

JSC DEVELOPMENT FINANCE INSTITUTION ALTUM

Unaudited interim condensed financial report
for the six months period ended 30 June 2021

TABLE OF CONTENTS	Page
Altum Group	2
Management Report	3 - 9
Supervisory Council and Management Board	10
Statement of Management's Responsibility	11
Financial statements:	
Statement of Comprehensive Income	12
Statement of Financial Position	13
Consolidated Statement of Changes in Equity	14
Company's Statement of Changes in Equity	15
Statement of Cash Flows	16
Notes to the Financial Statements	17 - 76
Other Notes to the Interim Condensed Report	78 – 81

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Altum Group

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), Parent Company of the Altum Group, is a Latvian state-owned company that implements the aid and development programmes by means of financial instruments and grants pursuing the state's policy in the national economy and providing for execution of other government assignments stipulated and delegated by laws and regulations. Eliminating market failures with the help of various support instruments that enhance the development of national economy is the fundamental purpose of Altum's activities.

Long-term objectives until 2021

Following strategic development directions and long-term objectives are set in the approved JSC Development Finance Institution Altum Strategy for the period 2019 – 2021:

- In the implementation of the state aid programmes, the main financial objective is to ensure positive return on Altum's capital.
- The main non-financial objective is to support and promote availability of finances to business and the development of national economy.
- Priority directions of Altum are the following: issuing of guarantees and their servicing, venture capital investments, implementation of energy efficiency programmes with regard to thermal insulation of both multi-apartment buildings and the corporate segment, development of the Latvian Land Fund as well as initiation of new projects by expanding the range of the financial instruments offered.
- The main target activities embrace support to entrepreneurs, farmers and specific categories of persons; energy efficiency; management of the Latvian Land Fund.



Management Report

Activity during the reporting period

Despite the fact that the impact of the pandemic has not diminished during the reporting period, the first 6 months of 2021 the Development Finance Institution Altum group (hereinafter – the Group) and the Group's parent company, the joint-stock company Development Finance Institution Altum (hereinafter – the Company) have ensured stable financial results and earned a profit of EUR 5.9 million.

Key financial and performance indicators of the Group

Based on data from audited financial statements for the respective years

	2021 6M (unaudited)	2020 6M (unaudited)	2020 (audited)
Key financial data			
Net interest income (EUR '000)	8 298	6 319	14 572
Profit for the period (EUR '000)	5 947	738	5 539
Cost to income ratio (CIR)	46.24%	52.85%	47.51%
Employees *	222	205	211
Total assets (EUR '000)	896 486	700 967	850 704
Tangible common equity (TCE) / Total tangible managed assets (TMA) **	34.73%	34.53%	33.56%
Equity and reserves (EUR '000)	414 970	332 769	382 904
Total risk coverage: (EUR '000)	232 725	95 453	180 205
Risk coverage reserve	127 364	109 441	112 567
Risk coverage reserve used for provisions	(29 434)	(29 495)	(28 197)
Portfolio loss reserve (specific reserve capital)	135 704	15 507	102 264
Portfolio loss reserve used to compensate provisions in the distribution of annual profit	(909)		(6 429)
Liquidity ratio for 180 days ***	346%	348%	464%
Financial instruments (gross value)			
Outstanding (EUR '000) (by financial instrument) ****			
Loans (excluding sales and leaseback transactions)	323 275	264 316	302 481
Guarantees	379 602	321 987	359 605
Venture capital funds	83 620	68 589	73 165
Land Fund, of which:	72 411	52 304	68 258
- sales and leaseback transactions	34 263	18 814	31 500
- investment properties	38 148	33 490	36 758
Total	858 908	707 196	803 509
Number of transactions	28 951	24 085	26 578
Volumes issued (EUR '000) (by financial instrument) ****			
Loans (excluding sales and leaseback transactions)	59 492	66 606	138 238
Guarantees	55 671	68 734	137 425
Venture capital funds	13 222	2 939	14 014
Land Fund, of which: *****	3 870	12 501	28 191
- sales and leaseback transactions	2 214	3 528	16 796
- investment properties	1 656	8 973	11 395
Total	132 255	150 780	317 868
Number of transactions	3 270	2 729	6 147
Leverage for raised private funding	163%	93%	114%
Volume of support programmes funding per employee (EUR '000)	3 869	3 450	3 808
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1

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

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

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

The figures are explained in the section 'Key Financial and Performance Indicators' under Other Notes to the Group's Financial Statements.

Management Report (cont'd)

Operational volumes

The core business lines of the Group include lending, issuing of guarantees, investments in venture capital funds and transactions of the Latvian Land Fund (hereinafter - the Land Fund) activities that form the Group's portfolio.

As at 30 June 2021, the Group's gross portfolio was EUR 859 million consisting of 28,951 projects (31 December 2020: EUR 804 million and 26,578).

In the first half of 2021, the Group's portfolio increased by 2,373 projects (+8.9%) and by EUR 55.4 million (+6.9%) and that was significantly lower than in the first half of 2020, when it increased by EUR 90 million (+14.6%). It should be noted that the Group rapidly responded when in mid-March 2020 Covid-19 was declared a global pandemic and to the sharp economic downturn. It was actively involved in mitigating the negative impact of Covid-19 on the business sector by developing special financial instruments that resulted in a significant increase in the Group's portfolio in the first half of 2020. The portfolio of specialised financial instruments for Covid-19 effect mitigation increased by EUR 56.1 million while in the first half of 2021, when government support instruments had yielded results and both the global and national economies had recovered, the interest of companies in the support instruments significantly decreased, thus the said portfolio increased by only EUR 10.5 million. Consequently, the largest increases in the Group's portfolio in the respective period of 2021 were not related to the support programme for overcoming the consequences of Covid-19. That part of the Group's financial instruments portfolio increased by EUR 44.9 million, which is by EUR 11 million more than in the first half of 2020, when it increased by EUR 33.9 million. This, in turn, shows that businesses, in general, have successfully adapted to the market situation and are ready to invest in growth and further development.

The largest increase in the first half of 2021 was observed in the loan portfolio, increasing by EUR 20.8 million (+6.9%) and by 234 projects (+2.8%), which is less than in the corresponding period in 2020, when it increased by EUR 39.2 million (+17.4%) by volume and by 181 (+3%) projects. The largest increase of the loan portfolio in the first half of 2021 was ensured by the SME growth loans (+EUR 7.7 million), loans for acquisition of agricultural land intended for agricultural production (+EUR 7.4 million), the Covid-19 crisis-related loan programme (+EUR 3.5 million), Starts-up and Micro loans (+EUR 2 million) and small loans in rural areas (+EUR 1.5 million).

In the first half of 2021, the guarantee portfolio increased by EUR 20 million (+5.6%), which is less than in the respective period of 2020, when the guarantee portfolio increased by EUR 37.8 million (+13.3%). In turn, the number of projects in the guarantee portfolio grew by 2,071 projects (+10.8%), which is more than in the respective period of 2020, when the number of projects in guarantee portfolio increase by 1,324 projects (+8.5%). The increase in the number of projects in the guarantee portfolio in the first half of 2021 was mainly ensured by Housing Guarantees for Families with Children. The large increase in the first half of 2021 was ensured by Housing Guarantees for Families with Children (+EUR 13.2 million), Guarantee Programme for Improving Energy Efficiency in Multi-Apartments Buildings (+EUR 6.4 million), Housing Guarantees for Young Professionals (+EUR 3.7 million), Study loan portfolio guarantees (+EUR 2.5 million) and the loan guarantee programmes for the Covid-19-affected businesses (+EUR 2.2 million).

In the first half of 2021, the venture capital funds increased by EUR 10.5 million (+14.3%), which is significantly more than in the respective period of 2020, when the volume of the venture capital funds increased by EUR 0.26 million (+0.38%). This increase was ensured by investments in the AIF Altum Capital Fund and in the 4th generation venture capital funds.

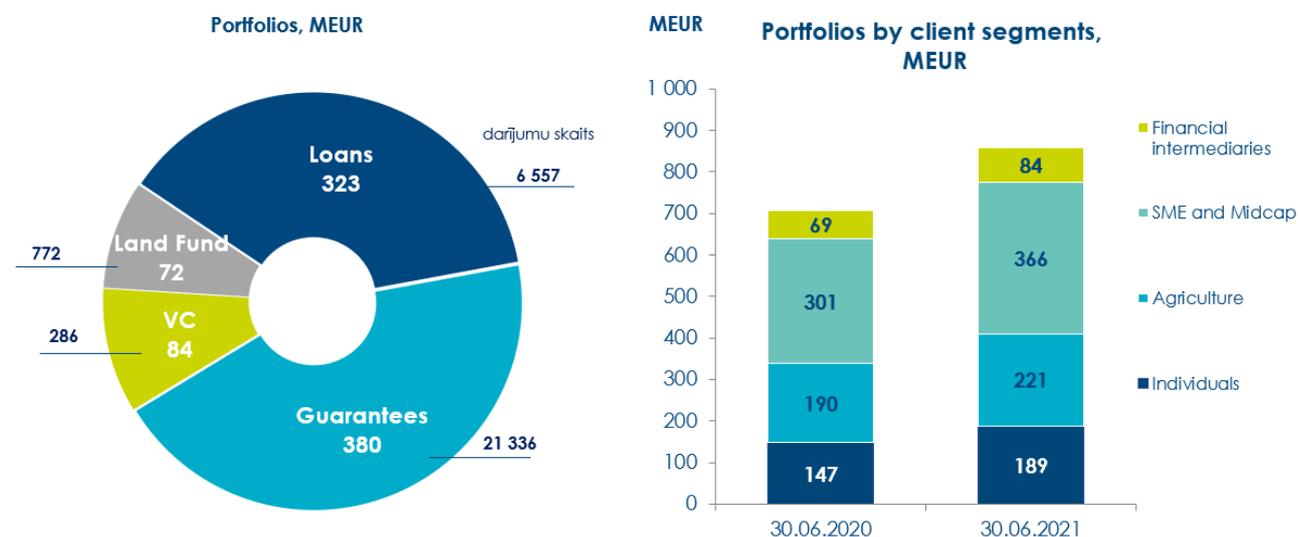
In the first half of 2021, the portfolio of the Land Fund increased by EUR 4.2 million (+6.1%) and by 50 projects (+6.9%), which is significantly less than in the respective period of 2020, when the Land Fund's portfolio increased by EUR 12.7 million (+32%) and by 133 projects (+23%). Demand for the Land Fund services has decreased as the year 2020 was favourable for farmers and provided good income, thus restoring the purchasing power of farmers themselves, which has reduced the demand for additional funding.

As at 30 June 2021, the balance sheet of the Land Fund included 1,085 properties with a total land area of 21,622 ha and amounting to EUR 72.4 million, including investment properties with a total area of 11,538 ha and amounting to EUR 38.1 million (31 December 2020: 10,964 ha; EUR 36.8 million), and leaseback transactions for 10,084 ha amounting to EUR 34.3 million (31 December 2020: 9,140 ha; EUR 31.5 million).

The largest portfolio of the Group is formed in the SMEs and Midcaps segment – 42.6%, while the Agriculture segment accounts for – 25.7%, Individuals – 22% and Financial intermediaries – 9.7%. The transactions of the Land Fund are recorded under the Agriculture segment.

Management Report (cont'd)

Operational volumes (cont'd)



Group 30/06/2021

In the first half of 2021, an increase in volume was observed in all segments. The largest growth was demonstrated by the Individuals segment, namely, by EUR 24.5 million (+15%), which is significantly more than in the first half of 2020, when the portfolio in this segment grew by EUR 8.5 million (+6.1%). The increase in the retail portfolios was mainly due to the increase in demand for Housing Guarantees, as well as guarantees under the Guarantee Programme for Improving Energy Efficiency in Multi-Apartments Buildings. The Agriculture segment increased by EUR 11.8 million (+5.6%), which is less than in the first half of 2020 when the portfolio in this segment grew by EUR 23.9 million (+14.4%), mainly due to the declining demand for Land Fund services. The Financial Intermediaries segment grew by EUR 10.4 million (+14.2%), contrasting to the decrease by EUR 0.13 million (-0.2%) in the respective period in 2020. SME and Midcap segment increased by EUR 8.6 million (+2.4%), which is significantly less than in the respective period in 2020, when the portfolio in this segment grew by EUR 57.6 million (+23.7%). It was mainly due to the declining demand for the specialised financial instruments earmarked for overcoming the negative impact of Covid-19.

Volume of new transactions

In the 6 months of 2021, the total funding disbursed for the implementation of the state aid programmes amounted to EUR 132.2 million, breaking down as follows: 45% (EUR 59.5 million) in loan programmes, 42% (EUR 55.7 million) for guarantee programmes, 10% (EUR 13.2 million) in investments in the venture capital funds and 3% (EUR 3.9 million) in the Land Fund transactions. In total, support was given to 3,270 projects. In general, in the first half of 2021, the volume of the new transactions was less by 12% compared to the same period last year, when its increase was ensured by the state aid programmes implemented by the Group for supporting entrepreneurs in mitigating the Covid-19 effect. If in the 6 months of 2020 the volume of new transactions in the specialized financial instruments for Covid-19 effect mitigation reached EUR 57.7 million, then in the same period of this year its volume under these programmes was more than halved – EUR 26 million. In its turn, in the 6 months of this year, the volume of new transactions under the regular programmes was by 14% higher than in the 6 months of 2020.

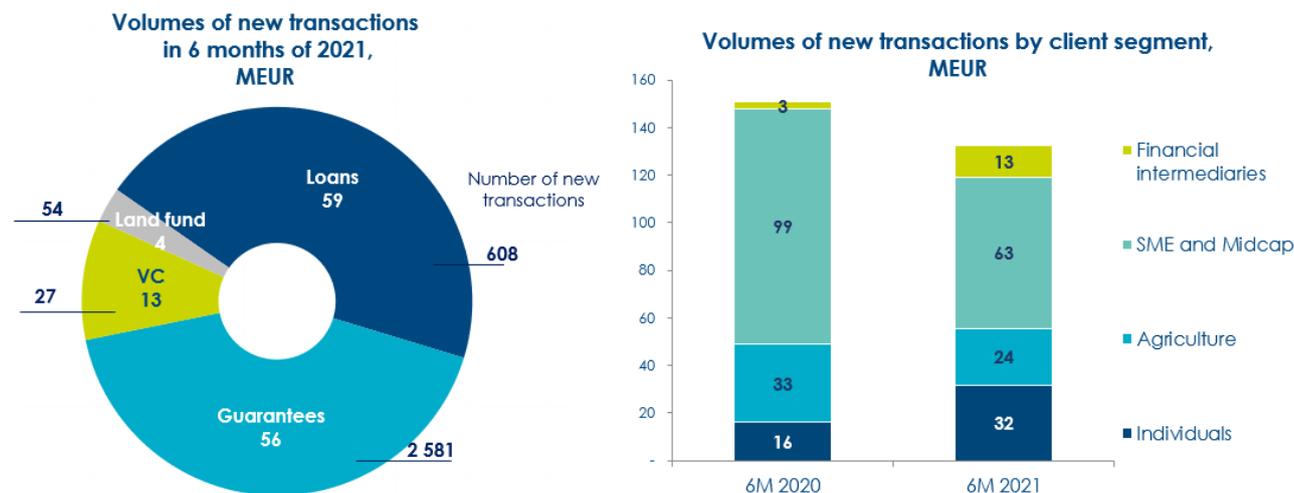
In the reporting period, the largest volume of the new transactions was recorded in the following segments: SMEs and Mid-caps –47.9%; Individuals – 24%; Agriculture –18.1%; and Financial Intermediaries – 10%.

In the first half of 2021, the largest increase in the volume of new transactions was recorded in the Financial Intermediaries segment, it being 4.6 times higher than in the first half of 2020. In the Individuals segment, the volume of new transactions in the first half of this year was twice as large as in the same period of 2020. In turn, the volume of new business compared to that of the first half of 2020 was by 35.8% lower in the SME and Mid-cap segment and by 27% lower. in the Agriculture segment.

In the first half of 2021, the volume of new loans issued amounted to EUR 59.5 million, which is by 10.7% (-EUR 7.1 million) less than in the respective period in 2020 due to a significant decline in demand for Covid-19 crisis-related loans. In the first half of 2021, the largest amount of new loans was issued under the SME Growth Loan Programme (EUR 18.5 million), under the Covid-19 crisis-related Loan Programme (EUR 13.3 million), loans for acquisition of agricultural land for the purpose of agricultural production (EUR 9.9 million) and working capital loans for agricultural enterprises (EUR 6.4 million).

Management Report (cont'd)

Volume of new transactions (cont'd)



Group 30/06/2021

In the reporting period there were issued new guarantees for EUR 55.7 million or by 19% (-EUR 13.1 million) less against the respective period in 2020, due to a significant decline in demand for the Covid-19 crisis-related guarantees. In the first half of 2021, the largest increase in the guarantee portfolio was in the Housing Guarantees for Families with Children (EUR 17.1 million), loan guarantees for entrepreneurs (EUR 13.3 million), the loan guarantee programmes for the Covid-19 affected businesses (EUR 7.9 million), Energy Efficiency Programme for Multi-apartment Buildings (EUR 6.1 million), Housing Guarantees for Young Professionals (EUR 4.3 million), portfolio guarantees (EUR 2.8 million) and Study loan portfolio guarantees (EUR 2.6 million).

Taking into account the business specifics, when issuing guarantees for working capital loans, for bank issued guarantees and for investment loan, a regular review and the extension of the issued guarantee are required for existing customers. This type of transaction is not attributed to newly issued guarantees because it is considered as an extension of guarantees. In the first half of 2021, there were extended guarantees worth EUR 30.4 million, of which more than half (55%) were guarantees for working capital loans.

As at 30 June 2021, a total of 17,711 guarantees for EUR 134.5 million of the state aid for housing acquisition was granted within the framework of the Programme for Housing Guarantees for Families with Children; out of these, guarantees worth EUR 17.1 million were issued in the first half of 2021, which is by 47.5% more against the respective period in 2020, when the economic activity of people decreased quite significantly due to the Covid-19 pandemic and national restrictions. The guarantees of the Programme help saving for the first instalment required to obtain a mortgage loan and are used by families all over Latvia. A total of 3,104 guarantees worth EUR 24 million were issued to young professionals; out of these, 489 guarantees worth EUR 4.3 million were issued in the first half of 2021.

Having launched the European Investment Fund (EIF) COSME and EaSI counter guarantees for loans up to EUR 25 thousand the Group has already supported 610 projects (COSME – 86 projects, EaSI – 524 projects) in total amount of EUR 8.6 million. If the loan is compatible with COSME or EaSI guarantee terms and conditions, the start-up and micro loans, working capital loans to farmers or small loans in rural areas are granted without additional collateral, based solely on a personal guarantee and at a lower interest rate compared to other types of unsecured loans.

In the first half of 2021, the Company's investments made in venture capital funds amounted to EUR 13.2 million, of which EUR 4.8 million - in the Altum Capital Fund, EUR 3.8 million - in the 4th generation venture capital funds, EUR 2.6 million - in the Three Seas Investment Fund while EUR 1.2 million and EUR 0.8 million – in the Baltic Innovation Fund and the Baltic Innovation Fund 2, respectively.

In the six months of 2021, the activity of the Land Fund was significantly lower than in the respective period of 2020, reaching only 30% of the volume of transactions performed then. This can be explained both by the relatively favourable previous year for farmers enabling them to recover their purchasing power, which has reduced the demand for additional funding and property purchase offers were made without involving the Land Fund.

Management Report (cont'd)

Non-financial instrument portfolio

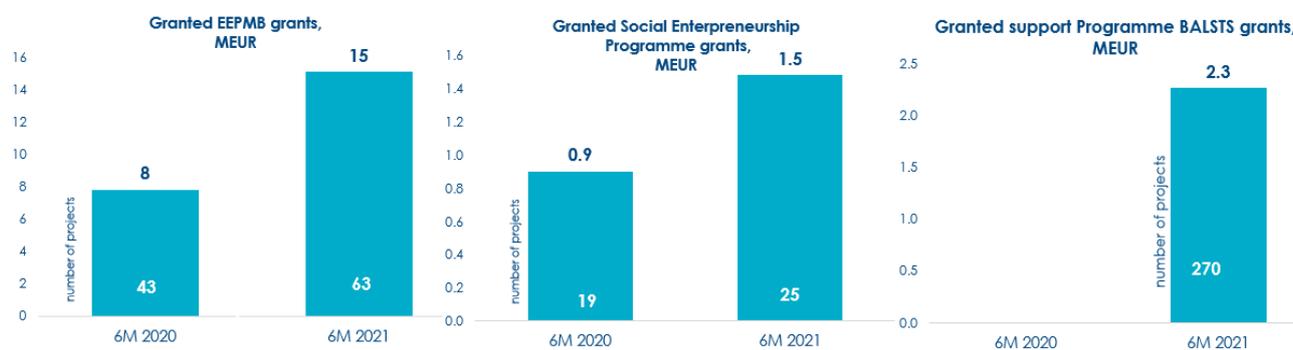
In order to make accessing to the support instruments more convenient for its clients, apart from the financial instruments, the Group services some grant programmes as well, namely, the grants issued under the Energy Efficiency Programme for Multi-apartment Buildings (EEPMB), Social Entrepreneurship Programme and European Local Energy Assistance (ELENA) Programme, the grants under the support program BALSTS for the purchase or construction of housing for families with three or more children, grants under the Culture Support Programme, for which organisers of art, entertainment and recreation events can apply from 19 May this year; on May 27, accepting of applications to the Energy Efficiency Support Programme for Private Houses began. The programme gained great interest from the very start, and 392 applications from private house owners had been received by 1 July. As the amount of funding for the programme is limited and approximately 243 projects are envisaged to be supported, accepting of new project applications has been suspended as of 1 July. As at 1 July, 192 applications had been approved and 42 agreements had been concluded with beneficiaries.

