

Information on achieving the 2023 financial and non-financial targets set out in the Strategy

Following strategic development directions and long-term objectives are set in the approved ALTUM Strategy for the period 2022 – 2024:



- The main financial objective in implementing the state support programmes is to ensure positive return on ALTUM's 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 Investors Service](#) (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%.

Information on achieving the 2023 non-financial targets set out in the Strategy:

New transaction volumes (incl. grants) reached EUR 289 million in 2023, which is by EUR 42 million less (-13%) than the targeted EUR 331 million in the Strategy for 2023. Reaching the indicator set in the Strategy was affected by smaller new transaction volumes in new support programmes – in investment loans' programme for the Midcaps with a capital discount (-13 million EUR) and in support programmes under the Resilience and Recovery Fund (-31 million EUR), in several existing support programmes, such as housing guarantee programmes (-10 million EUR) and in the guarantees' programme for Midcaps (-11 million EUR), which in turn was affected by the high interest rates, which continued to rise since the end of 2022 also in the first half of 2023, as well as in the Covid-19 support programmes (-20 million EUR), in which there were no new transactions in 2023, as the support programmes ended at the end of 2022 due to lack of demand. The volume of new transactions (-9 million EUR) was smaller than planned in the Strategy, also in grant programmes.

- **At the end of 2023, the gross portfolio (incl. grants)** amounted to **EUR 1,102 million** which is by EUR 93 million less (-8%) than the targeted EUR 1,194 million in the Strategy for 2023. The largest impact on the gross portfolio of support instruments (incl. grants) was left by the grant portfolio, which at the end of 2023 was by EUR 61 million less (-47%) compared to the one set in the Strategy (EUR 129 million) and the loan portfolio (excluding reverse rent transactions, which are included in the portfolio of the Land Fund), which at the end of 2023 was by EUR 49 million less (-12%) compared to the Strategy (409 million EUR), as well as the portfolio of venture capital instruments, which at the end of 2023 was by EUR 20 million less (-17%) compared to the Strategy (117 million EUR). Smaller portfolio volumes at the end of 2023 were affected by lower volumes of new transactions, which in turn were affected by high interest rates, inflation and the wait-and-see attitude of entrepreneurs and individuals towards taking on new credit obligations. Despite the unfavourable economic conditions, which also affected the guarantees' portfolio and the portfolio of

the Land Fund, at the end of 2023 the guarantees' portfolio and the portfolio of the Land Fund were by EUR 30 million (+7%) and EUR 7 million (+7%) respectively higher than the one specified in the Strategy (EUR 450 million and EUR 90 million, respectively).

By segment, the largest portfolio is formed by SMEs and Midcaps - 32.3% (31 December 2022: 35.1%), followed by Individuals - 31.5% (31 December 2022: 29.2%), Agriculture - 26.7% (31 December 2022: 26.2%) and Financial Intermediaries - 9.5% (31 December 2022: 9.4%).

- **Moody's credit rating** in the Strategy is set two notches below the Moody's rating assigned to the Latvian state. [On 2 February 2024](#), Moody's reaffirmed ALTUM's **Baa1** long-term credit rating with a stable outlook, at the same level as that assigned on 16 December 2022 (and accordingly also in 2023). According to Moody's updated Government-Related Issuers Methodology published on 25 January 2024, Moody's no longer classifies ALTUM as a government-related issuer and has withdrawn its Baseline Credit Assessment of baa3. Henceforth, ALTUM's credit rating is assessed solely on the basis of Moody's Finance Companies Methodology. As of 2 February 2024, ALTUM has a standalone credit assessment that replaces the withdrawn Baseline Credit Assessment.

ALTUM is one notch below the rating assigned to the Latvian state, which at the end of 2023 was A3, and was above the threshold set in the Strategy.

ALTUM's long-term credit rating Baa1 is one of the highest assigned to Latvian capital companies and allows ALTUM to better implement its long-term strategy of raising funds by being a regular capital market participant and issuing bonds.

