

DEVELOPMENT FINANCE INSTITUTION ALTUM

Mid-term operational strategy 2025–2027 (condensed version)

EXECUTIVE SUMMARY

ALTUM's overall strategic objective is defined in the Law on Development Finance Institution.

The strategy defines ALTUM's activities and objectives for the three-year period until 2027 projecting moderate growth in new transactions and a gradual increase in the gross portfolio of financial instruments.

ALTUM addresses market failures by providing financing, primarily through financial instruments.

The strategy defines ALTUM's activities and objectives for the three-year period until 2027, foreseeing moderate growth in new transactions and a gradual increase in the gross portfolio of financial instruments.

ALTUM will continue to strengthen its role in the development of Latvia's national economy and remain a key partner in the implementation of national development and support programmes, primarily financial instrument programmes.

The key performance indicators are focused on:

- launching new state support programmes without incurring financial losses for ALTUM, while ensuring adequate coverage for the support measures;
- implementing and expanding direct financial support instruments;
- delivering outstanding client service and cooperation by enhancing functional solutions in the digital environment;
- introducing significant improvements in technology infrastructure and process efficiency;
- maintaining a high standard of corporate governance culture;
- ensuring strong financial and risk management discipline;
- ensuring positive indicators of profitability and return on capital.

During the strategy period, ALTUM aims to maintain Moody's credit rating that does not exceed one notch below the sovereign rating assigned to the Republic of Latvia.

The main financial instruments cover the following areas:

- investments in manufacturing and exporting companies, particularly those aimed at the use of green technologies;
- investments in research and development;
- energy efficiency;
- promotion of productivity and renewable energy sources;
- programmes with a strategic focus on climate change mitigation solutions;
- housing affordability, particularly outside Riga and the Pierīga region;
- construction of rental housing;
- venture capital;
- programmes supporting business creation, development and increased competitiveness;
- implementation of digitalisation projects;
- social entrepreneurship;
- development of the agricultural sector;
- management of Latvian agricultural land.

Mission, vision, values

MISSION

WE HELP LATVIA GROW!

VISION

TO BE A PARTNER AND FINANCIAL EXPERT
IN ECONOMIC DEVELOPMENT

VALUES

Excellence

Using our experience and creative perspective, we strive for excellence in everything we do. We constantly develop ourselves and deliver beyond expectations. We take a creative approach at things and challenges.

