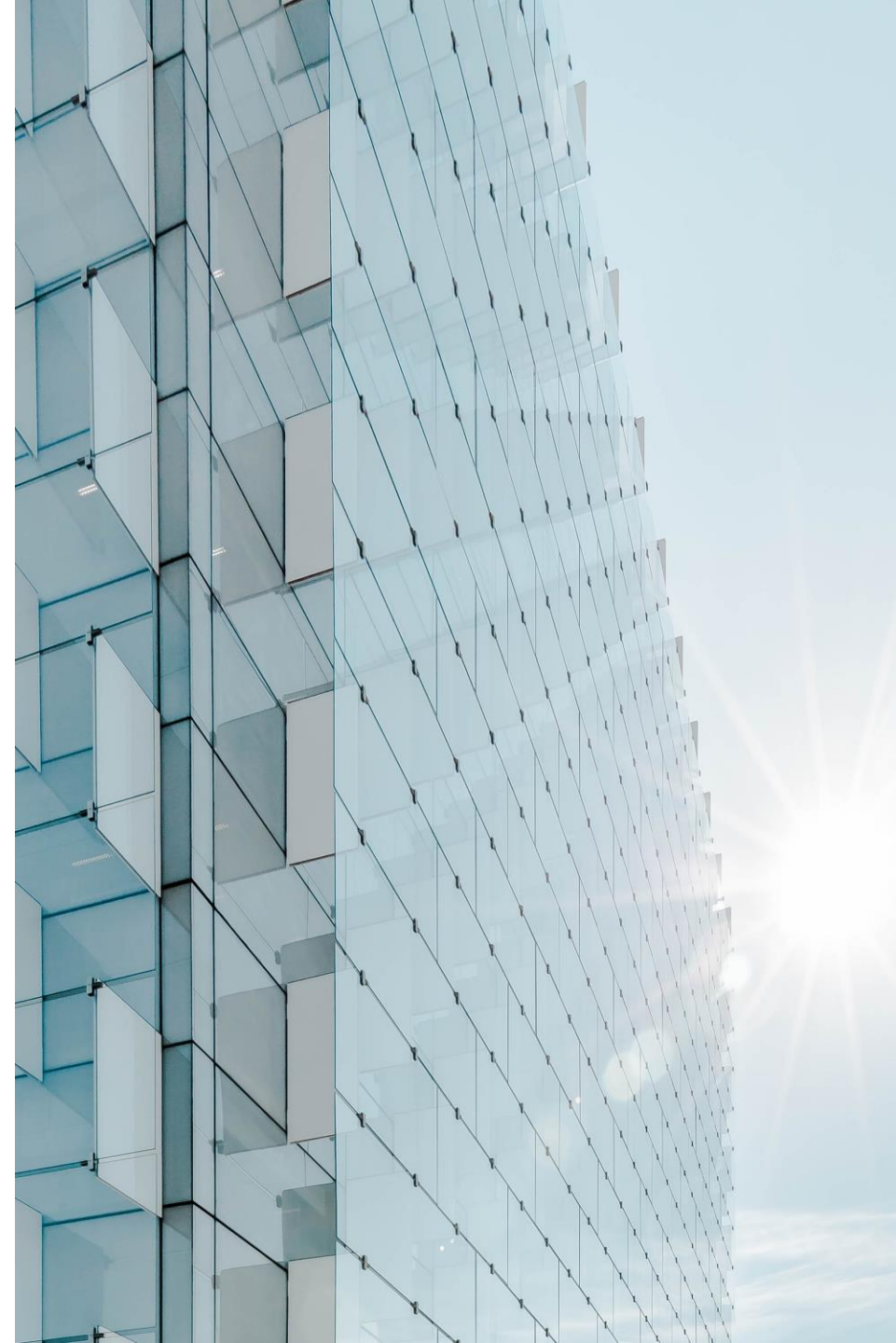


# INVESTOR PRESENTATION

Partner and financial expert in  
economic development

September 2021



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# PRESENTER



Reinis Bērziņš  
Chairman of the Board



Eļīna Salava  
Financial advisor of the Board

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# ALTUM – STRATEGIC ENGINE FOR LATVIA’S ECONOMIC DEVELOPMENT



## ACTIVITY

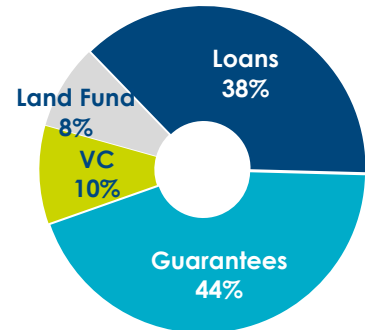
- provides access to finance in the areas prioritized by the government and implements the state policy in the national economy;
- operates in 5 regional centers 15 consulting offices in LV.

## OWNERSHIP

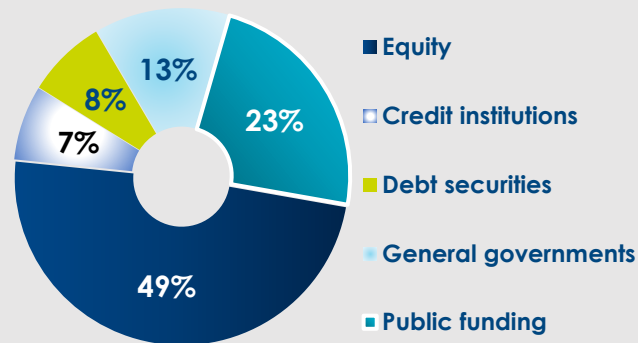
- 100% LV state-owned financial institution, with shareholders as follows:



## Financial instruments



## Funding sources



## UNIQUE STANDING IN THE INDUSTRY

- operates in accordance with a special law issued by Republic of Latvia Saeima / Law on Development Financial Institution;
- unique position in the market with high entry barriers.