As at 30 June 2021, the EEPMB programme had awarded a total of 401 grants for EUR 87.2 million, of which 63 grants for EUR 15.1 million were granted in the first half of 2021. As of 18 December 2020, the programme was suspended and no new applications were accepted and currently the evaluation of the projects, awarding of grants and implementation of projects are carried out.

As at 30 June 2021, a total of 128 grants for EUR 8 million were awarded under the Social Entrepreneurship Programme.

In order to promote and support planning of the energy efficiency projects, Altum, acting in co-operation with the European Investment Bank, provides to companies a supplementary support grant earmarked for covering the costs related to expertise and drafting of energy efficiency projects. As at 30 June 2021, there were a total of 60 grants awarded for EUR 617 thousand.

In November 2020, within the framework of the new support programme BALSTS, the Group started accepting applications for the issuance of non-refundable state subsidies or grants for the purchase or construction of housing for families with three or more children. As at 30 June 2021, a total of 270 grants for EUR 2.3 million were awarded.



Group 30/06/2021

New products and increasing operational efficiency

In order to continue providing support to Covid-19-affected businesses, in May the Cabinet of Ministers approved amendments to the Covid-19 crisis support programmes extending their duration to the end of the year. In addition, amendments to the Cabinet regulations for working capital loans to economic operators whose activities have been affected by the spread of Covid-19 were approved setting the duration of the programme up to 31 December 2021 thus providing for the extension of the term of commencement of repayment of the principal amount of working capital loans to the said economic operators from 18 to 24 months as well as to extend the maximum loan repayment term from 3 to 4 years and increase the maximum loan amount from EUR 1 million to EUR 1.5 million. Although the Cabinet regulations allow extending the loan repayment term, Altum follows the best practice of commercial banks in its provisioning policy. Consequently, the extension of each loan repayment term is evaluated taking into account the creditworthiness of the particular customer.

In order to mitigate the negative effects of the Covid-19 crisis on the arts, entertainment and leisure industry, from 19 May, organizers of arts, entertainment and recreation events can apply for a support programme developed by the Ministry of Culture in cooperation with the Group to stimulate the organization of new events by providing support in the form of loans and grants to entities whose core business is related to arts, entertainment and leisure activities. The total amount of support is planned to be EUR 6 million, given as a loan and a grant, where the grant does not exceed 40% of the total aid amount.

Management Report (cont'd)

New products and increasing operational efficiency (cont'd)

In parallel, work continues on the development and implementation of new support programmes for specific customer groups as well as the improvement of the conditions of the existing programmes.

- the Cabinet regulations approved concerning the Programme for Multi-apartment Building Renovation Loans under which it is planned to establish a Renovation Fund for financing renovation and other related costs for Multi-apartment buildings;
- the Cabinet regulations approved concerning the Energy Efficiency Support Programme for Private Houses, which envisages granting portfolio guarantees, technical assistance and grants for the renovation of private houses and increasing their energy efficiency. The maximum amount of technical assistance per beneficiary is EUR 1,000, while a grant for increasing the energy efficiency class of a residential house is expected in the amount of EUR 5,000 per beneficiary. Within the framework of the programme, on 27 May, accepting of applications for projects to increase the energy efficiency of private houses was started, but already on 1 July it was suspended due to the great interest in it (the number of received applications exceeded the available funding);
- the amount of a loan issued under the Programme for Land Purchase Loans increased to maximum EUR 1 million;
- approval is pending of amendments to the Programme for SME Growth Loans envisaging to provide additional financing of EUR 32 million from the European Regional Development Fund (ERDF) and allowing the financing of residential real estate;
- the ERDF funded additional allocation of EUR 10 million to the Programmes for Start-up and Micro Loans; also, the possibility to extend the maximum loan repayment term by 12 months;
- the Programme for Small Loans for Rural Areas will provide the possibility to receive a loan of up to EUR 35 thousand for the purchase of vacant/ built-up land; the maximum turnover of the applicant increased from EUR 70 thousand to EUR 100 thousand;
- amendments made to the Programme for Business Guarantees due to the additional financing of EUR 18 million for SMEs, of EUR 4.5 million for large businesses and to the Programme for Credit Guarantees for Farmers of EUR 7.7 million;
- the time limit for making pre-seed investment decisions set by the acceleration funds has been extended by one year, until 30 June 2022;
- the Cabinet regulations have been approved for a new support programme for entrepreneurs for large investment projects (at least EUR 10 million) in the form of a combined financial instrument, under which entrepreneurs will have access to a loan with a capital discount or when meeting certain criteria after the implementation of viable business projects the loan principal amount will be reduced.

In the first half of 2021, proceeding with the centralised reviewing of the applications for micro loans (up to EUR 25 thousand) introduced within the framework of automation and increasing of the Group's operational efficiency, 38% of the total number of the granted loans (excl. Covid-19 crisis related loans) were reviewed remotely without involving the regional employees in the application reviewing process. Compared to the performance indicators for the respective period of 2020, in the six months of 2021, the total amount of loans granted both under centralised reviewing and in the regions increased by 6% or EUR 1.9 million, while the number of loans granted increased by 5%. The average loan amount in the regions increased from EUR 75 thousand in the first half of 2020 to EUR 76.6 thousand in the same period of 2021, while the average loan amount reviewed remotely on a centralised basis in the first half of 2021 was EUR 13.8 thousand.

At the same time, acting in a responsible way towards the health of employees and customers and following the recommendations of the responsible institutions on actions that would help reduce the risks of virus spread, from 13 March the Group continues to provide all services remotely via the customer portal mans.altum.lv, as well as through telephone and video consultations, thus ensuring continuous access to the services provided by the Group.

For the third year in a row, the Group participated in the Sustainability Index organised by the Institute for Corporate Sustainability and Responsibility, receiving the high platinum rating this year. The Sustainability Index rating is one of the visible manifestations of the invisible daily work that companies carry out in accordance with the principles of corporate sustainability and responsibility, balancing the interests of shareholders, employees, customers, the environment, business partners and other parties with sustainable operating conditions, thus becoming the leaders of the future.

Long-term Funding

In order to diversify the financing structure, in October 2017, the Group issued the first transferable securities in the form of green bonds with a total value of EUR 20 million. Currently, the total amount of Altum bonds listed on the Nasdaq Riga stock exchange is EUR 65 million.

Management Report (cont'd)

Rating

On 12 August 2021, the International credit rating agency Moody's Investors Service (Moody's) published the updated credit analysis of the Company.

On 25 March 2019, Moody's reconfirmed the Company's (the parent company of the Group) Baa1 long-term credit rating. The baseline credit assessment (BCA) was upgraded from Ba2 to Baa3 and the P-2 short-term rating was approved. The long-term credit rating was approved with a stable outlook.

In June 2017 for the first time Moody's assigned to the Company a long-term credit rating Baa1 which is one of the highest credit ratings assigned to a corporate entity in Latvia.

The assigned rating and being a regular participant in the capital market as well as bond issuance makes it possible for the Group to implement more successfully the Group's long-term strategy for fund raising.

Risk Management

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

To manage risks, the Group 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 the Group's operations.

In view of the Group's activities in high-risk areas when implementing the state aid programmes, as at 30 June 2021 the Group has the risk coverage of EUR 233 million (31 December 2020: EUR 180 million) to cover the expected credit loss of the State aid programmes. For example, total capital injection in Specific Reserve capital for credit risk coverage of Covid-19 products reached EUR 86 million recognised in Portfolio loss reserve as at 31 December 2020. 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 latter consists of the sum total of the risk coverage reserve and portfolio loss reserve (special reserve capital) less the risk coverage reserve used for provisions.

Future Outlook

The Group continues to strengthen its role as the main government partner for the implementation of financial instrument programmes co-financed by the European Union (hereinafter - the EU). Currently, active preparations have been started so that the support of financial instruments within the framework of the new EU Cohesion Policy in the Programming Period 2021-2027 is available in 2022. Thus, the Group is involved in the preparation process for the implementation of the next programming period of the European Union funds. In addition, new financial instrument programmes will have access to the funding from the European Recovery and Resilience Facility (RRF), which aims to prevent the economic and social damage caused by the Covid-19 pandemic, stimulate Europe's recovery and protect and create jobs. The total EU public investment in financial instruments planned to be implemented within the framework of the support programmes implemented by the Group is at least EUR 650 million that will be directed to especially assisted areas: improving energy efficiency in multi-apartment buildings and private houses and transition to renewable energy technologies (EUR 57 million from RRF, EUR 163 million from under the Cohesion Policy in the Programming Period 2021-2027), improving energy efficiency for businesses (EUR 81 million from RRF, EUR 42 million from the EU in the Programming Period 2021-2027), Digital business transformation (EUR 45 million from RRF, EUR 5 million from the EU in the Programming Period 2021-2027), rental housing financing (EUR 43 million from RRF), promoting business productivity (EUR 164 million from the EU in the Programming Period 2021-2027), research and innovation (EUR 50 million from the EU in the Programming Period 2021-2027).



Reinis Bērziņš
Chairman of the Management Board

Supervisory Board 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	28.12.2019.	27.12.2022.
Jānis Šnore	Member of the Council	28.12.2019.	27.12.2022.
Kristaps Soms	Member of the Council	28.12.2019.	28.12.2019. - 22.03.2021.
Ilze Baltābola	Member of the Council	22.03.2021.	21.03.2022. *

* For the time (up to 1 year) until a new candidate is selected in line with the procedures of nominating supervisory board members, according to the Law on Governance of Capital Shares of a Public Person and Capital Companies.

There were changes in the Supervisory Council of the Company during the reporting period. Kristaps Soms left the position of a Member of the Supervisory Council on 22 March 2021. Extraordinary shareholders' meeting approved Ilze Baltābola to the position of a Member of the Supervisory Council on 22 March 2021.

Management Board

Name, Surname	Position	Appointment Date	Date of expiry of the term of the mandate
Reinis Bērziņš	Chairman of the Board	27.05.2021.	26.05.2024.
Jēkabs Krieviņš	Member of the Board	27.05.2021.	26.05.2024.
Inese Zīle	Member of the Board	27.05.2021.	26.05.2024.
Aleksandrs Bimbirulis	Member of the Board	26.06.2020.	25.06.2023.
Ieva Jansone-Buka	Member of the Board	18.03.2021.	17.03.2024.

There were changes in the Management Board of the Company during the reporting period. The Supervisory Board of the Company has appointed Ieva Jansone - Buka as a Member of the Management Board on 18 March 2021.

Statement of Management's responsibility

Riga

30 August 2021

The Management Board (the Management) is responsible for preparing the financial statements. The Management confirms that suitable accounting policies were used and applied consistently and reasonable and prudent judgments and estimates were made in the preparation of the financial statements on pages 12 to 76 for the period 1 January 2021 to 30 June 2021. The Management confirms that the Group's and the Company's financial statements were prepared on a going concern basis in accordance with International Accounting Standard 34 "Interim Financial Reporting".

During the reporting period appropriate accounting policies have been applied on a consistent basis. The Management is responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.



Reinis Bērziņš
Chairman of the Management Board

Statement of Comprehensive Income

All amounts in thousands of euro

	Notes	Group	Group	Company	Company
		01.01.2021.- 30.06.2021. (unaudited)	01.01.2020.- 30.06.2020. (unaudited)	01.01.2021.- 30.06.2021. (unaudited)	01.01.2020.- 30.06.2020. (unaudited)
Interest income	4	9 318	7 293	9 318	7 293
Interest expense	5	(1 020)	(974)	(1 020)	(974)
Net interest income		8 298	6 319	8 298	6 319
					-
Income for implementation of state aid programmes	6	3 076	2 900	3 076	2 900
Expenses to be compensated for implementation of state aid programmes	7	(2 599)	(2 470)	(2 599)	(2 470)
Net income for implementation of state aid programmes		477	430	477	430
					-
Gains from trading securities and foreign exchange translation	8	20	2	20	2
Share of gain of investment in associate and other investments	12	146	2 018	18	2 018
Gains less losses from liabilities at fair value through profit or loss	20	(153)	(2 018)	(25)	(2 018)
Other income	8	1 246	1 396	1 246	1 396
Other expense	9	(627)	(363)	(627)	(363)
Operating income before operating expenses		9 407	7 784	9 407	7 784
					-
Staff costs		(3 006)	(2 785)	(3 006)	(2 785)
Administrative expense		(860)	(913)	(860)	(913)
Amortisation of intangible assets and depreciation of property, plant and equipment		(484)	(416)	(484)	(416)
Impairment gain / (loss), net	10	890	(2 932)	890	(2 932)
Profit before corporate income tax		5 947	738	5 947	738
					-
Corporate income tax		-	-	-	-
					-
Profit for the period		5 947	738	5 947	738
Other comprehensive income:		(301)	(495)	(301)	(495)
<i>Items to be reclassified to profit or loss in subsequent periods</i>					
Net loss from financial assets measured at fair value through other comprehensive income		(301)	(495)	(301)	(495)
Total comprehensive income for the period		5 646	243	5 646	243
Profit is attributable to:					
Owners of the Company		5 947	738	-	-
Non-controlling interest		-	-	-	-
Profit for the period		5 947	738	-	-
Total comprehensive income is attributable to:					
Owners of the Company		5 646	243	-	-
Non-controlling interest		-	-	-	-
Total comprehensive income for the period		5 646	243	-	-

The accompanying notes on pages 17 through 76 form an integral part of these financial statements.



Reinis Bērziņš
 Chairman of the Management Board



Kaspars Gibeiko
 Chief Accountant

30 August 2021

Statement of Financial Position

All amounts in thousands of euro

	Notes	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Assets					
Due from credit institutions and the State Treasury	11	385 119	359 949	385 119	359 949
Financial assets at fair value through profit or loss		7 602	5 425	-	-
Financial assets at fair value through other comprehensive income - investment securities		14 393	36 958	14 393	36 958
Financial assets at amortised cost:					
Investment securities		35	441	35	441
Loans and receivables	14	335 333	313 268	335 333	313 268
Grants	15	41 298	31 107	41 298	31 107
Deferred expense		332	749	332	749
Accrued income		1 835	772	1 835	772
Other investments	13	8 318	7 503	8 318	7 503
Investments in associates					
Investments accounted for using the equity method	12	38 347	32 969	38 347	32 969
Investments accounted for using the FVTPL method	12	15 858	15 019	15 858	15 019
Investments in subsidiaries		-	-	7 021	4 879
Investment property	16	38 148	36 758	38 148	36 758
Property, plant and equipment		4 411	4 717	4 411	4 717
Intangible assets		1 242	1 398	1 242	1 398
Other assets	17	4 215	3 671	4 215	3 636
Total assets		896 486	850 704	895 905	850 123
Liabilities					
Due to credit institutions	18	61 509	65 855	61 509	65 855
Due to general government entities	19	109 918	103 520	109 918	103 520
Financial liabilities at amortised cost - Issued debt securities		65 359	65 522	65 359	65 522
Deferred income		5 061	4 991	5 061	4 991
Accrued expense		1 171	857	1 251	937
Provisions	21	31 421	32 501	31 421	32 501
Support programme funding	20	198 000	191 963	198 000	191 963
Other liabilities		9 077	2 901	9 077	2 901
Total liabilities		481 516	468 110	481 596	468 190
Equity					
Share capital		204 862	204 862	204 862	204 862
Reserves	22	202 590	170 321	202 588	170 319
Revaluation reserve of financial assets measured at fair value through other comprehensive income		912	1 213	912	1 213
Retained earnings		5 947	5 539	5 947	5 539
Net assets attributable to the Company's owners		414 311	381 935	414 309	381 933
Non-controlling interest		659	659	-	-
Total equity		414 970	382 594	414 309	381 933
Total equity and liabilities		896 486	850 704	895 905	850 123

The accompanying notes on pages 17 through 76 form an integral part of these financial statements.

Reinis Bērziņš
 Chairman of the Management Board

Kaspars Gibeiko
 Chief Accountant

Consolidated Statement of Changes in Equity

All amounts in thousands of euro

	Attributable to owners of the Company					Total equity
	Share capital	Reserves	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Retained earnings	Non-controlling interest	
As at 1 January 2020 (audited)	204 862	16 565	2 638	8 131	542	232 738
Profit for the period	-	-	-	738	-	738
Other comprehensive income	-	-	(692)	-	-	(692)
Total comprehensive income	-	-	(692)	738	-	46
Increase of reserve capital (Note 22)		100 000				100 000
Distribution of 2019 profit of the Company (Note 22)		8 131		(8 131)		-
Non-controlling interest	-	-	-	-	(14)	(14)
As at 30 June 2020 (unaudited)	204 862	124 695	1 946	738	528	332 769
Profit for the period				4 801		4 801
Other comprehensive income			(733)			(733)
Total comprehensive income	-	-	(733)	4 801	-	4 068
Increase of reserve capital (Note 22)		45 626				45 626
Non-controlling interest					131	131
As at 31 December 2020 (audited)	204 862	170 321	1 213	5 539	659	382 594
Profit for the period	-	-	-	5 947	-	5 947
Other comprehensive income	-	-	(301)	-	-	(301)
Total comprehensive income	-	-	(301)	5 947	-	5 646
Increase of reserve capital (Note 22)	-	26 730	-	-	-	26 730
Distribution of 2020 profit of the Company (Note 22)		5 539		(5 539)		-
Non-controlling interest	-	-	-	-	-	-
As at 30 June 2021 (unaudited)	204 862	202 590	912	5 947	659	414 970

The accompanying notes on pages 17 through 76 form an integral part of these financial statements.

Company's Statement of Changes in Equity

All amounts in thousands of euro

	Share capital	Reserves	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Retained earnings	Total equity
As at 1 January 2020 (audited)	204 862	16 563	2 638	8 131	232 194
Profit for the period	-	-	-	738	738
Other comprehensive income	-	-	(692)	-	(692)
Total comprehensive income	-	-	(692)	738	46
Increase of reserve capital (Note 22)	-	100 000	-	-	100 000
Distribution of 2019 profit (Note 22)	-	8 131	-	(8 131)	-
As at 30 June 2020 (unaudited)	204 862	124 693	1 946	738	232 239
Profit for the period	-	-	-	4 801	4 801
Other comprehensive income	-	-	(733)	-	(733)
Total comprehensive income	-	-	(733)	4 801	4 068
Increase of reserve capital (Note 22)	-	45 626	-	-	45 626
As at 31 December 2020 (audited)	204 862	170 319	1 213	5 539	381 933
Profit for the period	-	-	-	5 947	5 947
Other comprehensive income	-	-	(301)	-	(301)
Total comprehensive income	-	-	(301)	5 947	5 646
Increase of reserve capital (Note 22)	-	26 730	-	-	26 730
Distribution of 2020 profit (Note 22)	-	5 539	-	(5 539)	-
As at 30 June 2021 (unaudited)	204 862	202 588	912	5 947	414 309

The accompanying notes on pages 17 through 76 form an integral part of these financial statements.