Team

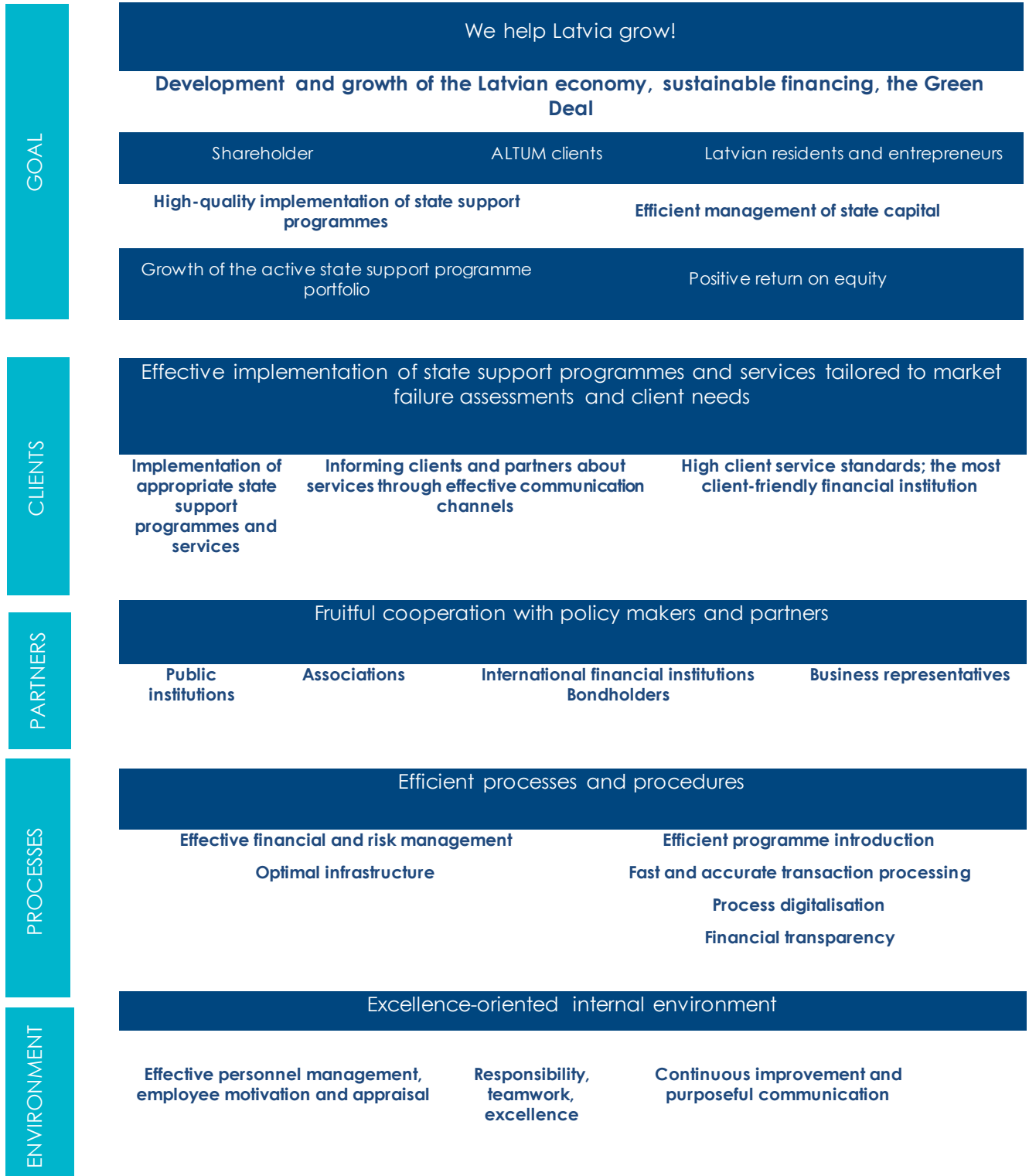
We work professionally as a unified team with clients and partners, creating and ensuring effective implementation of programmes tailored to clients' needs.

Responsibility

In our daily work, we act efficiently, respectfully, and with integrity.

STRATEGIC GOALS

Strategy map



Operational priorities

ALTUM will continue implementing existing and introduce new state support programmes in areas designated by the government as supported and prioritised, ensuring financial accessibility for businesses at various stages of development and for specific target population groups.

ALTUM's primary non-financial goal is to support and promote financial accessibility in entrepreneurship and foster economic development by improving service delivery in the digital environment and streamlining internal processes.

ALTUM's primary financial goal in implementing state support programmes is to ensure a positive return on ALTUM's capital.

ALTUM will continue to implement the successfully established programmes for business creation, development and competitiveness enhancement, as well as programmes with a strategic focus on climate change mitigation solutions, energy efficiency, digitalisation projects, social entrepreneurship, agricultural sector development, housing accessibility, student support, and management of the Land Fund of Latvia. Additionally, ALTUM will evaluate the creation of new programmes in areas such as innovation, research and development, productivity enhancement, promotion of renewable energy, implementation of circular economy principles, and others (in the form of loans, parallel loans, guarantees, combined financial instruments, and venture capital). **The total funding from the EU and national budget allocated for the strategy period is approximately EUR 650 million.**

In collaboration with ministries responsible for sectoral policy development, ALTUM intends to initiate new measures in regional development, including the assessment of opportunities to offer housing loans beyond Riga and Pierīga, as well as the continuation of the rental housing construction programme.

ALTUM aims to ensure a continuous portfolio of support programmes to promote the achievement of Latvia's strategic economic development goals. It also seeks to promptly deliver targeted interventions during periods of transitional economic or social turbulence. Wherever possible, ALTUM intends to simplify both the eligibility criteria and the application process for support programmes within the limits of programme conditions and resource requirements, thereby increasing clients' access to support and reducing bureaucratic administrative burdens for both ALTUM and its clients.