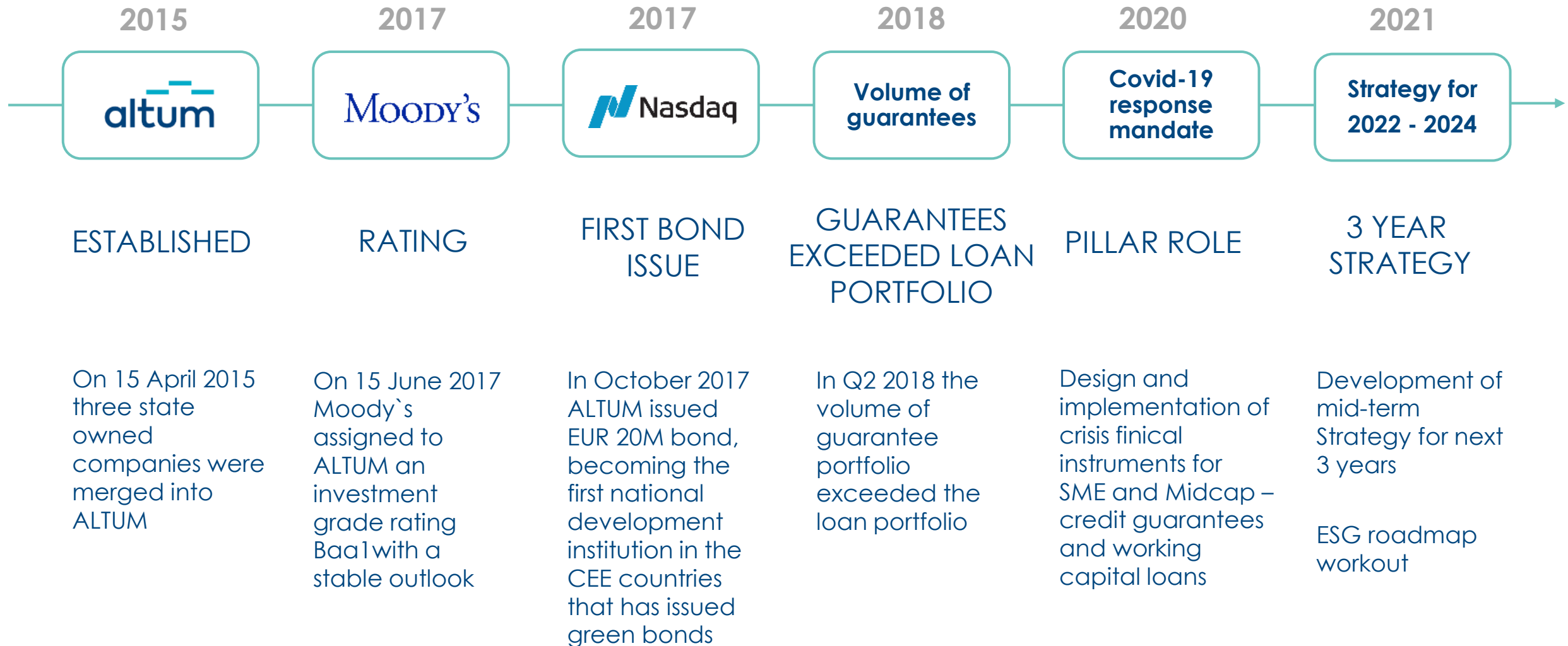
## KEY PARAMETERS



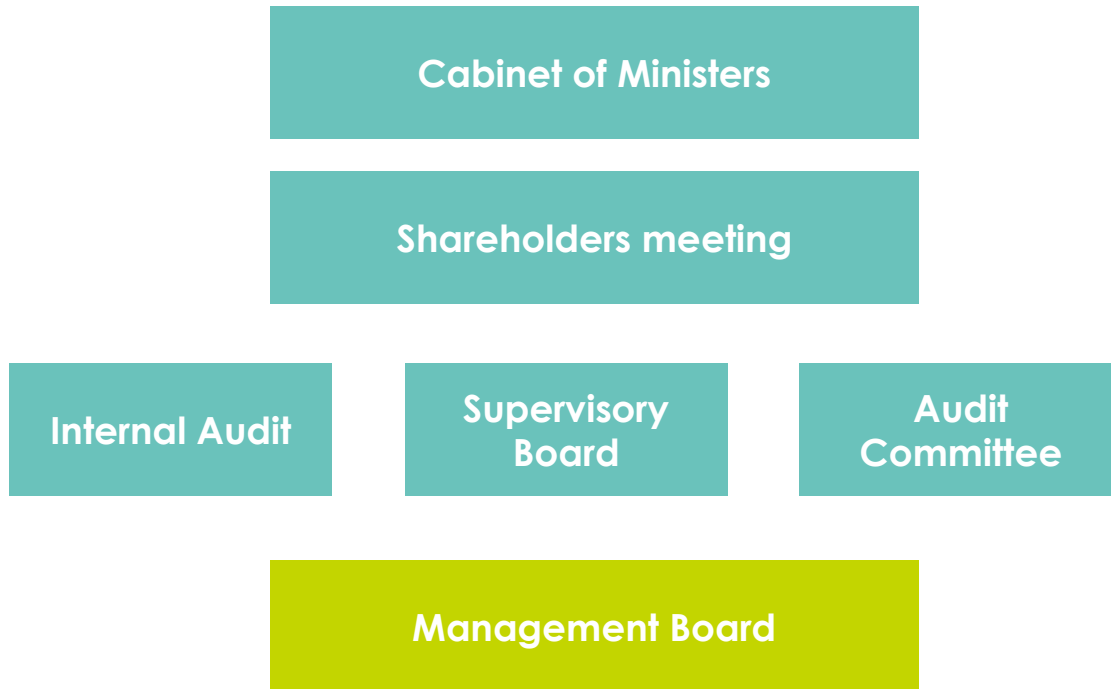
\* Loans, Guaranties, Venture Capital Funds, Land Fund

\*\* Tangible common equity/Total tangible managed assets, including the outstanding guarantees accounted for in the off-balance sheet  
Data as of 30.06.2021

# KEY MILESTONES OF ALTUM



# STRONG CORPORATE GOVERNANCE



- Company regulated by its special law - Law on Development Financial Institution;
- Follows Corporate Governance code endorsed by the Corporate Governance Advisory Board of the Ministry of Justice as of 2021 (the best international practices in corporate governance).



At the Nasdaq Baltic stock exchanges' initiative *Nasdaq Baltic Awards 2021*, ALTUM scored 81.47 (*Baltic average 69.52*) out of 100 in terms of transparency, sound corporate governance and excellence in investor relations.

# EXPERIENCED MANAGEMENT



## **REINIS BĒRZIŅŠ**

Chairman of the Management Board

Master's degree in international banking and finance as well as in business management (in Swiss Business School) and a degree in law.

Main responsibilities: oversight of units responsible for financial and resource management, legal and human resources and energy efficiency of enterprises.

He has been managing ALTUM since 12 October 2015.

A Member of the Supervisory Board at Three Seas Initiative Investment Fund S.A. SICAV-RAIF.



## **IEVA JANSONE-BUKA**

Member of the Management Board

Professional master's degree in business (the Riga School of Economics);

A bachelor's degree in social sciences in management and political science (the University of Latvia).

Work experience: financial sector, leading positions at IPAS Indexo, SIA IJ Birojs and Nordea Bank Finland Plc. Latvia branch, senior management positions in SIA Clean R and SIA Vides Pakalpojumu Grupa.



## **INESE ZĪLE**

Member of the Management Board

Master's degree in international economics and business management.

20 years of experience in the financial sector including more than 15 years of experience in managing different departments as well as work experience in the public sector.

Main responsibilities: corporate governance, marketing and public relations, development of ALTUM's national support programmes and export guarantees.

A Member of the Council of the Finance Latvia Association and Member of the Supervisory Board at JSC Sadales fiks.



## **JĒKABS KRIEVIŅŠ**

Member of the Management Board

Master's degree in business and institutional management, a bank employment certificate and a bachelor's degree in economics.

More than 25 years of experience in the sector of commercial banks and national financial institutions in organizing and managing business crediting processes.

Main responsibilities: the development of IT and technologies, ALTUM's customer and regional service centres as well as supervisory of the Latvian Land Fund.



