	ALTUM representatives actively participated in events promoting the venture capital ecosystem. They served as jury members evaluating startups at "Commercialization Reactor," contributed to ecosystem goal setting at the "Startin.lv" Ecosystem Workshop, and educated participants about support opportunities during the Fintech Breakfasts organized by the Latvian Fintech Association.
Business Environment Development	*Raising Awareness of ALTUM Programs*	To enhance public understanding of energy efficiency and increase program visibility in Latvia, ALTUM representatives actively collaborate with regional business clubs, branches of the Latvian Investment and Development Agency, and other partners. Throughout the year, ALTUM organizes publicity events to promote program recognition, such as the new rental housing publicity event in Jelgava and an energy efficiency awareness event in cooperation with SAKRET.
	Financial Industry Association Podcast "Financial Dialogue – Key Issues"	A podcast series featuring ALTUM Chairman of the Board Reinis Bērziņš, discussing the availability of ALTUM programs and future plans.
	"How to Promote Lending in Regions?"	ALTUM board members participated in a panel discussion organized by the Bank of Latvia on promoting lending in regions and developing practical solutions.
	Competition "Laukiem būt!"	Encouraging entrepreneurial activity in rural areas by involving young people, developing their competencies, and engaging them in rural entrepreneurship in cooperation with the Latvian Rural Advisory and Training Centre, thereby supporting balanced regional

		development in Latvia.
	LTRK Webinar on ALTUM Programs	A webinar for LTRK members about ALTUM support programs with ALTUM Chairman of the Board Reinis Bērziņš.
	"Naudas cena" Topic: Mortgage Lending – Interest Rates and Banking Policies	ALTUM Chairman of the Board Reinis Bērziņš participated in the TV24 program "Money Price" discussing mortgage lending.
	Energy Grant Publicity Event	Allocation of the EIB energy grant to the city of Riga, supporting energy audits for more than 300 public buildings.
Education	*Lectures for University Students*	ALTUM representatives delivered lectures on environmental engineering at Riga Technical University and on business planning at RISEBA, Riga Technical College, Turība University, and Riga Stradiņš University. In addition, Riga Construction College hosted lectures on current trends in building insulation.
	Financial Literacy Promotion	To implement Latvia's Financial Literacy Strategy 2021–2027, 20 partners from the public, private, and NGO sectors, including ALTUM, have signed a cooperation memorandum. The partners commit to improving financial literacy in Latvia by enhancing public competencies, fostering a sustainable financial literacy culture, ensuring a high-quality financial environment, and developing a strategic, collaborative institutional approach to financial literacy. In 2024, ALTUM representatives participated in the Bank of Latvia's financial literacy working group, sharing insights on ALTUM and state support availability.
	Collaboration with Educational Institutions	ALTUM representatives collaborate with higher education institutions to increase program visibility, participate in thesis evaluation committees, and educate students about business startup opportunities. In 2024, ALTUM partnered with the Latvia University of Life Sciences and Technologies, the Latvian Academy of Agricultural and Forest Sciences, and Riga Stradiņš University
	Latvian Student Business Events #CitsBazārs	Educating a new generation of entrepreneurs and industry experts by integrating theoretical knowledge with practical experience as part of Junior Achievement Latvia's "Student Business Company" (SMU) program.
Public Welfare, Demographics	*Social Entrepreneurship Pitch Competition "Tam labam būs augt 2024"*	A competition designed to strengthen social entrepreneurship in Latvia and recognize outstanding examples of social enterprises, organized by the Latvian Social Entrepreneurship

		Association in collaboration with Luminor Bank.
Industry Development	*Competition "Export and Innovation Award"*	Encouraging the production of new and exportable products by promoting the achievements of Latvian entrepreneurs and recognizing their contributions to supplying high-quality domestic products, implementing innovations, and developing industrial design. ALTUM presented a special award in the "Reliable Exporter" category.
	Finance Latvia Association	Promoting sustainable development in the financial sector by focusing on lending development, personnel, communication, legal matters, and other issues in collaboration with commercial banks, fostering the exchange of ideas and decision-making in the interests of Latvian society.
	European Investment Bank Conference "FI Campus 2024"	ALTUM representatives participated in FI Campus 2024 panel discussions on energy efficiency financial instruments and sustainable investments.
Environmental Impact, Green Thinking, Sustainability	*Baltc FinReg Summit*	ALTUM representatives participated in a panel discussion at the Baltic FinReg Summit, organized by COBALT Law Firm, on the topic: "Will the EU Green Loan Label and EU Green Bonds Regulation Make a Difference in Green Transition and Reducing the Risk of Greenwashing?"
	Sustainability Conference "Ilgbūtība"	Participation in the Sustainability Forum, aimed at ensuring a sustainable future amid climate change, which significantly affects human well-being, the economy, and security, placing pressure on businesses. The forum explored how sustainable and environmentally, socially, and human-friendly operations can drive economic benefits. In 2024, ALTUM Chairman of the Board Reinis Bērziņš presented "How to Gradually Adapt to New Supply Chain Decarbonization Requirements?"
	Participation in "EMAS and Corporate Sustainability" Conference	Panel discussion at the conference on environmental management and the circular economy, organized by the State Bureau of Environmental Monitoring, titled **"EMAS and Corporate Sustainability"**. Experts from the fields of finance, economics, environmental protection, and other sectors shared their experiences in corporate sustainability and environmental management.
	Baltic Sustainability Management Award	ALTUM representative served as a jury member in awarding Sustainability Managers in the Baltic States.

	Latvian Bank and SSE Riga Debate Club Event "Green Arguments: Debating Sustainable Finance"	ALTUM representatives participated in debates organized by SSE Riga and the Bank of Latvia, where sustainability experts and SSE Riga Debate Club members discussed the necessity of integrating sustainable finance into business and the economy.
	Latvian Association of Sworn Auditors' 30th Anniversary Conference	ALTUM Chairman of the Board Reinis Bērziņš presented "How Sustainability is Becoming Part of Everyday Business? On Decarbonization and State and EU Support."
Export	*Expert Presentations at Forums and Seminars*	To promote export development, ALTUM representatives shared their expertise at seminars and forums organized by LTRK and "Tet."

Corporate Governance Report 2024 is publicly available in Latvian and English at ALTUM's premises at Doma laukums 4, Riga and in electronic form – on the website www.ALTUM.lv , in the section ABOUT ALTUM/SUSTAINABILITY AND GOVERNANCE under Corporate Governance sub-section.

Reinis Bērziņš
Chairman of the Management Board

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