Programmes with a planned total funding volume exceeding EUR 273 million are expected to be launched. These include loans for innovative equipment, research and development, and technology transfer; support for export-oriented companies to create new jobs; initiatives for business 'greening' and product development; the use of renewable energy sources and energy efficiency improvements in industry, local and individual heating and cooling supply; promotion of renewable energy; and the implementation of circular economy principles.

Expansion of operations in regions

ALTUM plans to expand direct financial instruments to support the development of Latvian regions. Observing strong client interest in loans of up to EUR 100,000, there is a noticeable surge in applications from outside Riga and the Pierīga region.

Housing lending

Based on a study by the Bank of Latvia¹, residents outside Riga and the Pierīga region had a restricted access to housing (mortgage) loans for a long time. For transactions up to EUR 20,000,

¹ For individuals whose selected property price falls below the minimum threshold established by banks for the issuance of mortgage loans, alternative solutions are required. A potential measure could be the introduction of a small-scale mortgage loan programme under the auspices of ALTUM. Such an initiative would address existing market deficiencies by enhancing access to housing finance in the regions, thereby contributing to the strengthening of regional economic development (<https://www.makroekonomika.lv/raksti/hipotekara-kreditesana-regionos-vaja-kapec-ta-un-ko>)

loans secured by real estate were practically unavailable. Four fifths of all transactions concentrated around Riga; moreover, real estate transactions were not financed by bank loans outside Riga and Pierīga.

In the new strategy period, it is planned to start issuing financing for the purchase of residential premises outside the capital city and surrounding populated areas. A maximum loan amount will be set, applying the current average transaction value in the regions.

Support for large investment projects

ALTUM will ensure the implementation of the support programme for large investment projects, including the conclusion of financing agreements, loan servicing, and the application of capital discounts.

Fostering that the programme for large investment projects provide more comprehensive and multifaceted support for the implementation of large-scale investment projects, ALTUM, in cooperation with ministries, will assess the possibility of expanding the programme's support scope to include assistance for improving the investment environment, such as the development of necessary infrastructure. This assessment will also consider potential synergies with other support providers in Latvia, including municipalities and special economic zones, among others. Furthermore, the feasibility of broadening the range of eligible activities and sectors will be evaluated.

Energy efficiency support programmes

In the new strategy period, ALTUM will ensure the implementation of projects approved under the multi-apartment building programme. Additionally, at the beginning of 2025, a new energy efficiency programme for multi-apartment buildings under the European Union's new programming period was launched. The total funding from the European Union and the state budget amounts to EUR 173 million, aiming to improve energy efficiency in over 11,000 residential units. Furthermore, technical support for the preparation of energy efficiency projects will be provided through a European Commission-funded support programme implemented by the European Investment Bank.

With the support of the European Commission and the European Investment Bank, technical assistance will be provided for the preparation of approximately 200 energy efficiency projects in multi-apartment buildings, financing services totalling around EUR 5 million.

Since 2022, ALTUM has provided support to businesses for the implementation of energy efficiency measures and renewable energy projects, utilising funding from the Recovery and Resilience Facility, which is going to be continued. Concurrently, several new support programmes are scheduled to commence. The total funding allocated from the European Union and the state budget amounts to EUR 175 million. This support is intended for businesses undertaking energy efficiency initiatives, renewable energy projects, the implementation of circular economy principles, and the 'greening' of their operations.

In the new funding period, financing for energy efficiency and sustainability is planned to be provided through programmes implementing both combined financial instruments and separate, distinct forms of support.

In 2025, the multi-apartment renovation loan programme will continue to operate, with an increase in the programme's loan portfolio.

Conclusion of the investment period of the Recovery and Resilience Facility programmes

In the new strategy period, ALTUM is required to conclude the investment period of the Recovery and Resilience Facility (RRF) funding, ensuring, in cooperation with the responsible ministries, that the Latvian economy receives the full allocation of Recovery and Resilience Facility financing designated by the European Commission.

Since 2022, the programme support directions aimed at climate change mitigation solutions — including improving energy efficiency in multi-apartment buildings (with a total RRF funding of

EUR 57 million), transitioning to renewable energy technologies and enhancing energy efficiency for businesses (total RRF funding of EUR 75 million), implementing business digitalisation projects (total RRF funding of EUR 45 million), as well as constructing rental housing (total RRF funding of EUR 42 million) — have demonstrated a strong demand. However, in collaboration with the responsible ministries, the possibility of optimising programme volumes, achievable targets, and support eligibility criteria will be assessed for certain programme elements.