## **ALEKSANDRS BIMBIRULIS**

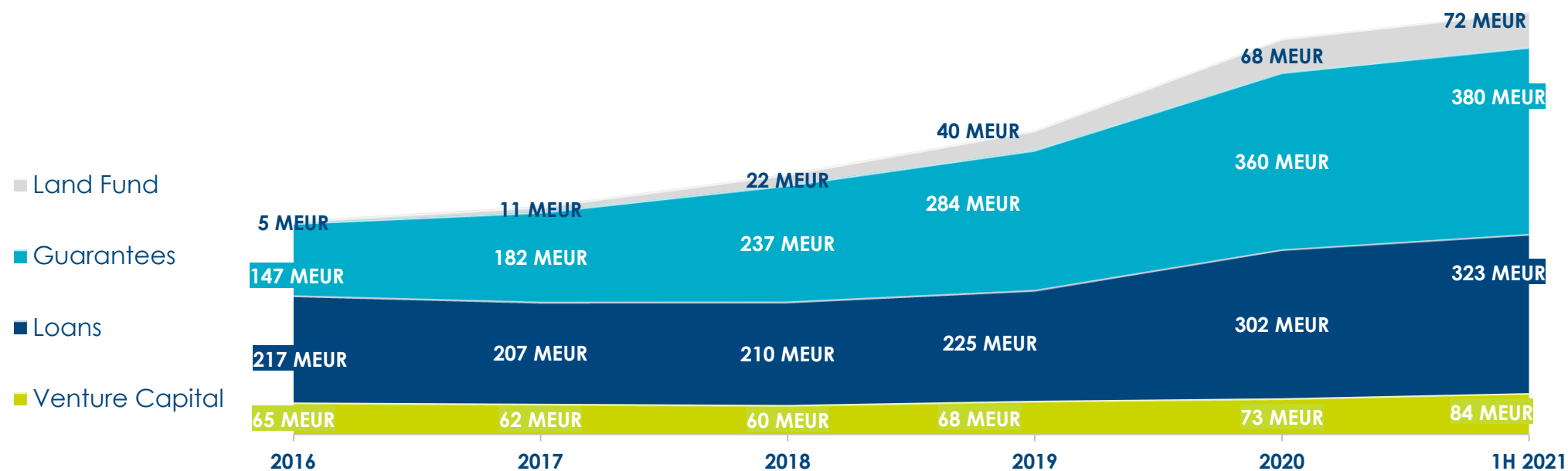
Member of the Management Board

Graduated from the Faculty of Law of University of Latvia, the vocational master's degree in law in Turība University. More than 20 years of experience in the banking and financial sector.

Main responsibilities: the risk management and internal control system quality, administrative management, as well as organizing and managing of the crediting process.



# BUSINESS MODEL AT A GLANCE



## MID TERM TENDENCIES

Modest growth

in all segments

## TOTAL ASSETS

443 MEUR

454 MEUR

496 MEUR

560 MEUR

851 MEUR

896 MEUR

- Long-term profitability
- Extra credit risk covered by public funding – Risk coverage reserve and Portfolio loss reserve
- Guarantees issued by ALTUM have 270 MEUR back-up guarantee in the Latvian state budget
- No dividend payments by law
- Pillar role for Covid-19 financial instruments (no standstill grants!) and Recovery and Resilience Facility (RRF) instruments to SME and Midcap
- Manager of AIF ALTUM Capital Fund -100 MEUR fund with largest Latvian private pension funds

# MACROECONOMIC FUNDAMENTALS

- GDP dropped sharply in 2020, however, it was one of the slowest declines in the EU. It is expected that GDP growth **will be strong** in 2021, exceeding 5 per-cent.
- Inflation decreased in 2020 due to lower commodity prices and subdued demand but is **rebouncing** in 2021.
- Unemployment increased in 2020 due to COVID-19 restrictions. Further increase in unemployment was limited by the government's financial support for downtime. The job market is **recovering** this year but could return to pre-COVID levels only in 2022.
- Budget deficit and government debt **expanded** in 2020 on fiscal stimulus expenses. This trend is expected to **continue** also in 2021, as the government continues to support economy.

| Latvia macroeconomic figures           | 2016 | 2017 | 2018 | 2019 | 2020 | 2021F*        |
|--|------|------|------|------|------|---------------|
| Real GDP growth %                      | 2.4  | 3.3  | 4.0  | 2.0  | -3.6 | <b>5.1</b>    |
| Inflation, HICP %                      | 0.1  | 2.9  | 2.6  | 2.7  | 0.1  | <b>2.7</b>    |
| Unemployment rate %                    | 9.6  | 8.7  | 7.4  | 6.3  | 8.1  | <b>7.6</b>    |
| General government balance % of GDP    | 0.2  | -0.8 | -0.8 | -0.6 | -4.5 | -8.0          |
| Government gross debt % of GDP         | 40.4 | 39.0 | 37.1 | 37.0 | 43.5 | <b>49.6**</b> |
| Current account balance % of GDP       | 1.6  | 1.3  | -0.3 | -0.6 | 3.0  | 0.0           |
| Credit rating (the Republic of Latvia) |      |      |      |      |      |               |
| Fitch                                  | A-   | A-   | A-   | A-   | A-   | A-            |
| Moody's                                | A3   | A3   | A3   | A3   | A3   | A3            |
| Standart&Poor's                        | A-   | A-   | A    | A    | A+   | A+            |

Source: Eurostat <https://ec.europa.eu/eurostat/data/database> /updated on 8th of August 2021/

\* Luminor forecast September 2021, \*\* Ministry of Finance Forecast, August 2021

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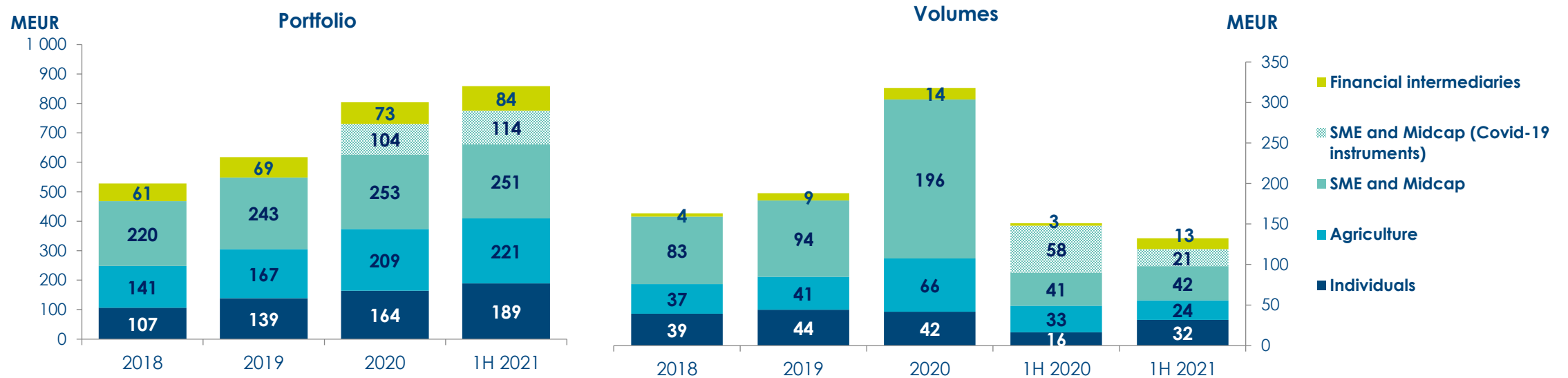
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# CLIENT SEGMENTS