Statement of Cash Flows

All amounts in thousands of euro

	Notes	Group	Group	Company	Company
		01.01.2021.- 30.06.2021. (unaudited)	01.01.2020.- 30.06.2020. (unaudited)	01.01.2021.- 30.06.2021. (unaudited)	01.01.2020.- 30.06.2020. (unaudited)
Cash and cash equivalents at the beginning of period		359 949	176 199	359 949	176 047
Cash flows from operating activities					
Profit before taxes		5 947	738	5 947	738
Amortisation of intangible assets and depreciation of property, plant and equipment		484	475	484	475
Interest income	4	(9 318)	(7 293)	(9 318)	(7 293)
Interest received		6 584	4 396	6 584	4 396
Interest expenses	5	1 020	974	1 020	974
Interests paid		(603)	(622)	(603)	(622)
(Decrease) / increase in impairment allowances	10	(740)	2 932	(740)	2 932
(Decrease) of cash and cash equivalents from operating activities before changes in assets and liabilities		3 374	1 600	3 374	1 600
Due from credit institutions decrease		-	2 004	-	2 006
(Increase) of loans	14	(18 702)	(42 046)	(18 702)	(42 046)
(Increase) of grants	15	(10 206)	(5 523)	(10 206)	(5 523)
Increase of due to credit institutions and general government entities	18,19	2 051	352	2 051	352
Increase in deferred income and accrued expense		384	645	384	645
(Decrease) / increase in deferred expense and accrued income		(646)	318	(646)	318
(Increase) / Decrease of other assets	17	(579)	1 643	(579)	1 643
Increase in other liabilities		33 205	17 618	33 299	17 629
Net cash flows to/ from operating activities		8 881	(23 389)	8 975	(23 376)
Cash flows from investment activities					
Sale of investment securities		23 209	11 827	23 209	11 827
Acquisition of property, plant and equipment and intangible assets		(28)	(484)	(28)	(484)
Purchase of investment properties	16	(1 542)	(9 154)	(1 542)	(9 154)
Sale of investment properties	16	152	30	152	30
Other investments	13	(815)	556	(815)	556
Investments in associates, net	12	(6 089)	1 733	(6 089)	1 733
Investments of subsidiaries in underlying undertakings		(2 177)	(643)	-	-
Investments in subsidiaries		-	-	(2 271)	(504)
Net cash flows to/ from investing activities		12 710	3 865	12 616	4 004
Cash flows from financing activities					
Issued debt securities		(585)	19 675	(585)	19 675
Increase of reserve capital	22	4 165	100 000	4 165	100 000
Net cash flow from financing activities		3 580	119 675	3 580	119 675
Increase in cash and cash equivalents		25 171	100 151	25 171	47 660
Cash and cash equivalents at the end of period		385 120	276 350	385 120	276 350

The accompanying notes on pages 17 through 76 form an integral part of these financial statements.

Approval of the Financial Statements

The Management of the Group / Company has approved these unaudited interim condensed financial statements on 30 August 2021.

1 General Information

(1) Corporate Information

These financial statements contain the financial information about joint-stock company Development Finance Institution Altum (Company) and its subsidiaries (hereinafter together — the Group). The separate financial statements of the Company are included alongside these consolidated financial statements to comply with legal requirements.

JSC Development Finance Institution Altum is a Latvia 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 25 March 2019 Moody's Investors Service (Moody's) reconfirmed Altum's Baa1 long-term issuer rating, with outlook stable. The assigned Moody's rating of Altum is one of the highest credit ratings assigned to corporate entities 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 Article of Association has 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 Group / Company does not perform any regulated activities related to the financial and capital markets as financial institution, therefore the Group / Company is not required to comply with capital adequacy requirements. However, the Group / Company operates in accordance with the best financial and capital market practices regarding internal control, risk management and compliance.

The Group 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 September 16, 2020, reaching EUR 100 million, of which the majority (EUR 51.1 million or 51.1%) were largest 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.

1 General Information (cont'd)

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

Legal Title	Legal Address	Investment % in share capital
<i>Venture capital funds classified as Subsidiaries</i>		
KS Overkill Ventures Fund I	Dzirnavu iela 105, Rīgas, Latvija, LV-1011	100
KS Buildit Latvia Pre-Seed Fund	Sporta iela 2, Rīga, Latvija, LV-1013	100
KS Commercialization Reactor Pre-seed Fund	Brīvības gatve 300 -9, Rīga, Latvija	100
KS INEC 1	Krišjāņa Barona iela 32-7, Rīga, Latvijas, LV-1011	75
KS INEC 2	Krišjāņa Barona iela 32-7, Rīga, Latvijas, LV-1011	90
<i>Venture capital funds classified as Associates</i>		
KS Overkill Ventures Fund II	Dzirnavu iela 105, Rīgas, Latvija, LV-1011	80
KS Buildit Latvia Seed Fund	Sporta iela 2, Rīga, Latvija, LV-1013	80
KS Commercialization Reactor Seed Fund	Brīvības gatve 300 -9, Rīga, Latvija	80
KS ZGI-4	Daugavgrīvas iela 21, Rīga, Latvija, LV-1048	60
FlyCap Mezzanine Fund II	Matrožu iela 15A, Rīga, LV-1048	60
KS Baltcap Latvia Venture Capital Fund	Jaunmoku iela 34, Rīga, Latvija, LV-1046	67
KS Imprimatur Capital Technology Venture Fund	Elizabetes iela 85a-18, Rīga, Latvija, LV-1050	67
KS Imprimatur Capital Seed Fund	Elizabetes iela 85a-18, Rīga, Latvija, LV-1050	100
KS ZGI-3	Daugavgrīvas iela 21, Rīga, Latvija, LV-1048	95
KS FlyCap investment Fund	Matrožu iela 15A, Rīga, Latvija, LV-1048	95
KS Expansion Capital fund	Krišjāņa Barona iela 32-7, Rīga, Latvija, LV-1011	95
Baltic Innovation Fund	European Investment Fund, 37B, avenue J.F. Kennedy, L-2968 Luxembourg	20
KS AIF "Altum kapitāla fonds"	Doma laukums 4, Rīga, LV-1050	48.9

2 Accounting Policies

(1) Basis of presentation

These unaudited interim condensed financial statements for the 6 months period ended 30 June 2021 were prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted in the European Union. These financial statements are to be used together with the complete financial statements for the year 2020 prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union.

All amounts in the interim condensed financial statements are presented in the national currency of Latvia – the euro (EUR).

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

Several new standards and interpretations have been published, adopted by the EU and become effective for the financial reporting periods beginning on or after 1 January 2021:

- **Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9"** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

The Group / Company makes further assessment on the impact of these new standards and amendments, but the Group / Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group / Company in the period of initial application.

3 Risk Management

The major risks that the Group / Company is exposed to are credit, liquidity and operational risks. These unaudited interim condensed financial statements do not include all information on risk management and disclosures required in the annual financial statements. They are to be viewed together with the complete financial statements for the year 2020.

(1) Credit Risk

Breakdown of the Group's financial assets, off-balance sheet items and contingent liabilities by their qualitative assessment, in thousands of euro:

	Stage 1		Stage 2		Stage 3		Total	
	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)
Financial assets at AC								
Due from credit institutions and the Treasury	385 119	359 949	-	-	-	-	385 119	359 949
Impairment allowances	-	-	-	-	-	-	-	-
Total net due from credit institutions and the Treasury	385 119	359 949	-	-	-	-	385 119	359 949
Investment securities	-	441	-	-	3 533	3 545	3 533	3 986
Impairment allowances	-	-	-	-	(3 498)	(3 510)	(3 498)	(3 510)
Total net investment securities	-	441	-	-	35	35	35	476
Loans and receivables	293 029	274 294	37 994	32 012	26 515	27 675	357 538	333 981
Impairment allowances *	(6 906)	(6 966)	(5 084)	(3 506)	(10 215)	(10 240)	(22 205)	(20 712)
Total net loans and receivables	286 123	267 328	32 910	28 506	16 300	17 435	335 333	313 269
Grants	41 480	31 282	-	-	-	-	41 480	31 282
Impairment allowances	(182)	(175)	-	-	-	-	(182)	(175)
Total net grants	41 298	31 107	-	-	-	-	41 298	31 107
Other financial assets	3 420	2 507	-	-	3 066	3 096	6 486	5 603
Impairment allowances	(37)	(34)	-	-	(2 256)	(1 926)	(2 293)	(1 960)
Total net other financial assets	3 383	2 473	-	-	810	1 170	4 193	3 643
Total financial assets at AC	723 048	668 473	37 994	32 012	33 114	34 316	794 156	734 801
Impairment allowances	(7 125)	(7 175)	(5 084)	(3 506)	(15 969)	(15 676)	(28 179)	(26 357)
Total net financial assets at AC	715 923	661 298	32 910	28 506	17 145	18 640	765 978	708 444
Financial assets at FVOCI								
Investment securities	14 393	36 958	-	-	-	-	14 393	36 958
Impairment allowances	(6)	(6)	-	-	-	-	(6)	(6)
Total net investment securities	14 387	36 952	-	-	-	-	14 387	36 952
Total financial assets at FVOCI	14 393	36 958	-	-	-	-	14 393	36 958
Impairment allowances	(6)	(6)	-	-	-	-	(6)	(6)
Total net financial assets at FVOCI	14 387	36 952	-	-	-	-	14 387	36 952

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

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

	Stage 1		Stage 2		Stage 3		Total	
	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)
Off-balance sheet items and contingent liabilities								
Outstanding guarantees	358 226	348 115	17 641	6 995	3 735	4 495	379 602	359 605
Impairment allowances *	(26 433)	(27 769)	(1 906)	(817)	(2 348)	(2 827)	(30 687)	(31 413)
Total net outstanding guarantees	331 793	320 346	15 735	6 178	1 387	1 668	348 915	328 192
Loan commitments	43 367	36 514	543	2 834	252	-	44 162	39 348
Impairment allowances *	(581)	(949)	(34)	(65)	(32)	-	(647)	(1 014)
Total net loan commitments	42 786	35 565	509	2 769	220	-	43 515	38 334
Grant commitments	22 504	6 798	-	-	-	-	22 504	6 798
Impairment allowances	(87)	(74)	-	-	-	-	(87)	(74)
Total net grant commitments	22 417	6 724	-	-	-	-	22 417	6 724
Total off-balance items and contingent liabilities	424 097	391 427	18 184	9 829	3 987	4 495	446 268	405 751
Impairment allowances	(27 101)	(28 792)	(1 940)	(882)	(2 380)	(2 827)	(31 421)	(32 501)
Total net off-balance items and contingent liabilities	396 996	362 635	16 244	8 947	1 607	1 668	414 847	373 250

* Includes net impairment allowances of EUR 879 thousand covered by Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2021 annual report. In the distribution of the 2021 profit, it will be directly attributed to the Portfolio Loss Reserve, thus the 2021 result which will be allocated to Reserves will improve. Additional information available in Note 22.

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

Breakdown of the Company's financial assets, off-balance sheet items and contingent liabilities by their qualitative assessment, in thousands of euro:

	Stage 1		Stage 2		Stage 3		Total	
	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)
Financial assets at AC								
Due from credit institutions and the Treasury	385 119	359 949	-	-	-	-	385 119	359 949
Impairment allowances	-	-	-	-	-	-	-	-
Total net due from credit institutions and the Treasury	385 119	359 949	-	-	-	-	385 119	359 949
Investment securities	-	441	-	-	3 533	3 545	3 533	3 986
Impairment allowances	-	-	-	-	(3 498)	(3 510)	(3 498)	(3 510)
Total net investment securities	-	441	-	-	35	35	35	476
Loans and receivables	293 029	274 294	37 994	32 012	26 515	27 675	357 538	333 981
Impairment allowances *	(6 906)	(6 966)	(5 084)	(3 506)	(10 215)	(10 240)	(22 205)	(20 712)
Total net loans and receivables	286 123	267 328	32 910	28 506	16 300	17 435	335 333	313 269
Grants	41 480	31 282	-	-	-	-	41 480	31 282
Impairment allowances	(182)	(175)	-	-	-	-	(182)	(175)
Total net grants	41 298	31 107	-	-	-	-	41 298	31 107
Other financial assets	3 414	2 363	-	-	3 066	3 205	6 480	5 568
Impairment allowances	(37)	(34)	-	-	(2 256)	(1 926)	(2 293)	(1 960)
Total net other financial assets	3 377	2 329	-	-	810	1 279	4 187	3 608
Total financial assets at AC	723 042	668 329	37 994	32 012	33 114	34 425	794 150	734 766
Impairment allowances	(7 125)	(7 175)	(5 084)	(3 506)	(15 969)	(15 676)	(28 179)	(26 357)
Total net financial assets at AC	715 917	661 154	32 910	28 506	17 145	18 749	765 972	708 409
Financial assets at FVOCI								
Investment securities	14 393	36 958	-	-	-	-	14 393	36 958
Impairment allowances	(6)	(6)	-	-	-	-	(6)	(6)
Total net investment securities	14 387	36 952	-	-	-	-	14 387	36 952
Total financial assets at FVOCI	14 393	36 958	-	-	-	-	14 393	36 958
Impairment allowances	(6)	(6)	-	-	-	-	(6)	(6)
Total net financial assets at FVOCI	14 387	36 952	-	-	-	-	14 387	36 952
Off-balance sheet items and contingent liabilities								
Outstanding guarantees	358 226	348 115	17 641	6 995	3 735	4 495	379 602	359 605
Impairment allowances *	(26 433)	(27 769)	(1 906)	(817)	(2 348)	(2 827)	(30 687)	(31 413)
Total net outstanding guarantees	331 793	320 346	15 735	6 178	1 387	1 668	348 915	328 192
Loan commitments	43 367	36 514	543	2 834	252	-	44 162	39 348
Impairment allowances *	(581)	(949)	(34)	(65)	(32)	-	(647)	(1 014)
Total net loan commitments	42 786	35 565	509	2 769	220	-	43 515	38 334
Grant commitments	22 504	6 798	-	-	-	-	22 504	6 798
Impairment allowances	(87)	(74)	-	-	-	-	(87)	(74)
Total net grant commitments	22 417	6 724	-	-	-	-	22 417	6 724
Total off-balance items and contingent liabilities	424 097	391 427	18 184	9 829	3 987	4 495	446 268	405 751
Impairment allowances	(27 101)	(28 792)	(1 940)	(882)	(2 380)	(2 827)	(31 421)	(32 501)
Total net off-balance items and contingent liabilities	396 996	362 635	16 244	8 947	1 607	1 668	414 847	373 250

* Includes net impairment allowances of EUR 879 thousand covered by Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2021 annual report. In the distribution of the 2021 profit, it will be directly attributed to the Portfolio Loss Reserve, thus the 2021 result which will be allocated to Reserves will improve. Additional information available in Note 22.

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

Changes in the Group's / Company's credit loss allowance and gross carrying amount for loans, in thousands of euro:

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2020 (audited)	6 966	3 506	10 240	20 712	274 294	32 012	27 675	333 981
Movements with impact on credit loss allowance charge for the period:								
Transfers between stages:								
from Stage 1 to Stage 2	(703)	1 837	-	1 134	(11 263)	11 173	-	(90)
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(68)	(11)	884	805	(2 182)	(377)	2 428	(131)
from Stage 3 to Stage 2	-	182	(223)	(41)	-	729	(823)	(94)
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	132	(189)	-	(57)	3 606	(3 838)	-	(232)
New originated or purchased	876	18	156	1 050	31 604	328	1 237	33 169
Derecognised during the period	(305)	(36)	(675)	(1 016)	(9 897)	(725)	(2 820)	(13 442)
Changes to ECL measurement model assumptions (PD, LGD)	-	-	-	-	-	-	-	-
Changes to ECL measurement model assumptions (macroeconomic factors)	-	-	-	-	-	-	-	-
Other movements	454 *	-	-	454	3	-	-	3
Total movements with impact on credit loss allowance charge for the period:	386	1 801	142	2 329	11 871	7 290	22	19 183
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	-	-	-	-	-
Foreign exchange gains and losses and other movements	-	-	-	-	-	-	-	-
Change of outstanding balance **	(446)	(223)	(167)	(836)	6 864	(1 308)	(1 182)	4 374
Total movements without impact on credit loss allowance charge for the period:	(446)	(223)	(167)	(836)	6 864	(1 308)	(1 182)	4 374
As at 30 June 2021 (unaudited)	6 906	5 084	10 215	22 205	293 029	37 994	26 515	357 538

* The impairment overlay represents an additional loss reserve for SME and Midcaps portfolio

** Change of outstanding balance includes cash flows from repayment of principal

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

Changes in the Group's / Company's credit loss allowance and gross carrying amount for outstanding guarantees, in thousands of euro:

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2020 (audited)	27 769	817	2 827	31 413	348 115	6 995	4 495	359 605
Movements with impact on credit loss allowance charge for the period:								
Transfers between stages:								
from Stage 1 to Stage 2	(1 406)	1 349	-	(57)	(12 601)	12 231	-	(370)
to credit impaired (from Stage 1 and Stage 2 to Stage 3)	(51)	(9)	501	441	(777)	(28)	787	(18)
from Stage 3 to Stage 2	104	(122)	-	(18)	1 284	(1 214)	-	70
to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	-	1	(7)	(6)	-	7	(7)	-
New originated or purchased	3 745	-	-	3 745	50 892	-	-	50 892
Derecognised during the period	(1 751)	(12)	(668)	(2 431)	(25 264)	(133)	(1 065)	(26 462)
Changes to ECL measurement model assumptions (PD, LGD)	-	-	-	-	-	-	-	-
Changes to ECL measurement model assumptions (macroeconomic factors)	-	-	-	-	-	-	-	-
Other movements	-	-	(275)	(275)	-	-	(437)	(437)
Total movements with impact on credit loss allowance charge for the period:	641	1 207	(449)	1 399	13 534	10 863	(722)	23 675
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	-	-	-	-	-
Change of outstanding balance *	(1 977)	(118)	(30)	(2 125)	(3 423)	(217)	(38)	(3 678)
Total movements without impact on credit loss allowance charge for the period:	(1 977)	(118)	(30)	(2 125)	(3 423)	(217)	(38)	(3 678)
As at 30 June 2021 (unaudited)	26 433	1 906	2 348	30 687	358 226	17 641	3 735	379 602

* Change of outstanding balance includes cash flows from repayment of principal of underlying loan

Aging analysis of the loans issued by the Group / Company, in thousands of euro:

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Performing	338 320	313 856	338 320	313 856
Past due up to 30 days	9 153	9 339	9 153	9 339
Past due from 31 to 60 days	1 033	445	1 033	445
Past due from 61 to 90 days	488	217	488	217
Past due over 90 days	8 544	10 124	8 544	10 124
Total gross loans, without interest accrued on the loans	357 538	333 981	357 538	333 981
Impairment allowances	(22 205)	(20 713)	(22 205)	(20 713)
Total net loans	335 333	313 268	335 333	313 268

In calculating the ECL due to default on loan principal or interest payments or other loss events the following is taken into account collateral, including real estate and commercial pledges measured at market value. The value of collateral is based on the valuations performed by independent valuers.

3 Risk Management (cont'd)

(1) Credit Risk (cont'd)

Information on the value of collateral assessed at fair value and position against net loan portfolio, in thousands of euro :

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Real estate (loans)	183 030	178 614	183 030	178 614
Real estate (leaseback)	32 842	30 536	32 842	30 536
Movable property	55 164	52 619	55 164	52 619
Guarantees	5 316	3 048	5 316	3 048
Total collateral	276 352	264 817	276 352	264 817
Loan portfolio, gross *	357 538	333 981	357 538	333 981
Impairment allowances	(22 205)	(20 713)	(22 205)	(20 713)
Loan portfolio, net	335 333	313 268	335 333	313 268
Exposed	17.59%	15.47%	17.59%	15.47%

* includes loans in amount of EUR 67,997 thousand to mitigate the impact of Covid-19 for which no real estate or movable property is required as collateral while credit risk is covered by risk coverage (Portfolio Loss Reserve).

The Group's / Company's maximum credit risk exposures of the balance and off-balance sheet items (not including collateral held or other security), in thousands of euro:

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
<i>Assets exposed to credit risk</i>				
Due from credit institutions and the Treasury	385 119	359 949	385 119	359 949
Financial assets at fair value through other comprehensive income - investment securities	14 393	36 958	14 393	36 958
Financial assets at amortised cost:				
Investment securities	35	441	35	441
Loans and receivables	335 333	313 268	335 333	313 268
Grants	41 298	31 107	41 298	31 107
Other investments	8 318	7 503	8 318	7 503
Investments in associates	54 205	47 988	54 205	47 988
Other assets	4 215	3 671	4 215	3 636
Total	842 916	800 885	842 916	800 850
<i>Off-balance sheet items exposed to credit risk</i>				
Contingent liabilities (Note 21)	379 602	359 605	379 602	359 605
Financial commitments (Note 21)	189 172	178 073	196 883	188 488
Total	568 774	537 678	576 485	548 093

As at 30 June 2021, part of the Group's / Company's assets in amount of EUR 142,789 thousand (31 December 2020: EUR 124,087 thousand) were pledged. Detailed information on the Group's / Company's outstanding loan agreement as at 30 June 2021 is provided in Note 18 and Note 19.

Article 37 of the Law on State Budget 2021 provides that guarantees issued by Altum in amount of EUR 270 000 thousand is backed by the state according to Agriculture and Rural Development Law and Development Finance Institution Law. Actual amount of issued guarantees as at 30 June 2021 was EUR 250,062 thousand (31 December 2020: EUR 251,701 thousand).