Financing the construction of low-rent housing

ALTUM will continue financing the construction of low-rent housing in regions, targeting residential rental buildings with three or more flats. The objective is to improve housing accessibility for households that cannot afford housing under market conditions. The financing will be provided in the form of a loan, with the possibility to receive a capital discount for partial repayment of the loan principal.

By 30 June 2026, projects for the construction of 467 flats are planned to be approved.

Digitalisation programme

Under this investment initiative, ALTUM will support the implementation of investment projects that foster the digital transformation of businesses and contribute to an increase in turnover through investments in digital transformation tools and production automation. Support is provided in the form of a loan with the possibility of receiving a capital discount for full or partial repayment of the loan principal.

Projects that have received a roadmap issued by the European Digital Innovation Hub confirming that the specific investment project is focused on digital transformation or automation may qualify for a loan or a parallel loan with a capital discount.

By 30 June 2026, it is planned to conclude agreements for the provision of loans or parallel loans to 133 projects, with a concurrent target of securing approximately EUR 37 million in private financing. Considering that the programme involves more capital-intensive and complex projects, negotiations are underway with the European Commission to revise the target indicators, placing greater emphasis on attracting higher private financing with a reduced number of projects. By 30 June 2026, it is planned to conclude agreements for financing 65 projects, while simultaneously attracting approximately EUR 45 million in private financing.

Implementation of EU-funded investment programmes

In the EU programming period 2021–2027, according to the national planning document “European Union Cohesion Policy Programme 2021–2027”, ALTUM's financial instruments are allocated a larger budget compared to the previous programming period, as well as provisions are made for cooperation with several sectoral ministries — the Ministry of Agriculture, the Ministry of Economics, and the Ministry of Climate and Energy. The support programmes are planned to be implemented in three thematic areas: entrepreneurship, energy efficiency, and climate neutrality. Indicative funding for entrepreneurship support programmes is approximately EUR 260 million, for energy efficiency programmes approximately EUR 293 million, and for climate neutrality approximately EUR 41 million.

Entrepreneurs can currently obtain start-up and small and medium-sized enterprise (SME) loans for growth and development, as well as guarantees for digitalisation and automation projects including. In 2024, following a public procurement process, four potential fund managers were selected to provide support to both start-ups and established companies with growth potential. It is envisaged to support entrepreneurs for innovation, research and development activities, as well as productivity enhancement.

Support under the energy efficiency programmes is allocated for the implementation of renewable energy projects and the enhancement of energy efficiency in industry and commercial enterprises, local and individual heating and cooling supply, biomethane projects, as well as the adoption of circular economy principles. Support will be provided through financial instruments, namely, loans and loan guarantees.

Relating to climate neutrality, support is provided for business 'greening' and product development measures, promoting increased energy efficiency and the implementation of energy-efficient technologies in enterprises.

Unlike programming period 2014–2020, it will be possible to implement combined financial instruments, which also include a grant element in the form of a capital discount.

In the new strategy period, ALTUM, in cooperation with sectoral ministries, will assess the most appropriate types of financial instruments to maximise the effectiveness of support programmes focused, for example, on promoting innovation, increasing productivity, workforce growth, energy efficiency in multi-apartment buildings, as well as support for small rural entrepreneurs.

Funding amounting to EUR 30 million is allocated to agricultural operators, which is planned to be provided in the form of loans during the new strategy period.

Land Fund of Latvia

ALTUM has acquired a stable and balanced real estate portfolio of the Land Fund of Latvia.

ALTUM will manage the Land Fund of Latvia by performing the tasks defined in the law, including the acquisition, sale, leasing, and administration of agricultural land.

ALTUM plans to reassess the terms and conditions of the Land Fund of Latvia under its management and will initiate the necessary legislative amendments to expand the opportunities for new and small farms to lease agricultural land managed by the Land Fund of Latvia and to create opportunities for its purchase.

ALTUM will segment the acquired real estate properties. Properties with larger land areas will be divided into several parcels after acquisition and, just like smaller properties, will be allocated for targeted sale to promote the development of new and small farms.