## PORTFOLIO

**+7%** towards the end of year

## New transactions in 1H 2021

**-12%** in 1H2021 YoY, when the Covid-19 products reached its top volumes, which has decreased 2 times during this period. **+14%** 1H2021 YoY for ordinary products

## SMEs and Mid-caps

The largest segment **43%** of the portfolio, **48%** of the new volumes, mostly - investment loans and corporate guarantees under ordinary products

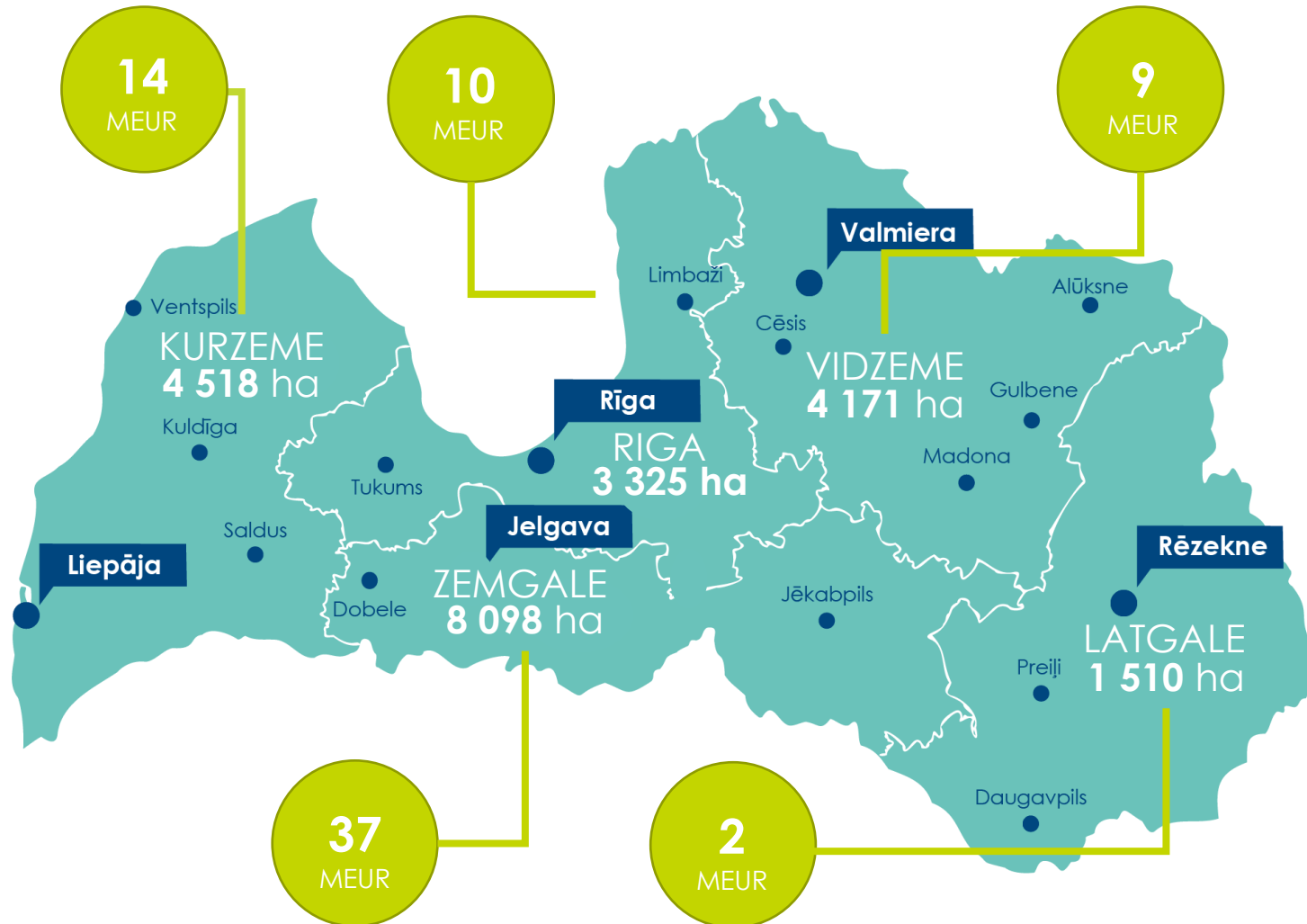
## AGRICULTURE

**+6%** growth in 1H2021, the second largest segment **26%** of the portfolio, **18%** of the new volume, mostly - loans and Land fund activities, segment with historical sentiment

## INDIVIDUALS

**+15%** growth in 1H2021, **22%** of the portfolio, **24%** of the new volumes, mostly - Housing and Energy efficiency guarantees

# LATVIAN LAND FUND



## PORTFOLIO

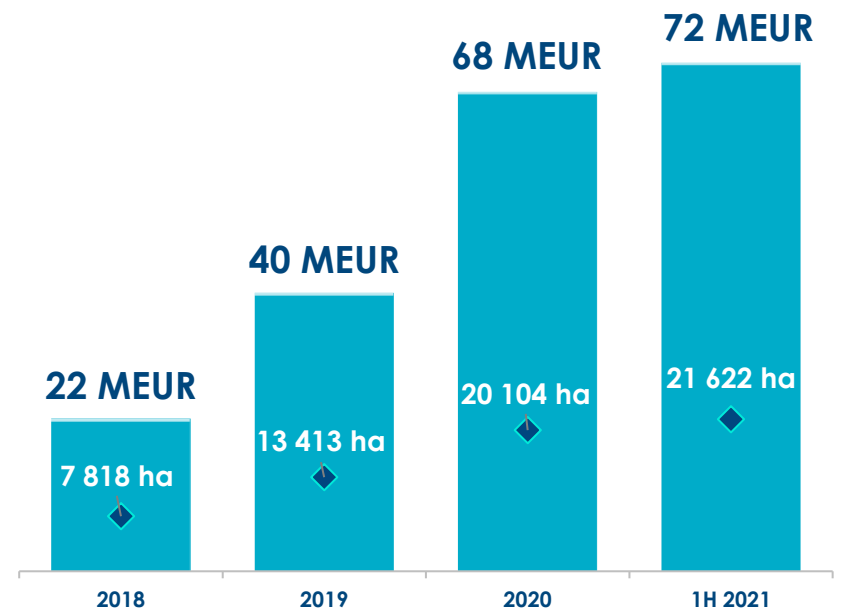
72 MEUR 21 622 ha

## SALES AND LEASE BACK

34 MEUR 10 084 ha

## INVESTMENT PROPERTIES

38 MEUR 11 538 ha



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# COVID-19 IMPACT

## PRODUCTS TO CUSTOMERS

- Pillar role for Covid-19 financial instruments (no standstill grants!) to SMEs and Midcaps;
- Full scope of products for mitigating Covid-19 effects;
- AIF Altum Capital Fund set up.