3 Risk Management (cont'd)

(2) Liquidity Risk

Maturity profile of the Group's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 30 June 2021, in thousands of euro:

	Up to 1 year *	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	Total
Due to credit institutions	16 227	45 309	-	-	-	61 536
Due to general governments	4 549	26 322	26 370	18 613	34 612	110 466
Issued debt securities	1 212	67 527	-	-	-	68 739
Support programme funding **	1 075	62 778	71 975	34 615	27 557	198 000
Other liabilities	8 119	933	25	-	-	9 077
Total financial liabilities	31 182	202 869	98 370	53 228	62 169	447 818
Off-balance sheet items and contingent liabilities	365 402	192 561	10 811	-	-	568 774
Total financial liabilities, off-balance items and contingent liabilities ***	396 584	395 430	109 181	53 228	62 169	1 016 592
Due from credit institutions and the Treasury	385 119	-	-	-	-	385 119
Investment securities	1 228	13 200	-	-	-	14 428
Liquid assets	386 347	13 200	-	-	-	399 547

* According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Group 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 Group's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 30 June 2021 and supporting analysis is presented in table below.

** After expiring of the support programme its funding remains on the Group's / Company's balance sheet since any repayment from the existing support programme accumulates and are used to finance new support programmes.

*** Since part of off-balance sheet items and contingent liabilities is backed by funding recognized as financial liabilities, EUR 78,811 thousand are included in both the Group's financial liabilities and the Group's off-balance sheet items and contingent liabilities.

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Maturity profile of the Group's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 30 June 2021, in thousands of euro:

	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	-	4 360	3 777	8 090	16 227
Due to general governments	-	17	1 537	2 994	4 549
Issued debt securities	-	-	184	1 028	1 212
Support programme funding	1 075	-	-	-	1 075
Other liabilities	8 023	-	-	96	8 119
Total financial liabilities	9 098	4 377	5 498	12 208	31 182
Off-balance sheet items and contingent liabilities *	314 392	10 231	14 677	26 102	365 402
Total financial liabilities, off-balance items and contingent liabilities	323 490	14 608	20 175	38 310	396 584
Due from credit institutions and the Treasury	385 119	-	-	-	385 119
Investment securities	35	-	105	1 088	1 228
Liquid assets	385 154	-	-	1 088	386 347

* Split of off-balance sheet items and contingent liabilities by type of financial instrument – outstanding financial guarantees, loan commitments and grant commitments as well as commitments to AIF "Altum capital fund", investments in associates and other investments, are presented in Note 23.

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

Outstanding financial guarantees in amount of EUR 243,685 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 20) and Specific reserve capital (see Note 22). 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 44,162 thousand (up to 1 year) – from financial facilities (either received by the Group or available to the Group upon request) concluded with financial institutions and the Treasury (see Notes 18 and 19) and respective loan support programme funding (see Note 20).

Grant commitments in amount of EUR 22,504 thousand (up to 1 year) – from respective grant support programme funding (see Note 20).

Commitments to investments in associates in amount of EUR 8,335 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 20).

Commitments to AIF "Altum capital fund" in amount of EUR 41,064 thousand (up to 1 year) – from specific reserve capital (see Note 22) and additional funding from shareholders expected in 2021.

Commitments to other investments in amount of EUR 5,652 thousand (up to 1 year) – for Baltic Innovation Fund 2 from support programme funding and repayments on different support programmes (see Note 20) and the Group's / Company's own funding for Three Seas Initiatives Investment Fund.

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

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Maturity profile of the Group's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 31 December 2020, in thousands of euro:

	Up to 1 year *	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	Total
Due to credit institutions	12 468	53 399	-	-	-	65 867
Due to general governments	311	4 741	9 544	-	89 553	104 149
Issued debt securities	824	68 107	-	-	-	68 931
Support programme funding **	3 444	46 655	63 006	26 521	52 337	191 963
Other liabilities	1 718	1 170	-	13	-	2 901
Total financial liabilities	18 765	174 072	72 550	26 534	141 890	433 811
Off-balance sheet items and contingent liabilities	349 731	171 663	16 284	-	-	537 678
Total financial liabilities, off-balance items and contingent liabilities ***	368 496	345 735	88 834	26 534	141 890	971 489
Due from credit institutions and the Treasury	359 949	-	-	-	-	359 949
Investment securities	22 991	14 408	-	-	-	37 399
Liquid assets	382 940	14 408	-	-	-	397 348

* According to IAS 7 "Financial Instruments: Disclosures" requirements the major part of the guarantee portfolio issued by the Group 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 Group's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 31 December 2020 and supporting analysis is presented in table below.

** After expiring of the support programme its funding remains on the Group's / Company's balance sheet since any repayment from the existing support programme accumulates and are used to finance new support programmes.

*** Since part of off-balance sheet items and contingent liabilities is backed by funding recognized as financial liabilities, EUR 49,053 thousand are included in both the Group's financial liabilities and the Group's off-balance sheet items and contingent liabilities.

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Maturity profile of the Group's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 31 December 2020, in thousands of euro:

	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	-	4 378	-	8 090	12 468
Due to general governments	123	-	140	48	311
Issued debt securities	-	564	260	-	824
Support programme funding	3 444	-	-	-	3 444
Other liabilities	1 693	-	-	25	1 718
Total financial liabilities	5 260	4 942	400	8 163	18 765
Off-balance sheet items and contingent liabilities *	286 738	13 777	14 532	34 684	349 731
Total financial liabilities, off-balance items and contingent liabilities	291 998	18 719	14 932	42 847	368 496
Due from credit institutions and the Treasury	359 949	-	-	-	359 949
Investment securities	2 090	20 436	-	465	22 991
Liquid assets	362 039	20 436	-	465	382 940

* Split of off-balance sheet items and contingent liabilities by type of financial instrument – outstanding financial guarantees, loan commitments and grant commitments as well as commitments to AIF "Altum capital fund", investments in associates and other investments, are presented in Note 23.

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

Outstanding financial guarantees in amount of EUR 359,605 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 20) and Specific reserve capital (see Note 22). 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 39,348 thousand (up to 1 year) – from financial facilities (either received by the Group or available to the Group upon request) concluded with financial institutions and the Treasury (see Notes 18 and 19) and respective loan support programme funding (see Note 20).

Grant commitments in amount of EUR 6,798 thousand (up to 1 year) – from respective grant support programme funding (see Note 20).

Commitments to investments in associates in amount of EUR 7,639 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 20).

Commitments to AIF "Altum capital fund" in amount of EUR 46,117 thousand (up to 1 year) – from specific reserve capital (see Note 22) and additional funding from shareholders expected in 2021.

Commitments to other investments in amount of EUR 9,235 thousand (up to 1 year) – for Baltic Innovation Fund 2 from support programme funding and repayments on different support programmes (see Note 20) and the Group's / Company's own funding for Three Seas Initiatives Investment Fund.

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

3 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Maturity profile of the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 30 June 2021, in thousands of euro:

	Up to 1 year *	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	Total
Due to credit institutions	16 227	45 309	-	-	-	61 536
Due to general governments	4 549	26 322	26 370	18 613	34 612	110 466
Issued debt securities	1 212	67 527	-	-	-	68 739
Support programme funding **	1 075	62 778	71 975	34 615	27 557	198 000
Other liabilities	8 119	933	25	-	-	9 077
Total financial liabilities	31 182	202 869	98 370	53 228	62 169	447 818
Off-balance sheet items and contingent liabilities	368 486	196 417	11 582	-	-	576 485
Total financial liabilities, off-balance items and contingent liabilities ***	399 668	399 286	109 952	53 228	62 169	1 024 303
Due from credit institutions and the Treasury	385 119	-	-	-	-	385 119
Investment securities	1 228	13 200	-	-	-	14 428
Liquid assets	386 347	13 200	-	-	-	399 547

* 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 30 June 2021 and supporting analysis is presented in table below.

** After expiring of the support programme its funding remains on the Group's / Company's balance sheet since any repayment from the existing support programme accumulates and are used to finance new support programmes.

*** Since part of off-balance sheet items and contingent liabilities is backed by funding recognized as financial liabilities, EUR 78,811 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 the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets "Up to 1 year" as at 30 June 2021, in thousands of euro:

	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	-	4 360	3 777	8 090	16 227
Due to general governments	-	17	1 537	2 994	4 549
Issued debt securities	-	-	184	1 028	1 212
Support programme funding	1 075	-	-	-	1 075
Other liabilities	8 023	-	-	96	8 119
Total financial liabilities	9 098	4 377	5 498	12 208	31 182
Off-balance sheet items and contingent liabilities *	314 700	10 539	15 294	27 953	368 486
Total financial liabilities, off-balance items and contingent liabilities	323 798	14 916	20 792	40 161	399 668
Due from credit institutions and the Treasury	385 119	-	-	-	385 119
Investment securities	35	-	105	1 088	1 228
Liquid assets	385 154	-	105	1 088	386 347

* Split of off-balance sheet items and contingent liabilities by type of financial instrument – outstanding financial guarantees, loan commitments and grant commitments as well as commitments to AIF "Altum capital fund", investments in associates and other investments, are presented in Note 23.

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

Outstanding financial guarantees in amount of EUR 243,685 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 20) and Specific reserve capital (see Note 22). 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 44,162 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 18 and 19) and respective loan support programme funding (see Note 20).

Grant commitments in amount of EUR 22,504 thousand (up to 1 year) – from respective grant support programme funding (see Note 20).

Commitments to investments in subsidiaries in amount of EUR 3,084 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 20).

Commitments to investments in associates in amount of EUR 8,335 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 20).

Commitments to AIF "Altum capital fund" in amount of EUR 41,064 thousand (up to 1 year) – from specific reserve capital (see Note 22) and additional funding from shareholders expected in 2021.

Commitments to other investments in amount of EUR 5,652 thousand (up to 1 year) – for Baltic Innovation Fund 2 from support programme funding and repayments on different support programmes (see Note 20) and the Group's / 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 the Company's expected undiscounted future cash flows of financial liabilities, off-balance liabilities and liquid assets as at 31 December 2020, in thousands of euro:

	Up to 1 year *	1 to 5 years	5 to 10 years	10 to 15 years	Over 15 years and w/o maturity	Total
Due to credit institutions	12 468	53 399	-	-	-	65 867
Due to general governments	311	4 741	9 544	-	89 553	104 149
Issued debt securities	824	68 107	-	-	-	68 931
Support programme funding **	3 444	46 655	63 006	26 521	52 337	191 963
Other liabilities	1 718	1 170	-	13	-	2 901
Total financial liabilities	18 765	174 072	72 550	26 534	141 890	433 811
Off-balance sheet items and contingent liabilities	353 898	176 870	17 325	-	-	548 093
Total financial liabilities, off-balance items and contingent liabilities ***	372 663	350 942	89 875	26 534	141 890	981 904
Due from credit institutions and the Treasury	359 949	-	-	-	-	359 949
Investment securities	22 991	14 408	-	-	-	37 399
Liquid assets	382 940	14 408	-	-	-	397 348

* 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 2020 and supporting analysis is presented in table below.

** After expiring of the support programme its funding remains on the Group's / Company's balance sheet since any repayment from the existing support programme accumulates and are used to finance new support programmes.

*** Since part of off-balance sheet items and contingent liabilities is backed by funding recognized as financial liabilities, EUR 49,053 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 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 2020, in thousands of euro:

	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	-	4 378	-	8 090	12 468
Due to general governments	123	-	140	48	311
Issued debt securities	-	564	260	-	824
Support programme funding	3 444	-	-	-	3 444
Other liabilities	1 693	-	-	25	1 718
Total financial liabilities	5 260	4 942	400	8 163	18 765
Off-balance sheet items and contingent liabilities *	287 155	14 194	15 365	37 184	353 898
Total financial liabilities, off-balance items and contingent liabilities	292 415	19 136	15 765	45 347	372 663
Due from credit institutions and the Treasury	359 949	-	-	-	359 949
Investment securities	2 090	20 436	-	465	22 991
Liquid assets	362 039	20 436	-	465	382 940

* Split of off-balance sheet items and contingent liabilities by type of financial instrument – outstanding financial guarantees, loan commitments and grant commitments as well as commitments to AIF "Altum capital fund", investments in associates and other investments, are presented in Note 23.

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

Outstanding financial guarantees in amount of EUR 359,605 thousand (up to 1 year) – from respective guarantee support programme funding (see Note 20) and Specific reserve capital (see Note 22). 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 39,348 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 18 and 19) and respective loan support programme funding (see Note 20).

Grant commitments in amount of EUR 6,798 thousand (up to 1 year) – from respective grant support programme funding (see Note 20).

Commitments to investments in subsidiaries in amount of EUR 4,167 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 20).

Commitments to investments in associates in amount of EUR 7,639 thousand (up to 1 year) – from respective venture capital fund support programme funding (see Note 20).

Commitments to AIF "Altum capital fund" in amount of EUR 46,117 thousand (up to 1 year) – from specific reserve capital (see Note 22) and additional funding from shareholders expected in 2021.

Commitments to other investments in amount of EUR 9,235 thousand (up to 1 year) – for Baltic Innovation Fund 2 from support programme funding and repayments on different support programmes (see Note 20) and the Group's / 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 the Group's assets and liabilities by maturity profile as at 30 June 2021 based on the time remaining from the reporting date to their contractual maturity, in thousands of euro:

	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	385 119	-	-	-	-	-	385 119
Financial assets at fair value through profit or loss	-	-	-	-	-	7 602	7 602
Investment securities	35	-	105	1 088	13 200	-	14 428
Loans *	10 004	11 783	25 602	39 969	156 944	91 031	335 333
Grants	48	14 652	407	213	24 210	1 768	41 298
Deferred expense and accrued income	2 167	-	-	-	-	-	2 167
Other investments	-	-	-	-	-	8 318	8 318
Investments in associates	-	-	-	28 188	-	26 017	54 205
Investment property	-	-	-	-	-	38 148	38 148
Property, plant and equipment	-	-	-	-	-	4 411	4 411
Intangible assets	-	-	-	-	-	1 242	1 242
Other assets	1 647	57	58	925	1 528	-	4 215
Total assets	399 020	26 492	26 172	70 383	195 882	178 537	896 486
Liabilities							
Due to credit institutions	-	4 360	3 750	8 090	45 309	-	61 509
Due to general governments	-	2	1 419	2 846	26 091	79 560	109 918
Issued debt securities	-	-	184	183	64 992	-	65 359
Deferred income and accrued expense	231	350	374	1 472	3 021	784	6 232
Provisions	31 421	-	-	-	-	-	31 421
Support programme funding	1 075	-	-	-	62 778	134 147	198 000
Other liabilities	8 023	-	-	96	933	25	9 077
Total liabilities	40 750	4 712	5 727	12 687	203 124	214 516	481 516
Net liquidity	358 270	21 780	20 445	57 696	(7 242)	(35 979)	414 970

* With regard to loans and advances to customers, the Group 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 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Breakdown of the Group's assets and liabilities by maturity profile as at 31 December 2020 based on the time remaining from the reporting date to their contractual maturity, in thousands of euro:

	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	359 949	-	-	-	-	-	359 949
Financial assets at fair value through profit or loss	-	-	-	-	-	5 425	5 425
Investment securities	2 090	20 436	-	465	14 408	-	37 399
Loans *	10 563	13 112	16 717	35 212	152 416	85 248	313 268
Grants	64	66	18	7 121	18 524	5 314	31 107
Deferred expense and accrued income	1 521	-	-	-	-	-	1 521
Other investments	-	-	-	-	-	7 503	7 503
Investments in associates	-	-	7 587	16 375	5 366	18 660	47 988
Investment property	-	-	-	-	-	36 758	36 758
Property, plant and equipment	-	-	-	-	-	4 717	4 717
Intangible assets	-	-	-	-	-	1 398	1 398
Other assets	971	208	81	259	2 117	35	3 671
Total assets	375 158	33 822	24 403	59 432	192 831	165 058	850 704
Liabilities							
Due to credit institutions	-	4 367	-	8 090	53 398	-	65 855
Due to general governments	-	-	-	-	4 422	99 098	103 520
Issued debt securities	-	484	(2)	53	64 987	-	65 522
Deferred income and accrued expense	488	357	401	967	2 916	719	5 848
Provisions	32 501	-	-	-	-	-	32 501
Support programme funding	3 444	-	-	-	46 655	141 864	191 963
Other liabilities	1 693	-	-	25	1 170	13	2 901
Total liabilities	38 126	5 208	399	9 135	173 548	241 694	468 110
Net liquidity	337 032	28 614	24 004	50 297	19 283	(76 636)	382 594

* With regard to loans and advances to customers, the Group 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 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Breakdown of the Company's assets and liabilities by maturity profile as at 30 June 2021 based on the time remaining from the reporting date to their contractual maturity, in thousands of euro:

	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	385 119	-	-	-	-	-	385 119
Investment securities	35	-	105	1 088	13 200	-	14 428
Loans *	10 004	11 783	25 602	39 969	156 944	91 031	335 333
Grants	48	14 652	407	213	24 210	1 768	41 298
Deferred expense and accrued income	2 167	-	-	-	-	-	2 167
Other investments	-	-	-	-	-	8 318	8 318
Investments in associates	-	-	-	28 188	-	26 017	54 205
Investments in subsidiaries	-	-	-	-	-	7 021	7 021
Investment property	-	-	-	-	-	38 148	38 148
Property, plant and equipment	-	-	-	-	-	4 411	4 411
Intangible assets	-	-	-	-	-	1 242	1 242
Other assets	1 647	57	58	925	1 528	-	4 215
Total assets	399 020	26 492	26 172	70 383	195 882	177 956	895 905
Liabilities							
Due to credit institutions	-	4 360	3 750	8 090	45 309	-	61 509
Due to general governments	-	2	1 419	2 846	26 091	79 560	109 918
Issued debt securities	-	-	184	183	64 992	-	65 359
Deferred income and accrued expense	231	350	374	1 552	3 021	784	6 312
Provisions	31 421	-	-	-	-	-	31 421
Support programme funding	1 075	-	-	-	62 778	134 147	198 000
Other liabilities	8 023	-	-	96	933	25	9 077
Total liabilities	40 750	4 712	5 727	12 767	203 124	214 516	481 596
Net liquidity	358 270	21 780	20 445	57 616	(7 242)	(36 560)	414 309

* With regard to loans and advances to customers, the Group 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 Risk Management (cont'd)

(2) Liquidity Risk (cont'd)

Breakdown of the Company's assets and liabilities by maturity profile as at 31 December 2020 based on the time remaining from the reporting date to their contractual maturity, in thousands of euro:

	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	359 949	-	-	-	-	-	359 949
Investment securities	2 090	20 436	-	465	14 408	-	37 399
Loans *	10 563	13 112	16 717	35 212	152 416	85 248	313 268
Grants	64	66	18	7 121	18 524	5 314	31 107
Deferred expense and accrued income	1 521	-	-	-	-	-	1 521
Other investments	-	-	-	-	-	7 503	7 503
Investments in associates	-	-	7 587	16 375	5 366	18 660	47 988
Investments in subsidiaries	-	-	-	-	-	4 879	4 879
Investment property	-	-	-	-	-	36 758	36 758
Property, plant and equipment	-	-	-	-	-	4 717	4 717
Intangible assets	-	-	-	-	-	1 398	1 398
Other assets	971	208	81	259	2 117	-	3 636
Total assets	375 158	33 822	24 403	59 432	192 831	164 477	850 123
Liabilities							
Due to credit institutions	-	4 367	-	8 090	53 398	-	65 855
Due to general governments	-	-	-	-	4 422	99 098	103 520
Issued debt securities	-	484	(2)	53	64 987	-	65 522
Deferred income and accrued expense	488	357	401	967	2 916	799	5 928
Provisions	32 501	-	-	-	-	-	32 501
Support programme funding	3 444	-	-	-	46 655	141 864	191 963
Other liabilities	1 693	-	-	25	1 170	13	2 901
Total liabilities	38 126	5 208	399	9 135	173 548	241 774	468 190
Net liquidity	337 032	28 614	24 004	50 297	19 283	(77 297)	381 933

* With regard to loans and advances to customers, the Group 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 Risk Management (cont'd)

(3) Covid-19 impact

(i) Covid-19 impact on loan portfolio

Analysis of the Group's / Company's loan portfolio by client segments as at 30 June 2021, in thousands of euro:

	Stage 1		Stage 2		Stage 3		Total gross loans	Total impairment allowance
	Gross loans	Impairment allowance	Gross loans	Impairment allowance	Gross loans	Impairment allowance		
Financial Intermediaries	1 124	8	-	-	614	346	1 738	354
Agriculture	116 883	987	10 344	307	5 669	1 340	132 896	2 634
SME and Midcaps	137 337	5 094	26 227	4 769	17 690	7 677	181 254	17 540
of which,								
Covid-19 crisis related working capital loans	59 687	1 781	6 404	255	1 908	868	67 999	2 904
Daily loan products	77 650	3 313	19 823	4 514	15 784	6 809	113 255	14 636
Private individuals	4 869	31	331	7	2 187	850	7 387	888
Land Fund	32 816	23	1 092	1	355	2	34 263	26
Total segments, gross	293 029	6 143	37 994	5 084	26 515	10 215	357 538	21 442
Impairment overlay *	-	763	-	-	-	-	-	763
Total segments, net	293 029	6 906	37 994	5 084	26 515	10 215	357 538	22 205

* The impairment overlay represents an additional loss reserve for SME and Midcaps portfolio over the modelled ECL amounts to account for other economic uncertainties.