It is planned to continue improving the leasing process of properties under the Fund's management by simplifying it and making it less time-consuming.

ALTUM will actively participate in improving the monitoring system for transactions involving agricultural land.

During the strategy period, ALTUM will maintain a stable and balanced real estate portfolio of the Land Fund of Latvia, including a moderate annual portfolio growth of 3–5%, but not less than the forecasted annual real estate sales volume, with a total portfolio value of EUR 157 million, comprising EUR 116 million in property investments and EUR 41 million in reverse lease transactions. By the end of 2027, ALTUM will continue the gradual accumulation of agricultural land, including investments in properties and reverse lease assets.

ALTUM Capital Fund

ALTUM, as an alternative investment fund manager, manages the limited partnership AIF Altum Capital Fund, aiming to provide the best possible returns for all fund investors. The fund's term is set until 17 September 2027, with the possibility of a one-year extension.

Social Entrepreneurship Programme

In cooperation with the Ministry of Welfare, ALTUM will implement a social entrepreneurship grant programme, providing support to social enterprises through an enhanced support mechanism - a combined financial instrument (loan and grant). The programme's total funding amounts to EUR 7 million and will be available until 2029, with the possibility of increasing the programme's budget.

Guarantees

During the strategy period, ALTUM will provide guarantees for first-time home purchases to young families, students, and soldiers of the National Armed Forces, as well as individual and portfolio guarantees for banks on behalf of businesses.

In 2024, ALTUM signed cooperation agreements with banks and an alternative financier from the 4th selection round for issuing portfolio guarantees, with a maximum loan amount of EUR 105,859,717.

During the strategy period, ALTUM will continue to issue and service short-term export credit guarantees in line with the objectives set out in the National Industrial Policy Guidelines 2021–2027 and according to the existing programme framework, which has been approved by the European Commission and is valid until 2028. At the same time, ALTUM will ensure the availability

of export credit guarantees to as wide a range of entrepreneurs as possible, while also contributing to strengthening and improving the export support ecosystem in Latvia. During the strategy period, ALTUM aims to reach an export credit guarantee portfolio of EUR 10–12 million.

In response to the dynamics of demand for export credit guarantees, ALTUM will assess the possibility of securing additional risk mitigation instruments for the programme, such as reinsurance, if necessary. In the second half of 2027, work will commence on a new assessment of export credit market gaps to prepare proposals for the scope of the export credit guarantee programme beyond 2028 and to initiate discussions with the European Commission on continuing the programme.

Three Seas Initiative Investment Fund S.A. SICAV-RAIF

ALTUM is a minority investor in the Three Seas Initiative Investment Fund S.A. SICAV-RAIF. The Fund's term is set until 27 February 2035, and the current subscribed capital exceeds EUR 900 million. The Fund operates under the legal framework of the Grand Duchy of Luxembourg.

The Fund has a robust pipeline of potential investment opportunities in new geographic locations. Its strategy focuses on three target sectors (energy, transport, and digital infrastructure) within the Three Seas region, while also raising capital to support significant infrastructure development, including greenfield projects. The Fund continues to prioritise investments in essential infrastructure with attractive commercial returns. Through its investments, the Fund aims to accelerate economic development and enhance connectivity and cooperation across the region.

Venture capital instruments

In the course of the new strategy period, ALTUM will carry out investments in venture capital funds in line with the provisions of the limited partnership agreements currently in force.

ALTUM maintains its involvement in the Baltic Innovation Fund and the Baltic Innovation Fund II.

In 2024, in cooperation with the National Promotional Institution of the Republic of Lithuania, UAB Investicijų ir verslo garantijos (reorganised as ILTE), ALTUM started preparing for launching the establishment of a joint Baltic Capital Market Acceleration Fund. The Fund aims to support SMEs, mid-cap and innovative companies in their initial public offerings and listings on the Baltic securities markets. During the strategy period, the Fund is expected to become operational, with ALTUM planning to invest EUR 20 million.

During the new strategy period, ALTUM will commence investments in fifth-generation venture capital funds. The available public funding amounts to EUR 80.6 million, of which EUR 55.8 million is planned to be invested in three venture capital funds targeting start-ups, and EUR 24.8 million in a growth capital fund.