## OPERATIONS

- Continued to provide all services remotely. Increased activity in remote channels. Introduced «work from home» concept. 98% of employees able to work remotely

## FUNDING

- Mostly public funding - covers credit risk via Portfolio loss reserve
- Co-financing from EIB (Covid-19 response loan)

## CAPITAL

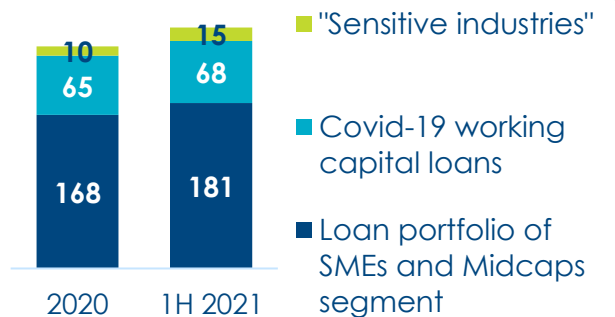
- Capital injection 145 MEUR (2020) and 22.6 MEUR (1H2021)

## INCOME

- Net interest income: 1.5 MEUR (2020) and 1.4 MEUR (1H2021)

## CREDIT QUALITY

- Impairment allowance for Covid-19 working capital loans 2.4 MEUR (y/e 2020) and 2.9 MEUR (p/e 1H2021)
- Impairment overlay on segment portfolio 0.3 MEUR (y/e 2020) and 0.8 MEUR (p/e 1H 2021)
- Refusal rate – 44% (2020) and 38% (1H2021)
- Follow EBA guidelines on portfolio monitoring and moratorium



## LIQUIDITY

Although delayed exits of VC and moratoriums granted to customers, liquidity position remains strong

# IMPROVING OPERATIONAL EFFICIENCY

## HIGHER VOLUME

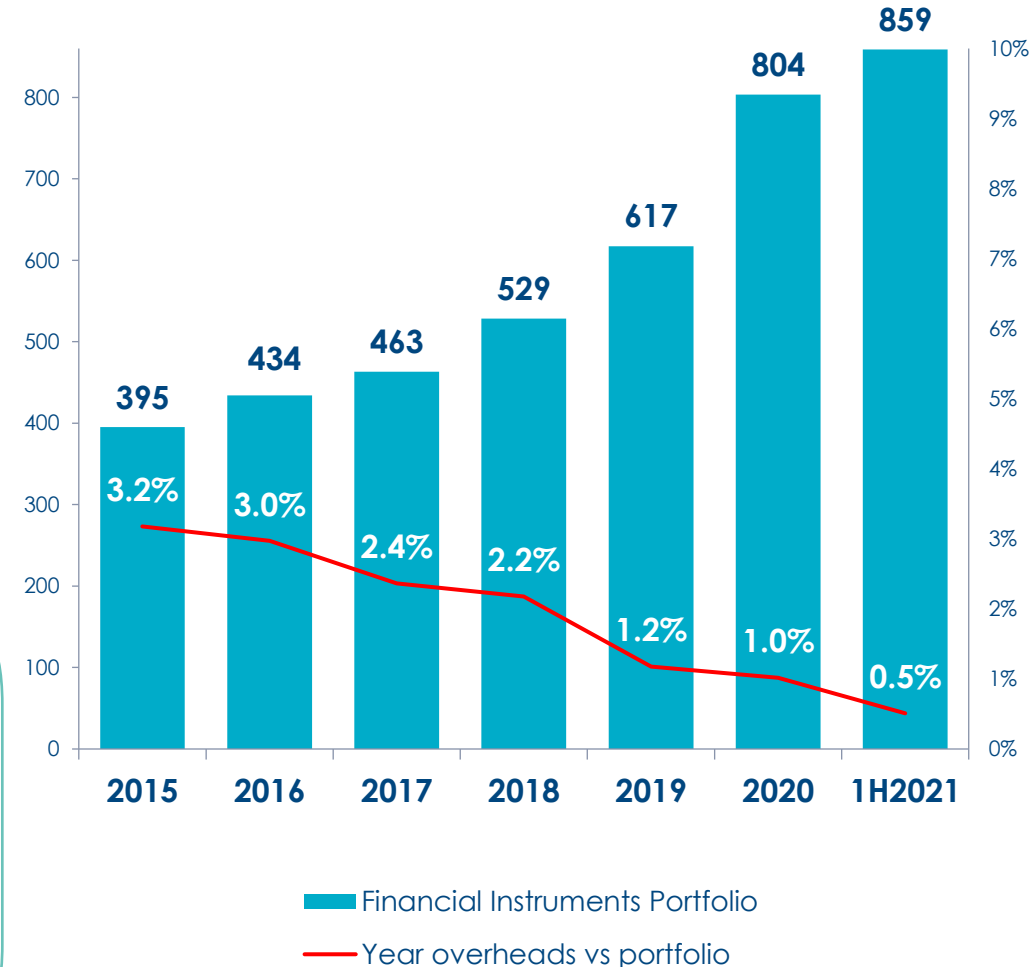
- Employees decreased from 282 in 2015 to 224 in 1H2021 leading to lower O/H's along with significant volume increase
- In 2020 considerable Covid-19 portfolio as well as high volume of ordinary products
- Good trend in 2021: Covid-19 portfolio 26 MEUR in 1H2021 vs 58 MEUR YoY. Ordinary products 106MEUR in 1H2021 vs 93 MEUR YoY

## MORE EFFICIENT BACK-OFFICE PROCESSES

- In early 2020 completed the streamline of «small loan» workflow process - used as basis for Covid-19 loan assessment process for speed and quality
- Centralized loan assessment of «small loans»
- Continued digitalization of guarantee process – automated data input for corporate guarantees as of early 2021

## REGIONAL CAPACITY RESTRUCTURED

- With the same staff number: along with Covid-19 portfolio, in regions ordinary loans volume +30M (+5.6%), +393 deals (+3.4%) in 2020 YoY
- Average deal with steady increase up to 77 TEUR in 1H2021 vs 72 TEUR in 1H2019
- In 1H2021 38% of ordinary loans approved remotely without involvement of regions