- **Total contribution to economy by ALTUM volumes issued in 2023** totalled **EUR 946 million**, which is by EUR 156 million more (+20%) than the targeted in the Strategy for 2023 (EUR 790 million).
- **The volume of the state support programmes (incl. grants) per employee** amounted to **EUR 4.5 million**, which is by EUR 0.6 million less (-8%) than the targeted in the Strategy for 2023 (EUR 5.1 million).
- **Voluntary employee turnover** was **8%**, which is below the indicator targeted in the Strategy (<10%) and above the same indicator of 2022 (+0.7%).
- **The number of trained employees** reached **96%**, exceeding the number targeted in the Strategy (>70%) and below the same indicator of 2022 (-2%).



In 2023, 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.**

Information on achieving the 2023 financial targets set out in the Strategy:

- In 2023, **Return on Equity ROE** was **4.7%**, which was above the indicator targeted in the Strategy ($\geq 1.3\%$, + 1.8% in absolute terms compared to 2022);
- **The profit of EUR 17.8 million** exceeded the indicator targeted in the Strategy for 2023 (EUR 8.9 million, +EUR 6.3 million compared to 2022);
- **Equity (at the end of the year) totalled EUR 390 million** (EUR 414 million was targeted in the Strategy for 2023, - EUR 6 million compared to 2022). Lower equity at the end of 2023 compared to the one set in the Strategy can be explained by the reallocation of funding from specific reserve capital, intended to cover the risk of the Covid-19 support programmes, to liabilities for investment loans' programmes to Midcaps with a capital rebate, increasing the volume of the programme and keeping the same nature of the funding, i.e. funding to implement a new support programme and to cover expected losses.
- **Cost-to-Income Ratio** was **26%** which was below the targeted in the Strategy ($\leq 65\%$, -12% in absolute terms compared to 2022);
- **The 6-month liquidity ratio of 402%** was higher than the targeted ratio ($\geq 100\%$, + 36% in absolute terms compared to 2022). In 2023, ALTUM received funding from several EU funds - at the beginning of 2023, funding from the the Resilience and Recovery Fund, and at the end of 2023, funding from the new EU funds' period 2021-2027, as well as funding from the EU funds' period 2014-2020 throughout 2023, which increased ALTUM's liquid assets. ALTUM maintained high liquidity;
- **Tangible common equity (TCE) / Total tangible managed assets (TMA)** was **23%**, which was above the indicator targeted in the Strategy ($\geq 20\%$). Compared to 2022, this ratio decreased by 4% in absolute terms due to the change in equity (see the commentary to the indicator "Equity (year-end)"). In 2023, ALTUM's total assets under management increased by EUR 217 million (+ 20%), which also reduced this ratio. The above ratio shows that ALTUM has sufficient own funds to cover the risks associated with its operations.



In 2023, 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 Annual Report for the year ending 31 December 2023 - the Management Report and Other Notes to the Annual Report.

Approving ALTUM's business plan and budget for 2024, the Shareholders' Meeting, in line with the Strategy, set the following key goals and objectives for ALTUM in 2024:

the main objective is to ensure, through the implementation of state support programmes, the growth of ALTUM's portfolio while maintaining a positive return on capital and efficiency;

goals and targets:

<p>Cautious and wait-and-see attitude of entrepreneurs towards new investments and credit commitments, influenced by the high cost of resources, is expected to continue in 2024, therefore, ALTUM plans to be more involved in direct lending in areas where lending is scanty. At the same time, ALTUM plans to maintain its focus on launching programmes for the new EU programming period 2021-2027 as well as to continue implementing the Recovery and Resilience Facility (RRF) programmes and the programme for large investment loans with capital rebate.</p>	<p>To facilitate access to finance and make the granting of loans even more efficient and faster, an automated review process is planned for loan applications up to EUR 100 thousand.</p>	<p>Enhancing the role of venture capital instruments by introducing the 5th generation venture capital funds; it will play an important role in supporting the growth and development of innovative, technological and high growth potential companies as well as the IPO Fund to encourage both participation and activity in the capital markets.</p>