

Information on achieving the 2024 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 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%.

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%).

- **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.

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- **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.**

- In 2024, **Return on Equity ROE was 7.1%, which** was above the indicator targeted in the Strategy ($\geq 1.3\%$), 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 ($\leq 65\%$), down by 3% in absolute terms compared to 2023.
- **The 6-month liquidity ratio of 342%** was higher than the targeted ratio ($\geq 100\%$), 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.
- **Tangible common equity (TCE) / Total tangible managed assets (TMA) was 22%**, which was above the indicator targeted in the Strategy ($\geq 20\%$). 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