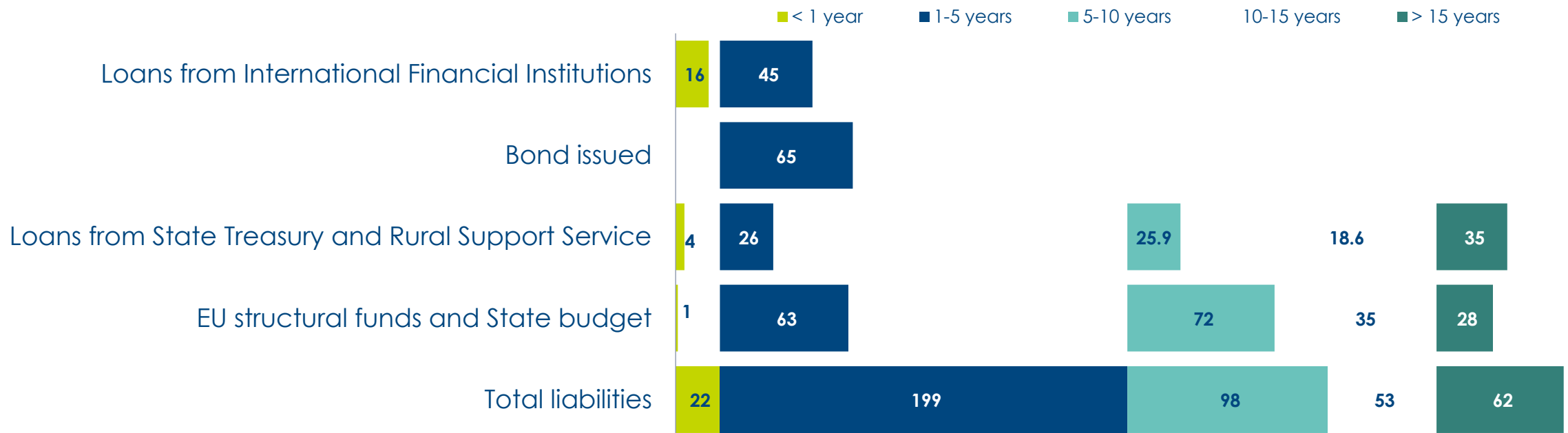




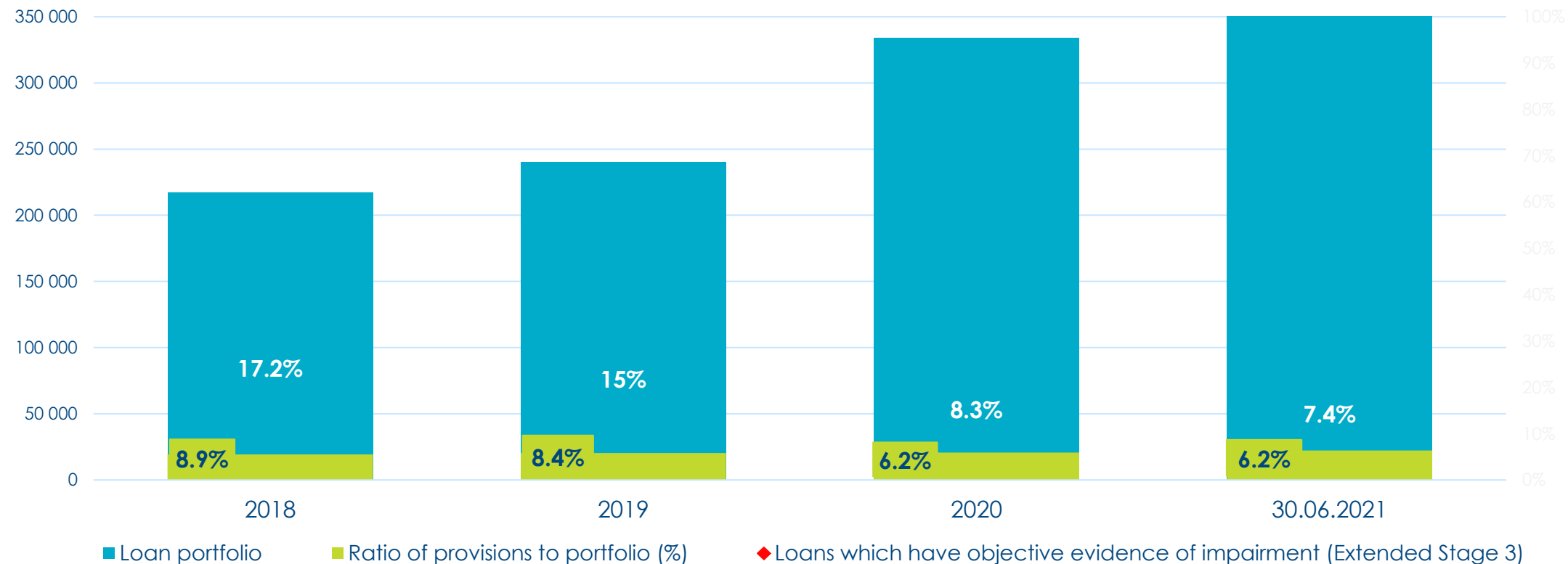
# WELL-BALANCED DEBT STRUCTURE

- According to Cabinet of Ministers Regulations the public financing funds can be prolonged. In practice, the funds remain on ALTUM balance sheet and are used to finance new programmes
- Most of the borrowings are of medium or long term (from 5 to 15 years and beyond)
- Total liabilities include Public funding in the amount of 198 MEUR, of which 111 MEUR is intended to cover various expenses (credit risk 98 MEUR and programmes management costs 13 MEUR)