Analysis of the Group's / Company's loan portfolio by client segments as at 31 December 2020, in thousands of euro:

	Stage 1		Stage 2		Stage 3		Total gross loans	Total impairment allowance
	Gross loans	Impairment allowance	Gross loans	Impairment allowance	Gross loans	Impairment allowance		
Financial Intermediaries	1 245	10	-	-	638	351	1 883	361
Agriculture	107 189	841	10 258	300	6 863	1 491	124 310	2 632
SME and Midcaps	129 745	5 755	21 007	3 195	17 509	7 443	168 261	16 393
of which,								
Covid-19 crisis related working capital loans	60 665	1 984	3 569	219	326	155	64 560	2 358
Daily loan products	69 081	3 771	17 438	2 976	17 183	7 288	103 702	14 035
Private individuals	5 224	34	490	10	2 311	953	8 025	997
Land Fund	30 889	17	256	-	355	2	31 500	19
Total segments, gross	274 292	6 657	32 011	3 505	27 676	10 240	333 979	20 402
Impairment overlay *	-	309	-	-	-	-	-	309
Total segments, net	274 292	6 966	32 011	3 505	27 676	10 240	333 979	20 711

* The impairment overlay represents an additional loss reserve for SME and Midcaps portfolio over the modelled ECL amounts to account for other economic uncertainties.

Loans issued by the Group / Company to SME and Midcap client segment are split between specific Covid-19 related support instrument – working capital loans and daily (ordinary) loan product portfolio.

3 Risk Management (cont'd)

(3) COVID-19 impact (cont'd)

(i) Covid-19 impact on loan portfolio (cont'd)

Split of specific Covid-19 related support instrument - working capital loans – portfolio for the SME and Midcap client segment by industries as at 30 June 2021, in thousands euro:

	Gross loans	Changes to 31.12.2020.	Granted in 2021 6M	Granted in 2020 12M	Impairment allowance	Changes to 31.12.2020.	Net loans	% of Total Gross loans, SME & Midcap
<i>Covid-19 more exposed industries</i>								
Retail	4 854	140	216	4 714	334	148	4 520	2.7%
Hotels and restaurants	3 322	(76)	210	3 398	112	15	3 209	1.8%
Tourism services	2 900	248	-	2 652	72	8	2 827	1.6%
Land transport services	1 807	1 213	188	594	48	36	1 759	1.0%
Art, entertainment and leisure	1 507	367	81	1 139	51	22	1 456	0.8%
Beauty and sports	100	100	100	-	3	3	97	0.1%
Total Covid-19 more exposed industries	14 490	1 992	795	12 497	620	232	13 868	8.0%
<i>Covid-19 less exposed industries</i>								
Manufacturing	18 577	(954)	1 875	19 532	675	(63)	17 902	10.2%
Wholesale	13 268	91	1 183	13 178	793	303	12 475	7.3%
Construction	7 469	1 412	1 415	6 057	402	48	7 067	4.1%
Transport, warehousing and communications	3 567	(35)	303	3 602	118	8	3 449	2.0%
Information technologies and communication	2 932	410	-	2 522	94	41	2 839	1.6%
Professional, science and technical services	2 174	(121)	399	2 295	69	(12)	2 106	1.2%
Forestry	1 961	(41)	153	2 002	59	(4)	1 902	1.1%
Municipal authorities	896	141	20	755	21	5	875	0.5%
Electricity, gas and water utilities	623	(837)	-	1 460	10	(40)	613	0.3%
Real estate	470	38	-	432	11	1	459	0.3%
Health and social care	189	27	45	163	4	1	185	0.1%
Other industries	1 381	1 316	168	65	28	27	1 353	0.8%
Total Covid-19 less exposed industries	53 507	1 447	5 561	52 063	2 284	315	51 225	29.5%
Total Covid-19 crisis related working capital loans	67 997	3 439	6 356	64 560	2 904	547	65 093	37.5%

3 Risk Management (cont'd)

(3) COVID-19 impact (cont'd)

(i) Covid-19 impact on loan portfolio (cont'd)

Split of daily (ordinary) loan product portfolio for the SME and Midcap client segment by industries as at 30 June 2021, in thousands euro:

	Gross loans	Changes to 31.12.2020.	Granted in 2021 6M	Granted in 2020 12M	Impairment allowance	Changes to 31.12.2020.	Net loans	% of Total Gross loans, SME & Midcap
<i>Covid-19 more exposed industries</i>								
Hotels and restaurants	4 934	210	516	1 021	599	1	4 335	2.7%
Retail	1 934	(80)	108	194	142	6	1 792	1.1%
Land transport services	1 803	(123)	128	398	445	67	1 359	1.0%
Art, entertainment and leisure	678	330	-	71	83	22	595	0.4%
Beauty and sports	660	(50)	32	116	243	(12)	417	0.4%
Tourism services	333	-	-	-	87	1	246	0.2%
Total Covid-19 more exposed industries	10 342	287	784	1 800	1 599	85	8 744	5.7%
<i>Covid-19 less exposed industries</i>								
Manufacturing	52 986	4 384	4 002	9 075	6 207	(555)	46 779	29.2%
Real estate	11 082	1 241	727	1 657	3 023	935	8 059	6.1%
Wholesale	6 317	(222)	316	1 474	963	93	5 354	3.5%
Electricity, gas and water utilities	6 152	(69)	257	366	964	(32)	5 188	3.4%
Municipal authorities	4 891	302	189	3 005	100	2	4 791	2.7%
Health and social care	4 664	347	396	711	471	(43)	4 192	2.6%
Construction	4 194	974	984	1 592	257	3	3 937	2.3%
Forestry	3 685	1 233	642	910	142	54	3 543	2.0%
Professional, science and technical services	2 805	(855)	83	810	149	(101)	2 656	1.5%
Fishery	1 809	162	-	281	164	18	1 645	1.0%
Transport, warehousing and communications	753	70	257	121	186	-	567	0.4%
Information technologies and communication	598	47	59	91	71	27	527	0.3%
Other industries	2 979	1 652	350	479	341	116	2 637	1.6%
Total Covid-19 less exposed industries	102 915	9 266	8 262	20 572	13 038	517	89 875	56.8%
Total daily (ordinary) loan products	113 257	9 553	9 046	22 372	14 637	602	98 619	62.5%

For daily (ordinary) loan product portfolio the loan application assessment process, including, accepted credit risk level, eligible credit rating of the client, expected debt service capacity, collateral has not been lowered by Covid-19 situation. The same loan application assessment process applies to specific Covid-19 related support instrument – working capital loans.

About 39% of the SME and Midcap segment as of 30.06.2021 consists of loans in the manufacturing sector. In the first 6 months of 2021, the growth of manufacturing companies has generally continued. Given the constraints on the entertainment, catering, tourism and other services sectors, public consumption trends are significantly affected and most of the income is directed to the purchase of various goods. The sub-sector that is experiencing the sharpest fluctuations is wood processing, as the trend of the second half of 2020 continues with rapidly rising sales prices, and profit indicators are increasing accordingly. However, the availability of raw materials, in connection with the economic sanctions against Belarus, as well as the possible sharp decline in the price of products on the basis of demand adjustments, poses additional risks to companies in the sector. The sufficiently good results of the manufacturing industry in 2021 are also shown by the macroeconomic indicators - the output of exported goods continues to increase in almost all sub-sectors. Therefore, it can be concluded that the negative impact of Covid-19 on the operations of the companies in the sector has been insignificant.

The second largest sector in terms of size of loan portfolio (around 11%) in the SME and Midcap segment is trading. In the wholesale sector, similarly to the manufacturing sector, the impact of the Covid-19 crisis, including in the first 6 months of 2021, has varied depending on the sub-sector. For example, wholesalers of various raw materials and equipment have closed 2020 with very good results, and they have been able to improve their performance thanks to the growth of the manufacturing sector in 2021 as well. Timber wholesalers have been less successful, having had to cope with the fall in demand caused by BREXIT in addition to the breaks in logistics chains caused by Covid-19. However, at the end of 2020, a large number of timber wholesalers had found new outlets in Asian countries, as well as the ability to close the year without significant losses due to

3 Risk Management (cont'd)

(3) COVID-19 impact (cont'd)

(i) Covid-19 impact on loan portfolio (cont'd)

rising timber prices worldwide. This trend will continue in the first 6 months of 2021, but the challenges for the industry are similar to those for the wood processing industry. The first 6 months of 2021 have been slightly more successful for fuel and fuel traders, as they have been able to take advantage of the positive effect of rising prices, but in general the industry has not fully recovered from the losses caused by the Covid-19 crisis in 2020. On the positive side, most companies in this sector have sufficiently high equity ratios and owners with the ability to financially support companies. In the retail segment, the first half of 2021 was challenging for all sub-sectors, except for trade in pharmaceuticals, food products and household goods. Due to store restrictions, many retailers of clothing, footwear, cosmetics, jewellery and other product groups have major challenges in covering their day-to-day expenses and selling existing inventory to renew their range.

The third largest sector in terms of size of loan portfolio (around 6%) is real estate operations. The real estate portfolios where the hotel business is located were the most affected - due to travel restrictions, the flow of visitors to the region has almost completely stopped. It is too early to judge the recovery of this segment, and much will depend on the pace of vaccination and the overall success of controlling the virus. The second most significantly affected segment is shopping centers. Restrictions on trade, social distancing, as well as the boom in e-commerce have had a significant impact on the financial results of shopping centers - a large number of tenants have requested rent discounts, but in some centers the proportion of vacant space has increased. In the office segment - most office employees have had to work remotely and many still work from home on a daily basis, thus the issue of the need for offices in the future has become topical in the real estate sector. The impact of the Covid-19 crisis on the industry has been moderate overall, with negative effects being more pronounced for companies that did not diversify their tenant portfolios by industry. For example, rental space was mostly leased to beauty, retail customers, hotels, in this example landlords had to reduce rents or look for other tenants, thus suffering from the impact of Covid-19. However, the problems of entrepreneurs who had tenants in various industries in the portfolio are relatively minimal and could not significantly affect the client's solvency. The warehousing segment is surviving the pandemic better, as the volume of goods delivered has increased significantly due to the boom in e-commerce. At the same time, the requirements of buyers to ensure the speed of delivery of goods create additional demand for warehouse space.

(ii) Covid-19 impact on guarantee portfolio

Analysis of the Group's / Company's guarantees portfolio by client segments as at 30 June 2021, in thousands of euro:

	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	11 883	1 756	1 532	130	597	385	14 012	2 271
SME and Midcaps	165 419	9 801	15 922	1 749	3 023	1 851	184 364	13 401
of which,								
Covid-19 crisis related guarantees *	31 705	1 899	8 932	1 057	218	134	40 855	3 090
Daily guarantees products	133 714	7 901	6 990	691	2 805	1 717	143 509	10 309
Private individuals	180 923	14 875	188	28	115	112	181 226	15 015
Total segments, gross	358 225	26 432	17 642	1 907	3 735	2 348	379 602	30 687

* Includes SME loan credit holiday guarantees, portfolio guarantees and SME and Midcap companies loan holiday guarantees

Analysis of the Group's / Company's guarantees portfolio by client segments as at 31 December 2020, in thousands of euro:

	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	14 305	2 118	39	5	486	311	14 830	2 434
SME and Midcaps	178 094	12 124	6 761	775	3 879	2 389	188 734	15 288
of which,								
Covid-19 crisis related guarantees *	37 005	3 001	1 437	127	257	160	38 699	3 288
Daily guarantees products	141 089	9 123	5 324	649	3 622	2 229	150 035	12 001
Private individuals	155 717	13 528	194	36	130	127	156 041	13 691
Total segments, gross	348 116	27 770	6 994	816	4 495	2 827	359 605	31 413

* Includes SME loan credit holiday guarantees, portfolio guarantees and SME and Midcap companies loan holiday guarantees

3 Risk Management (cont'd)

(3) COVID-19 impact (cont'd)

(ii) Covid-19 impact on guarantee portfolio (cont'd)

Guarantees issued by the Group / Company to SME and Midcap client segment are split between specific Covid-19 related support instrument – SME loan credit holiday guarantees, portfolio guarantees and SME and Midcap companies loan holiday guarantees and daily (ordinary) guarantee product portfolio.

Split of specific Covid-19 related support guarantee instruments for the SME and Midcap client segment guarantee portfolio by industries as at 30 June 2021, in thousands euro:

	Gross outstanding guarantees	Changes to 31.12.2020.	Issued in 2021 6M	Issued in 2020 12M	Impairment allowance	Changes to 31.12.2020.	Net outstanding guarantees	% of Total gross outstanding guarantees, SME & Midcap
<i>Covid-19 more exposed industries</i>								
Hotels and restaurants	5 181	(9)	-	5 190	569	(71)	4 612	2.8%
Retail	1 366	(1 506)	-	2 872	32	(58)	1 334	0.7%
Land transport services	3 924	1 026	1 287	2 899	501	11	3 424	2.1%
Art, entertainment and leisure	81	(3)	-	84	10	-	71	0.0%
Total Covid-19 more exposed industries	10 552	(492)	1 287	11 045	1 112	(118)	9 441	5.7%
<i>Covid-19 less exposed industries</i>								
Manufacturing	12 029	759	2 779	11 270	743	33	11 286	6.5%
Wholesale	12 117	3 234	3 329	8 882	973	63	11 144	6.6%
Construction	750	-	-	750	13	(13)	737	0.4%
Transport, warehousing and communications	4 043	(335)	-	4 378	86	(130)	3 958	2.2%
Information technologies and communication	63	-	-	63	-	-	63	0.0%
Professional, science and technical services	-	-	-	-	-	-	-	0.0%
Forestry	418	(29)	-	447	80	23	338	0.2%
Electricity, gas and water utilities	410	(48)	-	458	41	(7)	369	0.2%
Real estate	350	(16)	-	366	35	(5)	314	0.2%
Health and social care	-	(500)	-	500	-	(12)	-	0.0%
Other industries	122	(416)	1	539	8	(32)	116	0.1%
Total Covid-19 less exposed industries	30 302	2 649	6 109	27 653	1 979	(80)	28 325	16.4%
Total specific COVID-19 related guarantee products *	40 854	2 157	7 396	38 698	3 091	(198)	37 766	22.2%

* Includes SME loan credit holiday guarantees, portfolio guarantees and SME and Midcap companies loan holiday guarantees

3 Risk Management (cont'd)

(3) COVID-19 impact (cont'd)

(ii) Covid-19 impact on guarantee portfolio (cont'd)

Split of daily (ordinary) guarantee product portfolio of the SME and Midcap client segment by industries as at 30 June 2021, in thousands euro:

	Gross outstanding guarantees	Changes to 31.12.2020.	Issued in 2021 6M	Issued in 2020 12M	Impairment allowance	Changes to 31.12.2020.	Net outstanding guarantees	% of Total gross outstanding guarantees, SME & Midcap
Covid-19 more exposed industries								
Hotels and restaurants	721	(144)	-	-	56	(42)	665	0.4%
Retail	5 951	234	664	917	439	(8)	5 512	3.2%
Land transport services	4 872	1 950	2 022	612	439	81	4 433	2.6%
Art, entertainment and leisure	484	179	183	96	37	16	447	0.3%
Total Covid-19 more exposed industries	12 028	2 219	2 869	1 625	971	47	11 057	6.5%
Covid-19 less exposed industries								
Manufacturing	42 724	(3 384)	4 364	12 365	3 328	(450)	39 396	23.2%
Wholesale	32 444	(300)	4 461	12 060	1 658	(79)	30 786	17.6%
Construction	29 482	(4 925)	1 086	8 288	2 606	(865)	26 876	16.0%
Transport, warehousing and communications	2 403	293	470	405	268	19	2 134	1.3%
Information technologies and communication	3 600	753	816	201	183	33	3 417	2.0%
Professional, science and technical services	5 471	224	414	2 788	437	129	5 034	3.0%
Forestry	9 203	692	464	5 891	536	22	8 666	5.0%
Electricity, gas and water utilities	990	(1 962)	300	280	56	(464)	933	0.5%
Real estate	3 971	198	122	869	118	(56)	3 854	2.2%
Health and social care	633	(70)	57	100	95	20	538	0.3%
Other industries	561	(264)	181	180	54	(43)	508	0.3%
Total Covid-19 less exposed industries	131 482	(8 745)	12 735	43 427	9 339	(1 734)	122 142	71.3%
Total daily (ordinary) guarantee products	143 510	(6 526)	15 604	45 052	10 310	(1 687)	133 199	77.8%

For daily (ordinary) guarantee product portfolio the guarantee application assessment process, including, accepted credit risk level, eligible credit rating of the client, expected debt service capacity has not been lowered by Covid-19 situation. The same guarantee application assessment process applies to specific Covid-19 related support instruments.

About 30% of the SME and Midcap segment as of 30.06.2021 consists of guarantees in the manufacturing sector. In the first 6 months of 2021, the growth of manufacturing companies has generally continued. Given the constraints on the entertainment, catering, tourism and other services sectors, public consumption trends are significantly affected and most of the income is directed to the purchase of various goods. The sub-sector that is experiencing the sharpest fluctuations is wood processing, as the trend of the second half of 2020 continues with rapidly rising sales prices, and profit indicators are increasing accordingly. However, the availability of raw materials, in connection with the economic sanctions against Belarus, as well as the possible sharp decline in the price of products on the basis of demand adjustments, poses additional risks to companies in the sector. The sufficiently good results of the manufacturing industry in 2021 are also shown by the macroeconomic indicators - the output of exported goods continues to increase in almost all sub-sectors. Therefore, it can be concluded that the negative impact of Covid-19 on the operations of the companies in the sector has been insignificant.

The second largest sector in terms of size of the guarantee portfolio (around 24%) in the SME and Midcap segment is trading. In the wholesale sector, similarly to the manufacturing sector, the impact of the Covid-19 crisis, including in the first 6 months of 2021, has varied depending on the sub-sector. For example, wholesalers of various raw materials and equipment have closed 2020 with very good results, and they have been able to improve their performance thanks to the growth of the manufacturing sector in 2021 as well. Timber wholesalers have been less successful, having had to cope with the fall in demand caused by BREXIT in addition to the breaks in logistics chains caused by Covid-19. However, at the end of 2020, a large number of timber wholesalers had found new outlets in Asian countries, as well as the ability to close the year without significant losses due to rising timber prices worldwide. This trend will continue in the first 6 months of 2021, but the challenges for the industry are similar to those for the wood processing industry. The first 6 months of 2021 have been slightly more successful for fuel and

3 Risk Management (cont'd)

(3) COVID-19 impact (cont'd)

(ii) Covid-19 impact on guarantee portfolio (cont'd)

fuel traders, as they have been able to take advantage of the positive effect of rising prices, but in general the industry has not fully recovered from the losses caused by the Covid-19 crisis in 2020. On the positive side, most companies in this sector have sufficiently high equity ratios and owners with the ability to financially support companies. In the retail segment, the first half of 2021 was challenging for all sub-sectors, except for trade in pharmaceuticals, food products and household goods. Due to store restrictions, many retailers of clothing, footwear, cosmetics, jewelry and other product groups have major challenges in covering their day-to-day expenses and selling existing inventory to renew their assortment.

The third largest sector in terms of the size of the guarantee portfolio (around 16%) in the SME and Midcap segment is construction. The Covid-19 crisis affected the sector both directly and indirectly. Due to travel restrictions and illness of employees, the construction process was delayed in many companies and the company's cash flow suffered accordingly. In addition, suppliers changed the delivery terms by switching to prepayment and upsetting the usual project financing balance. Many of the industries directly affected by Covid-19 abandoned construction projects or postponed them. However, overall, the first 6 months of 2021 show good results for the industry, as frozen projects have been revived and, following the peak of the frozen consumption crisis, demand has risen sharply from both institutional and private customers, leading to rising prices and rising profits. The easing of travel conditions also allows Latvian companies to return to the Scandinavian market.

4 Interest income

All amounts in thousands of euro

	Group 01.01.2021.- 30.06.2021. (unaudited)	Group 01.01.2020.- 30.06.2020. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2020.- 30.06.2020. (unaudited)
Interest on loans and guarantees	9 068	6 521	9 068	6 521
Interest on securities at fair value	238	749	238	749
Interest on securities at amortised cost	12	10	12	10
Other interest income	-	13	-	13
Total interest income	9 318	7 293	9 318	7 293

The Group's / Company's sub-item Interest income on loans and guarantees does not include interest income from loans and premium income on issued guarantees as well as commissions which, in accordance with the program agreements concluded with the Ministry of Economics, stipulates that the funding allocated by the Ministry of Economics (recognized in balance sheet item Support Programs Funding) must be increased by the respective program income. Accordingly, this type of income is not recognized as interest income, but is recognized as an increase in Support Programs Funding which in the 6 months of 2021 amounts to EUR 686 thousand (6 months of 2020: EUR 651 thousand).