ALTUM will assess the establishment of a new equity fund, as well as opportunities to co-invest, together with international financial institutions or large institutional investors, in venture capital funds whose investment strategy fosters the growth of the Latvian economy while ensuring a high return on investment.

During the new strategy period, active coordination among the three Baltic States and the European Investment Fund (EIF) will start about the concept of the Baltic Innovation Fund 3 (BIF3). This initiative aims to continue the Baltic Innovation Fund programme by investing capital in private equity and venture capital funds focused on the Baltic countries, thereby maintaining the availability of financing through equity investments in small and medium-sized enterprises (SMEs) and promoting the growth of the Baltic region. The total investment from the Baltic States in BIF3 is expected to amount to EUR 150 million, while the EIF's investments at the fund manager level will be at least EUR 75 million.

Plans for the future envisage reduction of the reliance on European Fund financing in equity investments, while increasing the use of national funding, including the repayment of public funds, as well as ALTUM's own available resources, in accordance with the evaluation and conditions of the respective investment programme.

Sustainability aspects in lending practices

The financial sector holds a pivotal role in the attainment of the European Green Deal's objectives, encompassing the transition towards a climate-neutral, climate-resilient, resource-efficient, and equitable economy. Sustainability constitutes a fundamental element of ALTUM's operations and has emerged as a significant strategic driver within both the banking sector and development finance institutions throughout Europe.

ALTUM assumes accountability for the long-term economic, environmental, and social impacts arising from its day-to-day operations and consistently endeavours to advance sustainable development through its investment decision-making and portfolio management. The institution is committed to preventing adverse effects on sustainability factors, contributing positively to the transition of enterprises towards a sustainable economy, and promoting responsible corporate conduct.

ALTUM's sustainability strategy is anchored in two fundamental pillars: **providing financing to facilitate the transition to a low-carbon economy and promoting progress towards achieving carbon neutrality.**

ALTUM has set a target to reduce the CO₂ emissions of its financed portfolio and to provide funding for specific segments aimed at implementing sustainable projects.

ALTUM will focus its financing on projects aimed at improving energy efficiency for both businesses and residential buildings, the use of renewable energy sources and related infrastructure, green buildings, sustainable transport, circular economy initiatives, and the transition to a low-carbon economy. ALTUM plans to expand support and funding to supply chain partners within these sectors to promote the overall decarbonisation of products and services offered by companies throughout the supply chain.

During the strategy period, ALTUM aims to ensure that 15% of its total loan portfolio complies with the 'do no significant harm' principle.

ALTUM is committed to developing new support programmes alongside the existing sustainability products to achieve a total volume of new transactions in sustainable product financing amounting to EUR 150 million during the new strategy period.

ALTUM will support projects that promote welfare growth and a well-functioning, productive society (such as the construction of low-rent housing, energy efficiency improvements in apartment buildings, and social entrepreneurship).

ALTUM will continue to reduce its own environmental impact.

Key priorities for improving ALTUM's internal operations

Optimisation and enhancement of internal functions

The disbursement, monitoring, servicing, and reporting of Structural Funds — which currently represent a significant proportion of ALTUM's resources — impose a considerable administrative burden. This necessitates the ongoing optimisation and standardisation of internal processes to enhance operational efficiency.

Information technologies

During the new strategy period, ALTUM will focus on the following areas:

- ensuring the integrity and security of information, data, and systems, as well as business continuity;
- efficient management of daily operations;
- enhancing ALTUM's services in the digital environment.

Client service

Continuing to foster targeted, precise, transparent, and reliable cooperation with clients and partners, ALTUM will focus on the following priority areas in client service during the new strategy period:

- establishment of a unified client contact centre,
- remote client identification,
- adaptation of transaction servicing to new support programmes for individuals outside Riga and the Pierīga region,
- strengthening of the partner network to expand clients' access to comprehensive financing solutions,
- review of all financial instruments and state support programme requirements with the aim of simplifying and standardising them, requesting from clients only the minimum information necessary for assessment and proposal preparation,
- obtaining client-submitted information directly from databases maintained by state institutions,
- broader and more detailed monitoring of client feedback.