**Funding maturity profile by type of funding source**  
in million euros, as at 30.06.2021

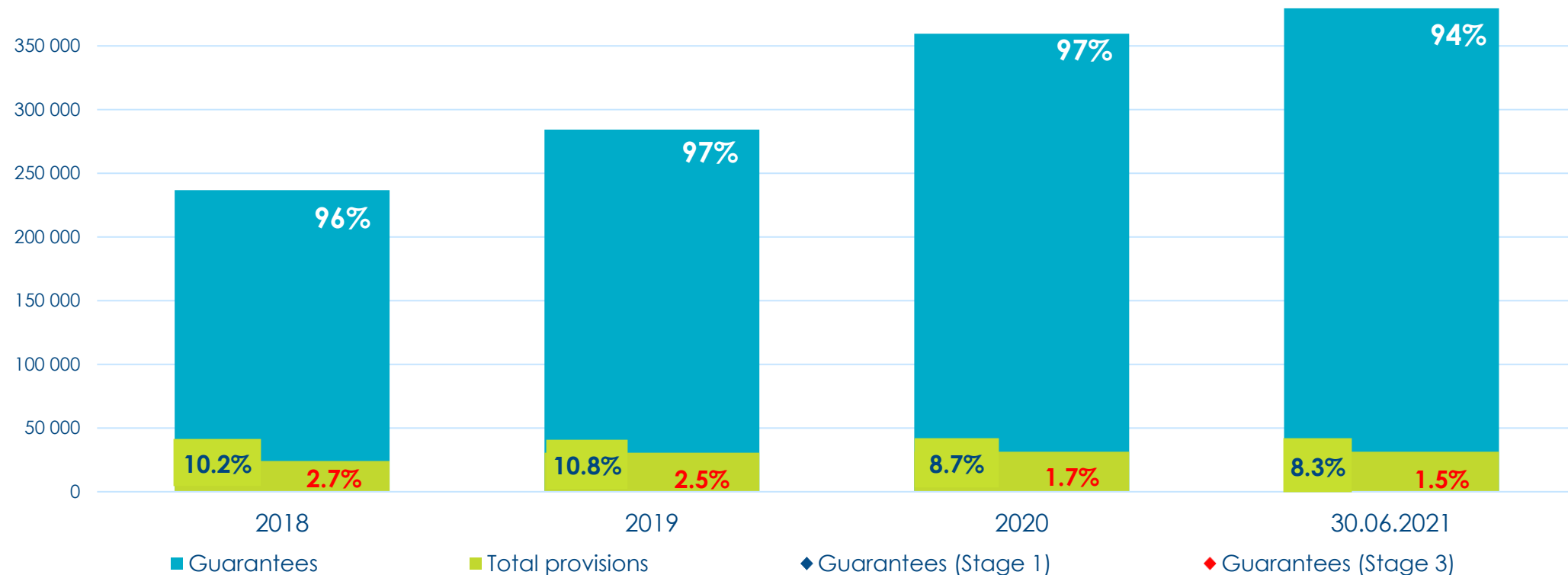


# QUALITATIVE ASSESSMENT OF THE LOAN PORTFOLIO AND RISK COVERAGE



| TEUR                                | 2018    | 2019    | 2020    | 30.06.2021 |
|-------------------------------------|---------|---------|---------|------------|
| Loan portfolio, gross               | 217 131 | 240 412 | 333 981 | 357 538    |
| Provisions covered by Risk Coverage | 4 951   | 5 367   | 8 853   | 9 755      |
| ALTUM's share of provisions         | 14 426  | 14 916  | 11 860  | 12 450     |
| Total provisions                    | 19 376  | 20 283  | 20 713  | 22 205     |

# QUALITATIVE ASSESSMENT OF THE GUARANTEE PORTFOLIO AND RISK COVERAGE



| TEUR                                | 2018    | 2019    | 2020    | 30.06.2021 |
|-------------------------------------|---------|---------|---------|------------|
| Guarantees, gross                   | 236 895 | 284 232 | 359 605 | 379 602    |
| Provisions covered by Risk Coverage | 13 162  | 21 312  | 24 070  | 25 222     |
| ALTUM's share of provisions         | 10 982  | 9 294   | 7 343   | 5 465      |
| Total provisions                    | 24 144  | 30 607  | 31 413  | 30 687     |

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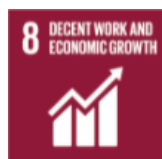
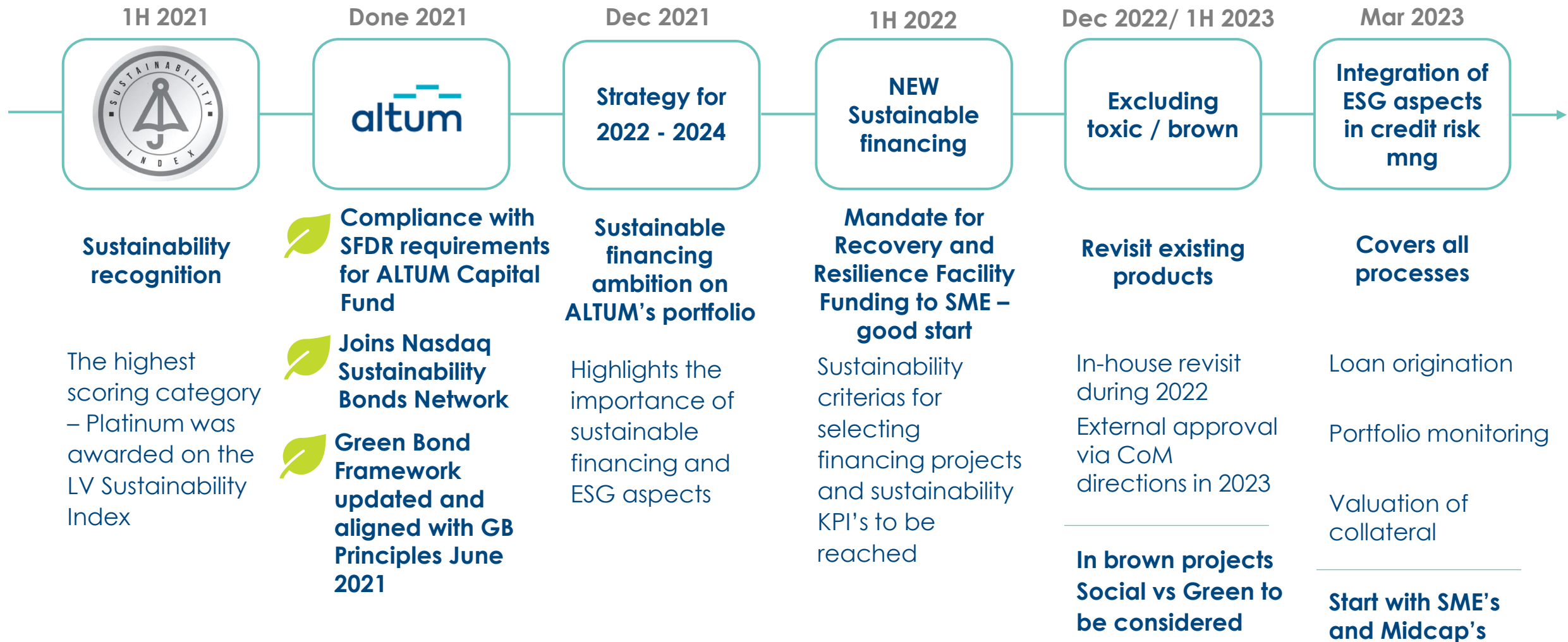
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# SUSTAINABLE FINANCING AND COMMITMENT TO ESG



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# KEY FINANCIAL AND PERFORMANCE INDICATORS



| Key Financial data (TEUR)   | 1H 2021        | 1H 2020        | 2020           | 2019          |
|---|----------------|----------------|----------------|---------------|
| Net interest income   | 8 298          | 6 319          | 14 572         | 11 569        |
| Profit for the period   | 5 947          | 738            | 5 539          | 8 131         |
| Cost to income Ratio (CIR)  | 46.24%         | 52.85%         | 47.5%          | 52.6%         |
| Employees   | 222            | 205            | 211            | 203           |
| Total assets  | 896 486        | 700 967        | 850 704        | 560 061       |
| <b>Tangible Common Equity(TCE)/Tangible Managed Assets (TMA)</b>                            | <b>34.7%</b>   | <b>34.5%</b>   | <b>33.6%</b>   | <b>29.4%</b>  |
| Equity  | 414 970        | 332 769        | 382 594        | 232 738       |
| <b>Total risk coverage:</b>   | <b>232 725</b> | <b>195 453</b> | <b>180 205</b> | <b>87 456</b> |
| - Risk coverage reserve   | 127 364        | 109 441        | 112 567        | 99 778        |
| - Risk coverage reserve used for provisions   | (29 434)       | (29 495)       | (28 197)       | (27 829)      |
| - Portfolio loss reserve within Reserves (specific reserve capital)                         | 135 704        | 115 507        | 102 264        | 15 507        |
| - Portfolio loss reserve used to compensate provisions in the distribution of annual profit | (909)          |                | (6 429)        | -             |
| Liquidity Ratio 180 days  | 346%           | 348%           | 464%           | 582%          |