5 Interest expense

All amounts in thousands of euro

	Group 01.01.2021.- 30.06.2021. (unaudited)	Group 01.01.2020.- 30.06.2020. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2020.- 30.06.2020. (unaudited)
Interest on balances due to credit institutions	343	291	343	291
Interest on issued debt securities	404	333	404	333
Allocation of state support programmes' profit to support programme funding *	261	332	261	332
Other commission expense	12	18	12	18
Total interest expense	1 020	974	1 020	974

* 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 Group / 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).

6 Income for implementation of state support programmes

All amounts in thousands of euro

	Group 01.01.2021.- 30.06.2021. (unaudited)	Group 01.01.2020.- 30.06.2020. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2020.- 30.06.2020. (unaudited)
Compensation of expenses for management of state support programmes	1 207	1 001	1 207	1 001
Compensation of venture capital fund management fees	1 669	1 467	1 669	1 467
Compensation of expenses for management of state support programmes of the previous years	-	332	-	332
Compensation of expenses of capital congestion	200	100	200	100
Total income from implementation of state support programmes	3 076	2 900	3 076	2 900

7 Expenses to be compensated for implementation of state support programmes

All amounts in thousands of euro

	Group 01.01.2021.- 30.06.2021. (unaudited)	Group 01.01.2020.- 30.06.2020. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2020.- 30.06.2020. (unaudited)
Compensated staff costs	753	819	753	819
Compensated administrative expense	147	182	147	182
Compensated venture capital fund management fees	1 699	1 469	1 699	1 469
Total compensated expense for implementation of state support programmes	2 599	2 470	2 599	2 470

8 Other income

All amounts in thousands of euro

	Group 01.01.2021.- 30.06.2021. (unaudited)	Group 01.01.2020.- 30.06.2020. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2020.- 30.06.2020. (unaudited)
Income from lease payments for operating leases	674	460	674	460
Income from payments for financial leases	3	316	3	316
Income from investment property revaluation	-	10	-	10
Income from sale of investment property	36	27	36	27
Income from sale of repossessed collateral	5	13	5	13
Other commission income	13	3	13	3
Income from investments in the AIF "Altum capital fund"	40	-	40	-
Income from investments in the Three Seas Initiative Investment Fund	39	-	39	-
Income from management of the AIF "Altum capital fund"	279	-	279	-
Other operating income	157	567	157	567
Total other income	1 246	1 396	1 246	1 396

9 Other expense

All amounts in thousands of euro

	Group 01.01.2021.- 30.06.2021. (unaudited)	Group 01.01.2020.- 30.06.2020. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2020.- 30.06.2020. (unaudited)
Maintenance and service costs of Land Fund	174	143	174	143
Debt collection costs	60	76	60	76
Maintenance costs of repossessed collateral	-	3	-	3
Revaluation of repossessed collateral	-	27	-	27
Depreciation of right-of-use assets	73	68	73	68
Commission expense on investments in securities	40	45	40	45
AIF "Altum capital fund" management costs	279	-	279	-
Loss from investments in subsidiaries	-	-	-	-
Other commission expense	1	1	1	1
Total other expense	627	363	627	363

10 Impairment losses, net

All amounts in thousands of euro

	Group 01.01.2021.- 30.06.2021. (unaudited)	Group 01.01.2020.- 30.06.2020. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2020.- 30.06.2020. (unaudited)
Impairment losses on:	4 981	8 277	4 981	8 277
Loans, net	2 851	4 279	2 851	4 279
<i>impairment losses</i>	4 036	6 744	4 036	6 744
<i>impairment losses covered by Portfolio Loss Reserve</i>	1 169	-	1 169	-
<i>impairment losses covered by Risk Coverage Reserve</i>	(1 185)	(2 465)	(1 185)	(2 465)
Disbursed guarantee compensations	-	-	-	-
<i>impairment losses</i>	-	-	-	-
<i>impairment losses covered by risk coverage reserve</i>	-	-	-	-
Grants	3	-	3	-
Other assets	8	-	8	-
Due from credit institutions and the Treasury	-	-	-	-
Financial assets related to loan agreements	20	2	20	2
Debt securities	-	-	-	-
Guarantees, net	1 660	3 383	1 660	3 383
<i>impairment losses</i>	6 701	6 975	6 701	6 975
<i>impairment losses covered by Portfolio Loss Reserve</i>	1 219	-	1 219	-
<i>impairment losses covered by Risk Coverage Reserve</i>	(5 041)	(3 592)	(5 041)	(3 592)
Loan commitments, net	396	613	396	613
<i>impairment losses</i>	482	770	482	770
<i>impairment losses covered by Portfolio Loss Reserve</i>	99	-	99	-
<i>impairment losses covered by Risk Coverage Reserve</i>	(86)	(157)	(86)	(157)
Grant commitments	43	-	43	-
Reversal of impairment on:	(5 478)	(4 848)	(5 478)	(4 848)
Loans, net	(2 115)	(2 309)	(2 115)	(2 309)
<i>reversal of impairment</i>	(3 158)	(2 648)	(3 158)	(2 648)
<i>reversal of impairment covered by Portfolio Loss Reserve</i>	(744)	-	(744)	-
<i>reversal of impairment covered by Risk Coverage Reserve</i>	1 043	339	1 043	339
Disbursed guarantee compensations	(12)	(88)	(12)	(88)
<i>reversal of impairment</i>	(29)	(96)	(29)	(96)
<i>reversal of impairment covered by Portfolio Loss Reserve</i>	(3)	-	(3)	-
<i>reversal of impairment covered by Risk Coverage Reserve</i>	17	8	17	8
Grants	(20)	-	(20)	-
Other assets	-	-	-	-
Due from credit institutions and the Treasury	-	-	-	-
Financial assets related to loan agreements	(13)	-	(13)	-
Debt securities	(11)	-	(11)	-
Guarantees, net	(3 091)	(2 235)	(3 091)	(2 235)
<i>reversal of impairment</i>	(7 081)	(5 520)	(7 081)	(5 520)
<i>reversal of impairment covered by Portfolio Loss Reserve</i>	(772)	-	(772)	-
<i>reversal of impairment covered by Risk Coverage Reserve</i>	3 990	3 285	3 990	3 285
Loan commitments, net	(209)	(216)	(209)	(216)
<i>reversal of impairment</i>	(234)	(375)	(234)	(375)
<i>reversal of impairment covered by Portfolio Loss Reserve</i>	(89)	-	(89)	-
<i>reversal of impairment covered by Risk Coverage Reserve</i>	25	159	25	159
Grant commitments	(7)	-	(7)	-
Total impairment losses / (reversal), net	(497)	3 429	(497)	3 429
Recovery of loans written off in previous periods	(393)	(497)	(393)	(497)
Total impairment losses and (income) from recovery of loans written-off	(890)	2 932	(890)	2 932

Additional information Including on impairment allowances covered by Portfolio Loss Reserve (Special Reserve Capital) upon approval of the 2021 annual report available in Note 3.1.

11 Due from credit institutions and the Treasury

All amounts in thousands of euro

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Due from credit institutions and State Treasury	385 119	359 949	385 119	359 949
<i>cash and cash equivalent</i>	385 120	359 949	385 120	359 949
Impairment allowances	-	-	-	-
Net due from credit institutions and State Treasury	385 119	359 949	385 119	359 949

Placing the funds within the Treasury of the Republic of Latvia and credit institutions, the external credit ratings assigned to these credit institutions are evaluated. The evaluation of the credit institutions not having been assigned individual ratings is based on the ratings assigned to their parent banks as well as their financial and operational assessments. Once the contracts have been concluded, the Group / Company monitors the credit institutions and follows that the assigned limits comply with credit risk assessment. All balances due from credit institutions and State Treasury represent Stage 1 for the ECL calculation purposes. There were no changes in staging during the reporting period.

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

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	-	3 965	336 739	9 561	9 684	-	-	-	359 949
Total gross as at 31 December 2020 (audited)	-	3 965	336 739	9 561	9 684	-	-	-	359 949
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	3 021	360 811	12 238	9 049	-	-	-	385 119
Total gross as at 30 June 2021 (unaudited)	-	3 021	360 811	12 238	9 049	-	-	-	385 119

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

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	-	3 965	336 739	9 561	9 684	-	-	-	359 949
Total gross as at 31 December 2020 (audited)	-	3 965	336 739	9 561	9 684	-	-	-	359 949
Due from credit institutions registered in the Republic of Latvia and the Treasury	-	3 021	360 811	12 238	9 049	-	-	-	385 119
Total gross as at 30 June 2021 (unaudited)	-	3 021	360 811	12 238	9 049	-	-	-	385 119

The increase in the Group's / Company's position *Due from credit institutions and the Treasury* is related to the funding received from the Ministry of Economics and the European Investment Bank for the implementation of state support programs to mitigate the effects of Covid-19.

As at 30 June 2021, the Group / Company held accounts with 4 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 30 June 2021 was -0.01% (31 December 2020: 0%).

12 Investments in Associates and Other investments

The Group's / Company's investments in associates based on information provided by venture capital fund managers, in thousands of euro:

Company or venture capital fund generation	Country of incorporation	Equity of venture capital fund		Carrying Amount	
		30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)
The 1st generation VCFs	LV	-	-	-	-
The 2nd generation VCFs	LV	17 223	19 652	12 348	12 953
The 3rd generation VCFs	LV	14 381	16 974	15 840	16 376
The 4th generation VCFs	LV	8 446	6 459	5 183	3 640
AIF "Altum capital fund" *	LV	10 175	138	4 977	-
Baltic Innovation Fund *	LU	85 544	79 570	15 857	15 019
Total investments in associates		135 769	122 793	54 205	47 988

* Investments in Associates are stated under the equity method, except for investments in Baltic Innovation Fund and AIF "Altum capital fund" that are valued using the FVTPL method.

As at 30 June 2021 the total venture capital funds' portfolio value at cost value was EUR 83,620 thousand (31 December 2020: EUR 73,165 thousand).

Movement in the Group's / Company's investments in associates, in thousands of euro:

	Investments in venture capital funds		Investments in AIF "Altum capital fund"		Investments in Baltic Innovation Fund		Total	
	01.01.2021.- 30.06.2021. (unaudited)	01.01.2020.- 30.06.2020. (unaudited)	01.01.2021.- 30.06.2021. (unaudited)	01.01.2020.- 30.06.2020. (unaudited)	01.01.2021.- 30.06.2021. (unaudited)	01.01.2020.- 30.06.2020. (unaudited)	01.01.2021.- 30.06.2021. (unaudited)	01.01.2020.- 30.06.2020. (unaudited)
Carrying amount at the beginning of period	32 969	38 442	-	-	15 019	13 851	47 988	52 293
Invested	1 543	72	4 825	-	1 108	2 246	7 628	2 318
Refunded	(1 990)	(2 658)	-	-	(317)	-	(2 307)	(2 658)
Reclassified (increase of support programme funding, see Note 20)	824	-	-	-	-	-	824	-
Received interest and realised gain / (loss) on exit	(404)	-	-	-	47	-	(357)	-
Share of net gain / (loss) of investment in associate	153	(2 421)	152	-	-	-	305	(2 421)
Net carrying amount at the period ended at 30 June (unaudited)	33 371	33 435	4 977	-	15 857	16 097	54 205	49 532
Invested	-	1 474	-	-	-	883	-	2 357
Refunded	-	(3 537)	-	-	-	(2 499)	-	(6 036)
Received interest and realised gain on exit	-	1 271	-	-	-	250	-	1 521
Share of net gain of investment in associate	-	326	-	-	-	-	-	326
Remeasurement gain of investment in associate at fair value through profit or loss	-	-	-	-	-	288	-	288
Net carrying amount at the period ended at 31 December (audited)	-	32 969	-	-	-	15 019	-	47 988

The Group's / Company's share of gain of investment in associate and other investments, in thousands of euro:

	Investments in venture capital funds		Investments in AIF "Altum capital fund"		Investments in Baltic Innovation Fund		Total	
	01.01.2021.- 30.06.2021. (unaudited)	01.01.2020.- 30.06.2020. (unaudited)	01.01.2021.- 30.06.2021. (unaudited)	01.01.2020.- 30.06.2020. (unaudited)	01.01.2021.- 30.06.2021. (unaudited)	01.01.2020.- 30.06.2020. (unaudited)	01.01.2021.- 30.06.2021. (unaudited)	01.01.2020.- 30.06.2020. (unaudited)
Management fee	-	-	(181)	-	(63)	-	(244)	-
Net profit from revaluation of investments in associates and other investments	154	2 018	151	-	85	-	390	2 018
Total	154	2 018	(30)	-	22	-	146	2 018

12 Investments in Associates (cont'd)

In the 6 months of 2021, the Group's / Company's expenses included:

- Management fees for the 2nd and 3rd generation venture capital funds amounted EUR 337 thousand (6 months of 2020: EUR 459 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the 4th generation venture capital funds amounted EUR 419 thousand (6 months of 2020: EUR 384 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the Baltic Innovation Fund amounted EUR 92 thousand (6 months of 2020: EUR 47 thousand) which were compensated from the risk coverage reserve (see Note 20);
- Management fees for the AIF "Altum capital fund" amounted EUR 278 thousand (6 months of 2020: 0) (see Note 22).

Part of disbursements made into the 4th generation venture capital funds are classified as Investments in subsidiaries (detailed information is available in Note 1) and management fees of such funds amounted EUR 681 thousand (6 months of 2020: EUR 605 thousand) which were compensated from the Risk Coverage reserve (see Note 20).

13 Other Investments

All amounts in thousands of euro

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Baltic Innovation Fund II	1 503	806	1 503	806
Three Seas Initiatives Investment Fund	6 815	6 697	6 815	6 697
Total other investments	8 318	7 503	8 318	7 503

Baltic Innovation Fund 2 (BIF 2) is a EUR 156,000 thousand 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 Group / Company signed agreement on BIF 2 on 16 August 2019. The total capital committed by the Group / Company to the BIF2 is EUR 26,500 thousand thus arriving at the ownership rate 16.99% of the total committed capital of the BIF 2 (EUR 156,000 thousand).

The Three Seas Initiative Investment Fund is a new 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 is a new financial instrument to support transport, energy and digitalization infrastructure projects in Central and Eastern Europe. The Group / Company signed the subscription agreement on 16 September 2020. The total capital committed by the Group / Company to the Three Seas Initiative Investment Fund is EUR 20,000 thousand thus arriving at the ownership rate of 2.19% on 30 June 2021 (31 December 2020: 3.57%) of the total committed capital the Three Seas Initiative Investment Fund (30 June 2021: EUR 913,000 thousand, 31 December 2020: EUR 560,000 thousand).

14 Loans

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

The Group's / Company's loans by the borrower profile, in thousands of euro:

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
SME and Midcaps	181 253	168 262	181 253	168 262
Agriculture	132 896	124 297	132 896	124 297
Private individuals	7 388	8 025	7 388	8 025
Financial Intermediaries	1 738	1 897	1 738	1 897
Land Fund	34 263	31 500	34 263	31 500
Total gross loans	357 538	333 981	357 538	333 981
Impairment allowances	(22 205)	(20 713)	(22 205)	(20 713)
Total net loans	335 333	313 268	335 333	313 268

14 Loans (cont'd)

Breakdown of the Group's / Company's loans by industries, in thousands of euro:

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Agriculture and forestry	172 626	155 682	172 626	155 682
Manufacturing	72 550	67 807	72 550	67 807
Retail and wholesale	26 662	32 378	26 662	32 378
Real estate	11 710	9 328	11 710	9 328
Construction	11 624	10 273	11 624	10 273
Municipal authorities	9 038	8 328	9 038	8 328
Hotels and restaurants	8 646	8 214	8 646	8 214
Electricity, gas and water utilities	6 775	7 097	6 775	7 097
Transport, warehousing and communications	6 806	5 227	6 806	5 227
Professional, science and technical services	4 979	4 878	4 979	4 878
Health and social care	4 867	4 479	4 867	4 479
Information technologies and communication	3 530	3 073	3 530	3 073
Fishing	1 809	1 647	1 809	1 647
Other industries	8 517	7 545	8 517	7 545
Private individuals	7 399	8 025	7 399	8 025
Total gross loans	357 538	333 981	357 538	333 981
Impairment allowances	(22 205)	(20 713)	(22 205)	(20 713)
Total net loans	335 333	313 268	335 333	313 268

Movement in the Group's / Company's impairment allowances, in thousands of euro:

	Group 01.01.2021.- 30.06.2021.	Group 01.01.2020.- 31.12.2020.	Company 01.01.2021.- 30.06.2021.	Company 01.01.2020.- 31.12.2020.
Impairment allowances at the beginning of the period	20 713	20 283	20 713	20 283
Increase in impairment allowances (Note 10)	4 036	6 665	4 036	6 665
Decrease in impairment allowances (Note 10)	(3 158)	(2 648)	(3 158)	(2 648)
Write-off of loans	-	(3 392)	-	(3 392)
Reclassification (increase of impairment allowances due to changes in off-balance sheet and balance sheet)	614	79	614	79
Currency change	-	-	-	-
Impairment allowances at the end of the period ended 30 June (unaudited)	22 205	20 987	22 205	20 987
<i>Group's / Company's share of impairment allowances</i>	12 450	12 945	12 450	12 945
<i>Impairment allowances covered by Portfolio Loss Reserve</i>				
<i>Impairment allowances covered by Risk Coverage Reserve</i>	6 848	6 799	6 848	6 799
Increase in impairment allowances (Note 10)	-	4 796	-	4 796
Decrease in impairment allowances (Note 10)	-	(5 482)	-	(5 482)
Write-off of loans	-	(273)	-	(273)
Reclassification (increase of impairment allowances due to changes in off-balance sheet and balance sheet)		685		685
Currency change	-	-	-	-
Impairment allowances at the end of the period ended 31 December (audited)	-	20 713	-	20 713
<i>Group's / Company's share of impairment allowances</i>		11 860		11 860
<i>Impairment allowances covered by Portfolio Loss Reserve</i>				
<i>Impairment allowances covered by Risk Coverage Reserve</i>	-	6 494	-	6 494

As at 30 June 2021 the average annual interest rate for the loan portfolio of the Group / Company was 4.04% (31 December 2020: 4.05%).

14 Loans (cont'd)

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

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Number of customers	48	36	48	36
Total credit exposure of customers (EUR '000)	75 281	62 821	75 281	62 821
Percentage of total gross portfolio of loans	22.55%	18,81%	22.55%	18,81%

15 Grants

All amounts in thousands of euro

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Energy Efficiency Programme for Multi-apartment Buildings	39 040	30 053	39 040	30 053
Social Entrepreneurship Programme	1 336	1 065	1 336	1 065
Grants for development of energy efficiency projects	42	-	42	-
Housing grant programme "Balsts"	1 062	164	1 062	164
Total grants, gross	41 480	31 282	41 480	31 282
Impairment allowances	(182)	(175)	(182)	(175)
Total grants, net	41 298	31 107	41 298	31 107

Movement in the Group's / Company's net book value of grants in 6 months of 2021, in thousands of euro:

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (unaudited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (unaudited)
Carrying amount				
Carrying amount at the beginning of period	31 107	17 198	31 107	17 198
Changes	10 373	5 522	10 373	5 522
Carrying amount at the end of period ended 30 June (unaudited)	41 480	22 720	41 480	22 720
Impairment allowances				
At the beginning of period	(175)	(12)	(175)	(12)
Changes	17	-	17	-
Reclassification (increase of impairment allowances due to changes in off-balance sheet and balance sheet)	(24)	-	(24)	-
At the end of period ended 30 June (unaudited)	(182)	(12)	(182)	(12)
Grants net book at the beginning of the period	30 932	17 186	30 932	17 186
Grants net book value at the end of the period ended 30 June (unaudited)	41 298	22 708	41 298	22 708
Carrying amount				
Carrying amount at the beginning of period	-	22 720	-	22 720
Changes	-	8 562	-	8 562
Carrying amount at the end of period ended 31 December	-	31 282	-	31 282
Impairment allowances				
At the beginning of period	-	(12)	-	(12)
Changes	-	(163)	-	(163)
At the end of period ended 31 December	-	(175)	-	(175)
Grants net book at the beginning of the period 30 June (unaudited)	-	22 708	-	22 708
Grants net book value at the end of the period ended 31 December (audited)	-	31 107	-	31 107

16 Investment Properties

All amounts in thousands of euro

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Carrying amount at the beginning of period	36 758	24 366	36 758	24 366
Acquired during the reporting period *	1 542	11 695	1 542	11 695
Disposals during the reporting period	(152)	(40)	(152)	(40)
Net gain from fair value adjustment	-	737	-	737
Carrying amount at the end of the period	38 148	36 758	38 148	36 758

* All acquisitions of investment properties made were related to the activities of the Land Fund programme.

The Land Fund was established on 1 July 2015. According to the Cabinet of Ministers decree dated March 11, 2015, the Group / Company is the manager of the Land Fund. The Law "On Land Privatisation in Rural Areas" stipulated establishment of the Land Fund. The Land Fund of Latvia is one of the tools used to ensure that agricultural land is preserved and used for agricultural purposes.