# KEY FINANCIAL AND PERFORMANCE INDICATORS



| Financial instruments (gross value), TEUR          | 1H 2021        | 1H 2020        | 2020           | 2019           |
|--|----------------|----------------|----------------|----------------|
| <b>Outstanding (by financial instrument)</b>       |                |                |                |                |
| Loans (excluding sales and leaseback transactions) | 323 275        | 264 316        | 302 481        | 225 144        |
| Guarantees   | 379 602        | 321 987        | 359 605        | 284 232        |
| Venture capital funds                              | 83 620         | 68 589         | 73 165         | 68 331         |
| Land Fund, of which:                               | 72 411         | 52 304         | 68 258         | 39 634         |
| - sales and leaseback transactions                 | 34 263         | 18 814         | 31 500         | 15 268         |
| - investment properties                            | 38 148         | 33 490         | 36 758         | 24 366         |
| <b>Total</b>                                       | <b>858 908</b> | <b>707 196</b> | <b>803 509</b> | <b>617 341</b> |
| Number of contracts                                | 28 951         | 24 085         | 26 578         | 22 437         |
| <b>Volumes granted (by financial instrument)</b>   |                |                |                |                |
| Loans  | 59 492         | 66 606         | 138 238        | 64 320         |
| Guarantees   | 55 671         | 68 734         | 137 425        | 98 240         |
| Venture capital funds                              | 13 222         | 2 939          | 14 014         | 9 022          |
| Land Fund, of which:                               | 3 870          | 12 501         | 28 191         | 16 384         |
| - sales and leaseback transactions                 | 2 214          | 3 528          | 16 796         | 7 239          |
| - investment properties                            | 1 656          | 8 973          | 11 395         | 9 145          |
| <b>Total</b>                                       | <b>132 255</b> | <b>150 780</b> | <b>317 868</b> | <b>187 966</b> |
| Number of contracts                                | 3 270          | 2 729          | 6 147          | 5 559          |
| <b>Leverage for raised private funding</b>         | <b>163%</b>    | <b>93%</b>     | <b>114%</b>    | <b>142%</b>    |



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# APPENDIX



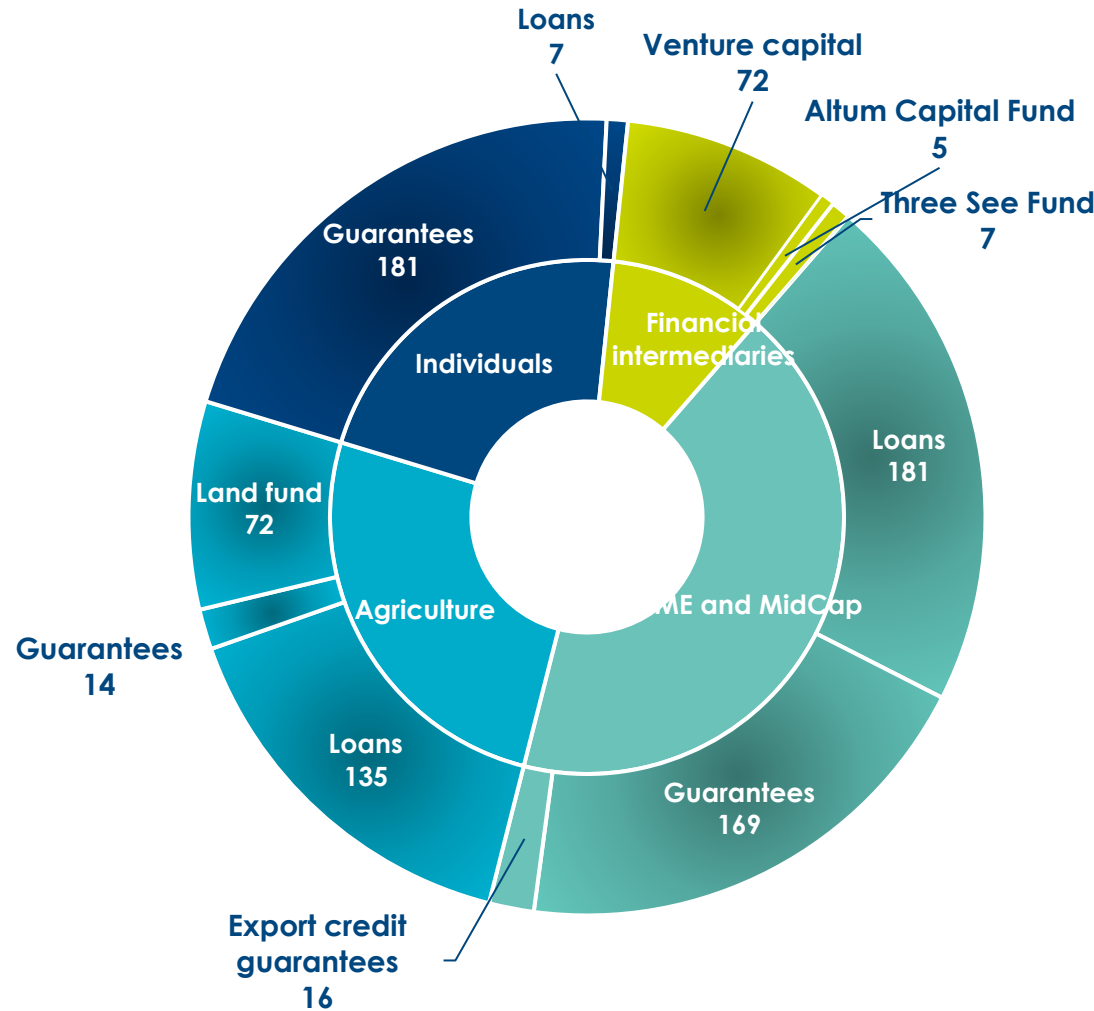
# ALTUM PORTFOLIO MAP

## Individuals

- Housing guarantees
- Housing loans
- Housing energy efficiency guarantees
- Housing energy efficiency loans

## Agriculture

- Land purchase loans
- Land fund (Reverse rent and IP)
- Loan guarantees
- Investment and working capital loans



## Financial intermediaries

- Venture capital funds – 4 generations, BIF and BIF 2
- Altum Capital Fund
- Three Sea Fund
- Loans

## SME and MidCap

- Investment and working capital loans
- Energy efficiency & renewables loans
- Loan guarantees
- Export credit guarantees

# RISK COVERAGE

- “Risk coverage, total” is net funding available for coverage of expected credit losses of development programmes implemented by ALTUM
- Adequate risk coverage for expected credit losses available before launching new programmes or products
- For that purpose, respective portion of public funding is allocated at full or partial extent of total expected credit losses. After public funding is available, it is assigned either to
  - to Specific support program’s reserve capital as part of ALTUM’s reserve capital or
  - accounted separately as provisions for risk coverage “Risk Coverage Reserve” as part of the liabilities

| MEUR  | 2018 | 2019 | 2020 | 1H 2021 |
|---|------|------|------|---------|
| Risk Coverage, total  | 78   | 88   | 180  | 233     |
| Risk Coverage Reserve   | 85   | 100  | 113  | 127     |
| Risk Coverage Reserve used for provisions   | (19) | (28) | (28) | (29)    |
| Portfolio Loss reserve within Reserves (specific reserve capital)                         | 12   | 16   | 102  | 136     |
| Portfolio loss reserve used to compensate provisions in the distribution of annual profit |      |      | (6)  | (1)     |



[www.altum.lv](http://www.altum.lv)