17 Other Assets

All amounts in thousands of euro

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Financial assets	6 480	5 603	6 480	5 568
Other assets (repossessed collateral)	28	28	28	28
Total other assets, gross	6 508	5 631	6 508	5 596
Impairment allowances for financial assets	(2 293)	(1 960)	(2 293)	(1 960)
Group's / Company's share of provisions	(1 416)	(1 078)	(1 416)	(1 078)
Provisions covered by risk coverage	(877)	(882)	(877)	(882)
Total financial assets, net	4 187	3 643	4 187	3 608
Total other assets, net	4 215	3 671	4 215	3 636

The Group's / Company's sub-item *Other assets (repossessed collateral)* includes assets that have been taken over in the debt collection process and are held to be sold in the ordinary course of business.

Movement in the Group's / Company's net book value of financial assets in 6 months of 2021, in thousands of euro:

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
Financial assets				
At the beginning of period	1 624	280	3 664	5 568
Changes	316	582	14	912
As at 30 June 2021 (unaudited)	1 940	862	3 678	6 480
Impairment provision				
At the beginning of period	(1 624)	(169)	(167)	(1 960)
Changes in impairment allowances	(316)	(87)	70	(333)
As at 30 June 2021 (unaudited)	(1 940)	(255)	(97)	(2 292)
Net book value at the beginning of period	-	111	3 497	3 608
Net book value as at 30 June 2021 (unaudited)	-	606	3 581	4 187

17 Other Assets (cont'd)

Movement in the Group's / Company's net book value of financial assets in 6 months of 2020, in thousands of euro:

	Disbursed guarantee compensations	Financial assets related to loan agreements	Other financial assets	Total
Financial assets				
At the beginning of period	2 361	163	3 571	6 095
Changes	345	37	(119)	263
As at 30 June 2020 (unaudited)	2 706	200	3 452	6 358
Impairment provision				
At the beginning of period	(2 361)	(143)	(524)	(3 028)
Changes in impairment allowances	(345)	-	-	(345)
As at 30 June 2020 (unaudited)	(2 706)	(143)	(524)	(3 373)
Net book value at the beginning of period	-	20	3 047	3 067
Net book value as at 30 June 2020 (unaudited)	-	57	2 928	2 985

18 Due to Credit Institutions

All amounts in thousands of euro

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Due to credit institutions registered in OECD countries	61 509	65 855	61 509	65 855
Total due to credit institutions	61 509	65 855	61 509	65 855

Balances due to credit institutions registered in the OECD countries include loan received by the Group/Company from the European Investment Bank (EIB) of EUR 61,509 thousand (31 December 2020: EUR 65,855 thousand), of which EUR 16 thousand constitutes accrued interest expenses (31 December 2020: EUR 22 thousand).

On October 2, 2009, an agreement was signed with the European Investment Bank for a loan of EUR 100,000 thousand to finance projects under the SMEs Growth Loan Programme. As at 30 June 2021 the principal amount of the loan EUR 16,493 thousand (31 December 2020: EUR 20,833 thousand), the accrued interest on the loan amounts to EUR 15,720 (31 December 2020: EUR 22,424), the final repayment date 20 August 2024. The Ministry of Finance of the Republic of Latvia has issued a guarantee for the loan, as a collateral serves the commercial pledge to the right of the Company's claims. As at 30 June 2021, the amount of the secured claim was EUR 16,509 thousand (31 December 2020: EUR 20,855 thousand).

On July 8, 2020, Altum signed an agreement with the European Investment Bank for a loan of EUR 80,000 thousand to finance working capital loans to small and medium-sized enterprises affected by the Covid-19. As at 30 June 2021 the principal amount of the loan EUR 45,000 thousand (31 December 2020: EUR 45,000 thousand), the final repayment date 20 November 2025. As at 30 June 2021, according to the loan agreement the Company is available the financing in the amount of EUR 35,000 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. The loan is unsecured.

As at 30 June 2021, the average interest rate for the balances Due to credit institutions was 0.09% (31 December 2020: 0.11%).

19 Due to General Governments

All amounts in thousands of euro

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Loans received from Rural Support Service	3 321	4 046	3 321	4 046
Loans received from the Treasury	106 597	99 474	106 597	99 474
Total due to general governments	109 918	103 520	109 918	103 520

19 Due to General Governments (cont'd)

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 at 30 June 2021 the Group / Company liabilities to Rural Support Service consist of the principal amount of EUR 3,104 thousand (31 December 2020: EUR 3,829 thousand) and accrued interest – EUR 217 thousand (31 December 2020: EUR 217 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 Group / Company for the implementation the following loan programmes:

- Agricultural land acquisition programme: as at 30 June 2021 the principal amount of the loan EUR 63,616 thousand (31 December 2020: EUR 72,513 thousand), the final repayment date 20 January 2058. As a collateral serves the commercial pledge to the right of the Company's claims resulting from loans granted by the Group / Company under the programme. As at 30 June 2021, according to the loan agreement the Company is available the financing in the amount of EUR 36,384 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As at 30 June 2021, the amount of the secured claim was EUR 76,339 thousand (31 December 2020: EUR 72,514 thousand).
- SME development programme: as at 30 June 2021 the principal amount of the loan EUR 27,423 thousand (31 December 2020: EUR 17,040 thousand), the final repayment date 20 December 2043. As a collateral serves the commercial pledge to the right of the Company's claims resulting from loans granted by the Group / Company under the programme. As at 30 June 2021, according to the loan agreement the Company still is available the financing in the amount of EUR 27,577 thousand, the size and pace of its drawdown relates to the further volume of new loan transactions. As at 30 June 2021, the amount of the secured claim was EUR 32,908 thousand (31 December 2020: EUR 20,449 thousand).
- Parallel loan programme: as at 30 June 2021 the principal amount of the loan EUR 4,600 thousand (31 December 2020: absorption had not started), the final repayment date 20 January 2039. As a collateral serves the commercial pledge to the right of the Company's claims resulting from loans granted by the Group / Company under the programme. As at 30 June 2021, according to the loan agreement the Company still is available the financing 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 at 30 June 2021, the amount of the secured claim was EUR 5,520 thousand.
- Programme of Small Loans for Rural Areas: as at 30 June 2021 the principal amount of the loan EUR 1,037 thousand, the final repayment date 31 January 2039. As a collateral serves the commercial pledge to the right of the Company's claims resulting from loans granted by the Group / Company under the programme. As at 30 June 2021, according to the loan agreement the Company still is available the financing in the amount of EUR 4,963 thousand, the size and pace of the drawdown the loan relates to the further volume of new loan transactions. As at 30 June 2021, the amount of the secured claim was EUR 1,244 thousand.
- Latvian Land Fund (the financing for the Fund's transactions): the loan amount has been used in 2020 and as at 30 June 2021 the principal amount of the loan EUR 9,919 thousand (31 December 2020: EUR 9,919 thousand), the final repayment date 29 December 2028. As a collateral serves the mortgage on the real estate purchased with the financing received under the loan. As at 30 June 2021, the amount of registered mortgage was EUR 10,269 thousand (31 December 2020: EUR 10,269 thousand).

As at 30 June 2021 the accrued interest on the loans received from the Treasury amounts to EUR 1,605 (31 December 2020: EUR 1,743).

The Company has also concluded the following loan agreements with the Treasury, the absorption of which has not been started until June 30, 2021:

- Micro Loans and Star-up Loans programme: the amount of the loan agreement EUR 23,000 thousand, the final repayment date 20 January 2029, 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.
- Working capital loan programme for farmers: the amount of the loan agreement EUR 25,612 thousand, the final repayment date 30 June 2025, 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 secured claim is EUR 30,734 thousand.

20 Support programme funding

The Group's / Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Group's / Company's credit risk losses as at 30 June 2021, in thousands of euro:

Financial Instrument / Programme	Programme funding	Credit risk coverage	Provisions covered by risk coverage	Net programme funding
Loans				
ERDF II	2 038	1 788	(454)	1 584
ESF II	1 005	181	(77)	928
Microcredits of Swiss programme	1 082	207	(7)	1 075
ERDF I	116	84	(6)	110
ESF I	324	38	(30)	294
ERDF II (second round)	5 763	331	(58)	5 705
Incubators (from ESF II)	82	6	-	82
ERAF II 2 Public fund	285	58	(14)	271
Fund of Funds programme – Start-up loans	2 730	2 730	(300)	2 430
Fund of Funds programme – Microcredits	298	298	(21)	277
Fund of Funds programme – Parallel loans	4 298	4 298	(3 267)	1 031
Energy Efficiency Programme for Multi-apartment Buildings Loans	3 699	3 495	(77)	3 622
Start-up State Aid Cumulation Lending Programme	1 972	1 972	(387)	1 585
Other loans to start-ups	1 488	228	(66)	1 422
Mezzanine Programme – Loans	3 480	3 306	(1 911)	1 569
Guarantees and interest grants programme	4 258	4 258	-	4 258
SME energy efficiency loans	3 723	3 723	-	3 723
Parallel loans	2 000	2 000	(235)	1 765
Loans for enterprises in rural territories	7 810	1 709	(1 115)	7 695
Loans to Midcaps for mitigation of the COVID-19 effect	2 435	-	-	2 435
Start-up loans to innovative entrepreneurs	500	100	-	500
Cultural industry support programme	2 739	-	-	2 739
Total loans	52 125 *	30 810	(7 025)	45 100
Guarantees				
Fund of Funds programme - Guarantees	30 326	30 326	(5 453)	24 873
Energy Efficiency Programme for Multi-apartment Buildings Guarantees	6 245	5 890	(995)	5 250
Housing Guarantee Programme	18 429	18 429	(10 855)	7 574
Portfolio guarantees for renovation of private houses	502	502	-	502
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	7 753	7 753	(729)	7 024
Mezzanine Programme - Guarantees	1 040	988	(487)	553
Portfolio Guarantee Fund	3 963	3 646	(2 056)	1 907
Export guarantees	2 477	2 477	(602)	1 875
Study and student portfolio guarantees	197	-	-	197
Agricultural Guarantees	1 725	1 725	(1 232)	493
Total guarantees	72 657	71 736	(22 409)	50 248

* Support programme funding includes funding that is planned to be reallocated to other support programmes. Funding is planned to be reallocated in the 3rd quarter of 2021.

20 Support programme funding (cont'd)

The Group's / Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Group's / Company's credit risk losses as at 30 June 2021, in thousands of euro (cont'd):

Financial Instrument / Programme	Programme funding	Credit risk coverage	Provisions covered by risk coverage	Net programme funding
Grants				
Energy Efficiency Programme for Multi-apartment Buildings Grants	48 038	-	-	48 038
Housing grant programme "Balsts"	2 007	-	-	2 007
Grants for renovation of private houses	1 872	-	-	1 872
Social Entrepreneurship Programme	1 598	-	-	1 598
Grants for development of energy efficiency projects	373	-	-	373
Cultural industry support programme	2 445	-	-	2 445
Total grants	56 333	-	-	56 333
Venture Capital Funds				
Fund of Funds and venture capital funds	21 994	18 255	-	21 994
Investment Fund Activity	6 903	5 302	-	6 903
Baltic Innovation Fund	1 949	585	-	1 949
Baltic Innovation Fund II	2 252	676	-	2 252
Total venture capital funds	33 098	24 818	-	33 098
Other Activities				
Energy Efficiency Fund	406	-	-	406
Regional Creative Industries Alliance	-	-	-	-
Total other activities	406	-	-	406
Funding allocated to increase reserve capital **	12 815	-	-	12 815
Total support programme funding	227 434 ***	127 364	(29 434)	198 000

** It is expected that the financing will be transferred to the Group's reserve capital following the decision of the shareholders' meeting, which is planned in the 3rd quarter of 2021.

*** Support programme funding contains EUR 13,197 thousand allocated for management costs of the Group / Company to be compensated from support programme funding.

20 Support programme funding (cont'd)

The Group's / Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Group's / Company's credit risk losses as at 31 December 2020, in thousands of euro:

Financial Instrument / Programme	Programme funding	Credit risk coverage	Provisions covered by risk coverage	Net programme funding
Loans				
ERDF II	2 038	1 866	(467)	1 571
ESF II	998	193	(86)	912
Microcredits of Swiss programme	3 456	268	(12)	3 444
ERDF I	116	99	(9)	107
ESF I	324	40	(31)	293
ERDF II (second round)	5 751	425	(75)	5 676
Incubators (from ESF II)	82	7	-	82
ERAF II 2 Public fund	285	58	(14)	271
Fund of Funds programme – Start-up loans	2 730	2 730	(314)	2 416
Fund of Funds programme – Microcredits	298	298	(26)	272
Fund of Funds programme – Parallel loans	3 861	3 861	(2 736)	1 125
Energy Efficiency Programme for Multi-apartment Buildings Loans	3 748	3 548	(42)	3 706
Start-up State Aid Cumulation Lending Programme	1 972	1 988	(266)	1 706
Other loans to start-ups	1 483	274	(67)	1 416
Mezzanine Programme – Loans	3 202	2 817	(2 353)	849
Guarantees and interest grants programme	4 251	4 251	-	4 251
SME energy efficiency loans	3 723	3 723	-	3 723
Parallel loans	2 000	2 000	(238)	1 762
Loans for enterprises in rural territories	7 810	599	(86)	7 724
Loans to Midcaps for mitigation of the COVID-19 effect	2 435	-	-	2 435
Start-up loans to innovative entrepreneurs	500	100	-	500
Total loans	51 063 *	29 145	(6 822)	44 241
Guarantees				
Fund of Funds programme - Guarantees	26 907	26 906	(6 288)	20 619
Energy Efficiency Programme for Multi-apartment Buildings Guarantees	6 217	5 875	(991)	5 226
Housing Guarantee Programme	14 005	14 005	(9 669)	4 336
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	7 753	7 753	(1 078)	6 675
Mezzanine Programme - Guarantees	1 190	1 047	(734)	456
Portfolio Guarantee Fund	4 005	3 685	(1 722)	2 283
Export guarantees	2 477	2 477	(570)	1 907
Study and student portfolio guarantees	77	-	-	77
Agricultural Guarantees	1 000	1 000	(324)	676
Total guarantees	63 631	62 748	(21 376)	42 255

* Support programme funding includes funding that is planned to be reallocated to other support programmes. Funding is planned to be reallocated in the 3rd quarter of 2021.

20 Support programme funding (cont'd)

The Group's / Company's information on the risk coverage reserve included in the support programme funding and state aid, which can be used for covering the Group's / Company's credit risk losses as at 31 December 2020, in thousands of euro (cont'd):

Financial Instrument / Programme	Programme funding	Credit risk coverage	Provisions covered by risk coverage	Net programme funding
Grants				
Energy Efficiency Programme for Multi-apartment Buildings Grants	40 538	-	-	40 538
Social Entrepreneurship Programme	3 266	-	-	3 266
Grants for development of energy efficiency projects	1 564	-	-	1 564
Housing grant programme "Balsts"	172	-	-	172
Total grants	45 540	-	-	45 540
Venture Capital Funds				
Fund of Funds and venture capital funds	26 654	14 967	-	26 654
Investment Fund Activity	5 272	3 172	-	5 272
Baltic Innovation Fund	2 000	700	-	2 000
Baltic Innovation Fund II	2 359	724	-	2 359
Total venture capital funds	36 285	19 563	-	36 285
Other Activities				
Energy Efficiency Fund	433	-	-	433
Regional Creative Industries Alliance	-	-	-	-
Total other activities	433	-	-	433
Funding allocated to increase reserve capital **	23 209	-	-	23 209
Total support programme funding	220 161 ***	111 456	(28 198)	191 963

** In December 2020, the Ministry of Economics transferred financing in the amount of EUR 22,565 thousand to the program Loans and their interest rate subsidies to enterprises for the promotion of the competitiveness (Cabinet Regulation No. 677 of 10 November 2020 "Regulations on Loans and Their Interest Rate Subsidies to enterprises for the promotion of the competitiveness"). In December 2020, the Ministry of Education and Science transferred financing in the amount of EUR 644 thousand to the program of Study and Student lending for studies in Latvia from the funds of credit institutions guaranteed from the State budget (Cabinet Regulation No. 231 of 21 April 2020 "Regulations on Granting Study Loans and Student Loans from the Funds of Credit Institutions Guaranteed from the State Budget"). It is expected that the financing will be transferred to the Group's reserve capital following the decision of the shareholders' meeting, which is planned in the first quarter of 2021. Reserve capital of the Group / Company was increased by this amount in accordance with the decision of the General Meeting of Shareholders of the Group / Company of 22 March 2021.

*** Support programme funding contains EUR 21,921 thousand allocated for management costs of the Group / Company to be compensated from support programme funding.

20 Support programme funding (cont'd)

Movement in the Group's / Company's support programme funding in 6 months of 2021, in thousands of euro:

Financial Instrument / Programme	31.12.2020.									30.06.2021.
	Financing, net	Financing received	Reallocated funding between programmes	Compensated grants	Compensated income and expense	Revaluation of liabilities	Programmes' income/ profit distribution	Other changes	Changes in provisions covered by risk coverage	
Loans										
ERDF II	1 571	-	-	-	-	-	-	-	13	1 584
ESF II	912	-	-	-	-	-	-	7	9	928
Microcredits of Swiss programme	3 444	-	(2 374)	-	-	-	-	-	5	1 075
ERDF I	107	-	-	-	-	-	-	-	3	110
ESF I	293	-	-	-	-	-	-	-	1	294
ERDF II (second round)	5 676	-	-	-	-	-	-	12	17	5 705
Incubators (from ESF II)	82	-	-	-	-	-	-	-	-	82
ERAF II 2 Public fund	271	-	-	-	-	-	-	-	-	271
Fund of Funds programme – Start-up loans	2 416	-	-	-	-	-	-	-	14	2 430
Fund of Funds programme – Microcredits	272	-	-	-	-	-	-	-	5	277
Fund of Funds programme – Parallel loans	1 125	-	437	-	-	-	-	-	(531)	1 031
Energy Efficiency Programme for Multi-apartment Buildings – Loan Fund	3 706	-	-	-	(49)	-	-	-	(35)	3 622
Start-up State Aid Cumulation Lending Programme	1 706	-	-	-	-	-	-	-	(121)	1 585
Other loans to start-ups	1 416	-	-	-	-	-	-	5	1	1 422
Mezzanine Programme – Loans	849	-	193	-	-	-	85	-	442	1 569
Guarantees and interest grants programme	4 251	-	-	-	-	-	-	7	-	4 258
SME energy efficiency loans	3 723	-	-	-	-	-	-	-	-	3 723
Parallel loans	1 762	-	-	-	-	-	-	-	3	1 765
Loans for enterprises in rural territories	7 724	-	-	-	-	-	-	-	(29)	7 695
Loans to Midcaps for mitigation of the COVID-19 effect	2 435	-	-	-	-	-	-	-	-	2 435
Start-up loans to innovative entrepreneurs	500	-	-	-	-	-	-	-	-	500
Cultural industry support programme	-	2 739	-	-	-	-	-	-	-	2 739
Total loans	44 241 *	2 739	(1 744)	-	(49)	-	85	31	(203)	45 100
Guarantees										
Fund of Funds programme - Guarantees	20 619	-	3 000	-	-	-	419	-	835	24 873
Energy Efficiency Programme for Multi-apartment Buildings - Guarantees	5 226	-	-	-	(68)	-	96	-	(4)	5 250
Housing Guarantee Programme	4 336	4 424	-	-	-	-	-	-	(1 186)	7 574
Portfolio guarantees for renovation of private houses	-	-	502	-	-	-	-	-	-	502
Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators	6 675	-	-	-	-	-	-	-	349	7 024
Mezzanine Programme – Guarantees	456	-	(193)	-	-	-	43	-	247	553
Portfolio Guarantee Fund	2 283	-	-	-	(42)	-	-	-	(334)	1 907
Export guarantees	1 907	-	-	-	-	-	-	-	(32)	1 875
Study and student portfolio guarantees	77	120	-	-	-	-	-	-	-	197
Agricultural Guarantees	676	725	-	-	-	-	-	-	(908)	493
Total guarantees	42 255	5 269	3 309	-	(110)	-	558	-	(1 033)	50 248

* Support programme funding includes funding that is planned to be reallocated to other support programmes. Funding is planned to be reallocated in the 3rd quarter of 2021.

20 Support programme funding (cont'd)

Movement in the Group's / Company's support programme funding in 6 months of 2021, in thousands of euro: (cont'd)

Financial Instrument / Programme	Financing, net	Financing received	Reallocated funding between programmes	Compensated grants	Compensated income and expense	Revaluation of liabilities	Programmes' income / profit distribution	Other changes	Changes in provisions covered by risk coverage	Financing, net
	31.12.2020.									30.06.2021.
Grants										
Energy Efficiency Programme for Multi-apartment Buildings – Grants	40 538	7 500	-	-	-	-	-	-	-	48 038
Housing grant programme "Balsts"	3 266	-	-	(1 259)	-	-	-	-	-	2 007
Grants for renovation of private houses	-	-	1 872	-	-	-	-	-	-	1 872
Social Entrepreneurship Programme	1 564	1 176	-	(1 066)	(76)	-	-	-	-	1 598
Grants for development of energy efficiency projects	172	292	-	(61)	(30)	-	-	-	-	373
Cultural industry support programme	-	2 445	-	-	-	-	-	-	-	2 445
Total grants	45 540	11 413	1 872	(2 386)	(106)	-	-	-	-	56 333
Venture Capital Funds										
Fund of Funds and venture capital funds	26 654	-	(3 437)	-	(1 138)**	(128)	43 *****	-	-	21 994
Investment Fund Activity	5 272	-	-	-	(380)***	(253)	315 *****	1 949	-	6 903
Baltic Innovation Fund	2 000	-	-	-	(97)****	-	46 *****	-	-	1 949
Baltic Innovation Fund II	2 359	-	-	-	(107)	-	-	-	-	2 252
Total venture capital funds	36 285	-	(3 437)	-	(1 722)	(381)	404	1 949	-	33 098
Other Activities										
Energy Efficiency Fund	433	-	-	-	(27)	-	-	-	-	406
Regional Creative Industries Alliance	-	-	-	-	-	-	-	-	-	-
Total other activities	433	-	-	-	(27)	-	-	-	-	406
Funding allocated to increase reserve capital	23 209	12 815	-	-	-	-	-	(23 209)	-	12 815
Total support programme funding	191 963	32 236	-	(2 386)	(2 014)	(381)	1 047	(21 229)	(1 236)	198 000

** include EUR 1,100 thousand management fees for the 4th generation venture capital funds (see Note 12).

*** include EUR 337 thousand management fees for the 2nd and 3rd generation venture capital funds (see Note 12).

**** include EUR 92 thousand management fees for the Baltic Innovation Fund (see Note 12).

***** include EUR 43 thousand mezzanine interest received from investments in 4th generation venture capital funds in 6 months of 2021 (see Note 12).

***** include EUR 315 thousand mezzanine interest received and EUR 3 thousand realised gain on investments in 2nd and 3rd generation venture capital funds in 6 months of 2021 (see Note 12).

***** include EUR 46 thousand realised gain on investment in Baltic Innovation Fund in 6 months of 2021 (see Note 12).

21 Provisions

Breakdown of the Group's / Company's provisions for financial guarantees and off-balance sheet items, in thousands of euro:

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Provisions for financial guarantees	30 687	31 413	30 687	31 413
<i>Group's / Company's share of provisions</i>	5 465	7 343	5 465	7 343
<i>Provisions covered by Portfolio Loss Reserve</i>	3 837	3 576	3 837	3 576
<i>Provisions covered by Risk Coverage Reserve</i>	21 385	20 494	21 385	20 494
Provisions for loan commitments	647	1 014	647	1 014
<i>Group's / Company's share of provisions</i>	275	378	275	378
<i>Provisions covered by Portfolio Loss Reserve</i>	195	309	195	309
<i>Provisions covered by Risk Coverage Reserve</i>	177	327	177	327
Provisions for grant commitments	87	74	87	74
<i>Group's / Company's share of provisions</i>	87	74	87	74
<i>Provisions covered by risk coverage</i>	-	-	-	-
Total provisions	31 421	32 501	31 421	32 501
<i>Group's / Company's share of provisions</i>	5 827	7 795	5 827	7 795
<i>Provisions covered by Portfolio Loss Reserve</i>	4 032	3 885	4 032	3 885
<i>Provisions covered by Risk Coverage Reserve</i>	21 562	20 821	21 562	20 821

Movement in the Group's / Company's provisions for financial guarantees, in thousands of euro:

	Group 01.01.2021.- 30.06.2021. (unaudited)	Group 01.01.2020.- 31.12.2020. (unaudited)	Company 01.01.2021.- 30.06.2021. (unaudited)	Company 01.01.2020.- 31.12.2020. (unaudited)
Provisions at the beginning of the period	31 413	30 606	31 413	30 606
Increase in provisions (Note 10)	6 701	6 975	6 701	6 975
Decrease in provisions (Note 10)	(7 081)	(5 519)	(7 081)	(5 520)
Reclassification (Disbursed guarantee)	(346)	(491)	(346)	(491)
Provisions at the end of the period ended 30 June (unaudited)	30 687	31 571	30 687	31 570
<i>Group's / Company's share of provisions</i>	5 465	7 343	5 465	7 343
<i>Provisions covered by Portfolio Loss Reserve</i>	3 837	2 592	3 837	2 592
<i>Provisions covered by Risk Coverage Reserve</i>	21 385	21 638	21 385	21 638
Increase in provisions (Note 10)	-	7 467	-	7 467
Decrease in provisions (Note 10)	-	(7 540)	-	(7 540)
Reclassification (Disbursed guarantee)	-	(84)	-	(84)
Provisions at the end of the period ended 31 December (audited)	-	31 413	21 385	31 413
<i>Group's / Company's share of provisions</i>	-	7 343	-	7 343
<i>Provisions covered by Portfolio Loss Reserve</i>	-	3 576	-	3 576
<i>Provisions covered by Risk Coverage Reserve</i>	-	20 494	-	20 494

22 Reserves

Analysis of the Group's reserves movements, in thousands of euro:

	Specific reserves for support programmes				Other specific reserves	General reserve capital	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Total reserves
	Reserve capital for non-Covid-19 guarantees programmes	Reserve capital for loans to MidCaps	Reserve capital for AIF "Altum capital fund"	Reserve capital for mitigating of impact of Covid-19	Difference recognised in Group's reorganisation reserve			
Reserves as of 1 January 2020 (audited)	15 507	-	-	-	(15 580)	16 638	2 638	19 203
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	(692)	(692)
Distribution of 2019 year profit of the Company	-	-	-	-	-	8 131	-	8 131
Increase of reserve capital				100 000				100 000
Reserves as of 30 June 2020 (unaudited)	15 507	-	-	100 000	(15 580)	24 768	1 946	126 641
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	(733)	(733)
Increase of reserve capital	626	-	25 000	20 000	-	-	-	45 626
Reserves as of 31 December 2020 (audited)	16 133	-	25 000	120 000	(15 580)	24 768	1 213	171 534
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	(301)	(301)
Distribution of 2020 year profit of the Company	-	-	-	-	-	5 539	-	5 539
Decrease of Special Reserve Capital to cover impairment allowances for 2020 *	(392)	-	(185)	(2 668)	(3 184)	6 429	-	-
Increase of reserve capital	4 165	22 565	-	-	-	-	-	26 730
Reserves as of 30 June 2021 (unaudited)	19 906	22 565	24 815	117 332	(18 764)	36 736	912	203 502

* Decrease of Special Reserve Capital (Portfolio Loss Reserve) to cover impairment allowances for 2020 upon approval of the 2020 annual report.

22 Reserves (cont'd)

Analysis of the Company's reserves movements, in thousands of euro:

	Specific reserves for support programmes				Other specific reserves	General reserve capital	Revaluation reserve of financial assets measured at fair value through other comprehensive income	Total reserves
	Reserve capital for non-Covid-19 guarantees programmes	Reserve capital for loans to MidCaps	Reserve capital for AIF "Altum capital fund"	Reserve capital for mitigating of impact of Covid-19	Difference recognised in Group's reorganisation reserve			
Reserves as of 1 January 2020 (audited)	15 507	-	-	-	(15 935)	16 991	2 638	19 201
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	(692)	(692)
Distribution of 2019 year profit of the Company	-	-	-	-	-	8 131	-	8 131
Increase of reserve capital	-	-	-	100 000	-	-	-	100 000
Reserves as of 30 June 2020 (unaudited)	15 507	-	-	100 000	(15 935)	25 121	1 946	126 639
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	(733)	(733)
Increase of reserve capital	626	-	25 000	20 000	-	-	-	45 626
Reserves as of 31 December 2020 (audited)	16 133	-	25 000	120 000	(15 935)	25 121	1 213	171 532
(Decrease) in revaluation reserve of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	(301)	(301)
Distribution of 2020 year profit of the Company	-	-	-	-	-	5 539	-	5 539
Decrease of Special Reserve Capital to cover impairment allowances for 2020 *	(392)	-	(185)	(5 852)	-	6 429	-	-
Increase of reserve capital	4 165	22 565	-	-	-	-	-	26 730
Reserves as of 30 June 2021 (unaudited)	19 906	22 565	24 815	114 148	(15 935)	37 089	912	203 500

* Decrease of Special Reserve Capital (Portfolio Loss Reserve) to cover impairment allowances for 2020 upon approval of the 2020 annual report.

22 Reserves (cont'd)

Breakdown of "Specific reserves for support programmes":

	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	Loans to MidCaps	Working capital loans	Loan holiday guarantees		
Specific reserves as of 1 January 2020 (audited)	15 507	-	-	-	-	-	15 507
Increase of specific reserve capital	-	-	-	50 000	50 000	-	100 000
Specific reserves as of 30 June 2020 (unaudited)	15 507	-	-	50 000	50 000	-	115 507
Increase of specific reserve capital	-	626	-	-	20 000	25 000	45 626
Specific reserves as of 31 December 2020 (audited)	15 507	626	-	50 000	70 000	25 000	161 133
of which:							
Portfolio loss reserve (Special Reserve Capital)	15 507	626	-	29 000	50 000	7 131	102 264
Portfolio Loss Reserve (Special Reserve Capital) to be used to cover credit loss and management fees upon approval of the 2020 annual report	-	(392)	-	(2 668)	(3 184)	(185)	(6 429)
Increase of specific reserve capital	2 179	1 986	22 565	22 565	-	-	26 730
Specific reserves as of 30 June 2021 (unaudited)	17 686	2 612	22 566	72 565	70 000	25 000	187 863
of which:							
Portfolio loss reserve (Special Reserve Capital)	17 686	2 220	13 800	40 132	66 816	8 850	135 704
Portfolio Loss Reserve (Special Reserve Capital) to be used to cover credit loss and management fees upon approval of the 2021 annual report	-	(432)	-	(435)	(12)	(30)	(909)

Analysis of portfolio loss reserve movements, in thousands of euro:

	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	Loans to MidCaps	Working capital loans	Loan holiday guarantees		
Portfolio loss reserve as of 1 January 2020 (audited)	-	-	-	-	-	-	-
Portfolio loss reserve as of 30 June 2020 (unaudited)	-	-	-	-	-	-	-
Increase of portfolio loss reserve	15 507	626	-	29 000	50 000	7 131	102 264
Portfolio loss reserve as of 31 December 2020 (audited)	15 507	626	-	29 000	50 000	7 131	102 264
of which:							
Portfolio loss reserve (Special Reserve Capital)	15 507	626	-	29 000	50 000	7 131	102 264
Portfolio Loss Reserve (Special Reserve Capital) to be used to cover credit loss and management fees upon approval of the 2020 annual report	-	(392)	-	(2 668)	(3 184)	(185)	(6 429)
Increase of portfolio loss reserve	2 179	1 986	13 800	13 800	20 000	-	37 965
Reallocation of funding within portfolio loss reserve – funding for management fee	-	-	-	-	-	2 060	2 060
Reallocation of funding from portfolio loss reserve to core funding within specific reserve capital	-	(392)	-	(2 668)	(3 184)	(185)	(6 429)
Decrease of Portfolio Loss Reserve according to the List of the Partners and their Commitments	-	-	-	-	-	(156)	(156)
Portfolio loss reserve as of 30 June 2021 (unaudited)	17 686	2 220	13 800	40 132	66 816	8 850	135 704
of which:							
Portfolio Loss Reserve (Special Reserve Capital) to be used to cover credit loss and management fees upon approval of the 2021 annual report	-	(432)	-	(435)	(12)	(30)	(909)

22 Reserves (cont'd)

Subitem Reserve capital for non-Covid-19 programmes includes the following increases in the Specific Reserve capital for non-Covid-19 programmes in the 6 months of 2021:

- An increase of EUR 22,565 thousand in accordance with the decision of the General Meeting of Shareholders of the Group of 22 March 2021, adopted on the basis of the Cabinet of Ministers Order No. 70 of 10 November 2020 and the Cabinet of Ministers Regulations No. 677 of 10 November 2020 "Regulations on loans and their interest rate subsidies to entrepreneurs to support competitiveness". That amount was accounted as part of support programme funding as of 31 December 2020 (see Note 20)
- An increase of EUR 2,179 thousand in accordance with the decision of the General Meeting of Shareholders of the Group of 22 March 2021, adopted on the basis of the Cabinet of Ministers Regulations No. 95 of 20 February 2018 "Regulations on state aid for the purchase or construction of a dwelling" and the Cabinet of Ministers Order No. 55 of 22 September 2020.
- An increase of EUR 1,986 thousand in accordance with the decision of the General Meeting of Shareholders of the Group of 22 March 2021, adopted on the basis of the Cabinet of Ministers Regulations No. 231 of 21 April 2020 "Regulations on study and student lending for studies in Latvia from the resources of credit institutions, which are guaranteed by the state budget" and the Cabinet of Ministers Order No. 73 of 17 November 2020. Part of that amount in amount of EUR 644 thousand was accounted as part of support programme funding as of 31 December 2020 (see Note 20).

The funding included in the Specific Reserve Capital will be used to cover the expected credit losses of the programmes at full extent as well as management fees for AIF Altum Capital Fund and as such are disclosed separately as Portfolio Loss Reserve within respective reserve capital.

23 Off-balance sheet items and contingent liabilities

All amounts in thousands of euro

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Contingent liabilities:				
Outstanding guarantees	379 602	359 605	379 602	359 605
Financial commitments:				
Loan commitments	44 162	39 348	44 162	39 348
Grant commitments	22 504	6 798	22 504	6 798
Commitments to investments in subsidiaries	-	-	7 711	10 415
Commitments to AIF "Altum capital fund"	43 718	48 772	43 718	48 772
Commitments to investments in associates	41 676	44 935	41 676	44 935
Commitments to other investments	37 112	38 220	37 112	38 220
Total contingent liabilities and financial commitments	568 774	537 678	576 485	548 093

Group's / Company's impairment allowances for loan commitments, in thousands of euro:

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Unutilised loan facilities	44 162	39 348	44 162	39 348
Impairment allowances	(647)	(1 014)	(647)	(1 014)
Total unutilized loan facilities, net	43 515	38 334	43 515	38 334

Group's / Company's impairment allowances for grant commitments, in thousands of euro:

	Group 30.06.2021. (unaudited)	Group 31.12.2020. (audited)	Company 30.06.2021. (unaudited)	Company 31.12.2020. (audited)
Grant commitments	22 504	6 798	22 504	6 798
Impairment allowances	(87)	(74)	(87)	(74)
Total grant commitments, net	22 417	6 724	22 417	6 724

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

Breakdown of the Group's off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 30 June 2021, in thousands of euro:

	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	243 683 *	-	-	2	135 917	-	379 602
Financial commitments							
Loan commitments	44 162	-	-	-	-	-	44 162
Grant commitments	22 504	-	-	-	-	-	22 504
Commitments to AIF "Altum capital fund"	3 503	8 493	12 157	16 911	2 040	614	43 718
Commitments to investments in associates	417	1 250	1 667	5 001	29 173	4 168	41 676
Commitments to other investments	123	488	853	4 188	25 431	6 029	37 112
Total financial commitments	70 709	10 231	14 677	26 100	56 644	10 811	189 172
Total contingent liabilities and financial commitments	314 392	10 231	14 677	26 102	192 561	10 811	568 774

* Outstanding financial guarantees are presented "Up to 1 month" as these guarantees can be claimed on demand and the Group / Company has to make a decision on payment of guarantee claim within one month.

Breakdown of the Group's off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 31 December 2020, in thousands of euro:

	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	240 592 *	-	-	2	119 011	-	359 605
Financial commitments							
Loan commitments	39 348	-	-	-	-	-	39 348
Grant commitments	6 798	-	-	-	-	-	6 798
Commitments to AIF "Altum capital fund"	-	11 996	12 157	21 964	2 040	615	48 772
Commitments to investments in associates	-	1 146	1 528	4 965	27 411	9 885	44 935
Commitments to other investments	-	635	847	7 753	23 201	5 784	38 220
Total financial commitments	46 146	13 777	14 532	34 682	52 652	16 284	178 073
Total contingent liabilities and financial commitments	286 738	13 777	14 532	34 684	171 663	16 284	537 678

* Outstanding financial guarantees are presented "Up to 1 month" as these guarantees can be claimed on demand and the Group / Company has to make a decision on payment of guarantee claim within one month.

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

Breakdown of the Company's off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 30 June 2021, in thousands of euro:

	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	243 683 *	-	-	2	135 917	-	379 602
Financial commitments							
Loan commitments	44 162	-	-	-	-	-	44 162
Grant commitments	22 504	-	-	-	-	-	22 504
Commitments to investments in subsidiaries	308	308	617	1 851	3 856	771	7 711
Commitments to AIF "Altum capital fund"	3 503	8 493	12 157	16 911	2 040	614	43 718
Commitments to investments in associates	417	1 250	1 667	5 001	29 173	4 168	41 676
Commitments to other investments	123	488	853	4 188	25 431	6 029	37 112
Total financial commitments	71 017	10 539	15 294	27 951	60 500	11 582	196 883
Total contingent liabilities and financial commitments	314 700	10 539	15 294	27 953	196 417	11 582	576 485

* Outstanding financial guarantees are presented "Up to 1 month" as these guarantees can be claimed on demand and the Group / Company has to make a decision on payment of guarantee claim within one month.

Breakdown of the Company's off-balance sheet assets and contingent liabilities by remaining contractual maturities as at 31 December 2020, in thousands of euro:

	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	240 592 *	-	-	2	119 011	-	359 605
Financial commitments							
Loan commitments	39 348	-	-	-	-	-	39 348
Grant commitments	6 798	-	-	-	-	-	6 798
Commitments to investments in subsidiaries	417	417	833	2 500	5 207	1 041	10 415
Commitments to AIF "Altum capital fund"	-	11 996	12 157	21 964	2 040	615	48 772
Commitments to investments in associates	-	1 146	1 528	4 965	27 411	9 885	44 935
Commitments to other investments	-	635	847	7 753	23 201	5 784	38 220
Total financial commitments	46 563	14 194	15 365	37 182	57 859	17 325	188 488
Total contingent liabilities and financial commitments	287 155	14 194	15 365	37 184	176 870	17 325	548 093

* Outstanding financial guarantees are presented "Up to 1 month" as these guarantees can be claimed on demand and the Group / Company has to make a decision on payment of guarantee claim within one month.

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 Group / Company to allocate financial resources to the fund.

Subitem *Commitments to venture capital funds* are contingent liabilities, which are based on agreements between the Group / Company and the venture capital fund which put an obligation on the Group / Company to allocate financial resources to the fund. Additional information on classification of venture capital funds is available in Note 1.

24 Related party transactions

Related parties include members of the Supervisory Council and the Management Board of the Group / 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 Group's / Company's operations are treated as related parties to the Group / Company. The powers granted to the heads of the structural units of the Group / Company do not entitle them to manage the operations of the Group / Company and decide on material transactions that could affect the Group's / 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, Rural Support Service and Central Finance and Contracting Agency, which co-finance the development programmes of the Company.

The Group's balances from transactions with related parties, including off-balance sheet financial liabilities, in thousands of euro:

	People with significant control (PSC)		Transactions with shareholders		Associates		Other companies owned by the Group's shareholders	
	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)
Investments in venture capital funds	-	-	-	-	54 203	47 988	-	-
Investments in AIF "Altum capital fund"	-	-	-	-	2	-	-	-
Due to general governments	-	-	-	-	-	-	3 321	4 047
Support programme funding	-	-	191 960	192 081	-	-	35 317	35 480
Off-balance sheet financial liabilities for venture capital funds	-	-	-	-	41 676	44 935	-	-
Off-balance sheet financial liabilities for AIF "Altum capital fund"	-	-	-	-	43 718	48 772	-	-

The Company's balances from transactions with related parties, including off-balance sheet financial liabilities, in thousands of euro:

	Transactions with shareholders		Associates		Other companies owned by the Group's shareholders		Investments in subsidiaries	
	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)
Investments in venture capital funds	-	-	54 203	47 988	-	-	-	-
Investments in AIF "Altum capital fund"	-	-	2	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	7 021	4 879
Due to general governments	-	-	-	-	3 321	4 047	-	-
Support programme funding	191 960	192 081	-	-	35 317	35 480	-	-
Off-balance sheet financial liabilities for venture capital funds	-	-	41 676	44 935	-	-	-	-
Off-balance sheet financial liabilities for AIF "Altum capital fund"	-	-	43 718	48 772	-	-	-	-
Off-balance sheet financial liabilities for investments in subsidiaries	-	-	-	-	-	-	7 711	10 415

24 Related party transactions (cont'd)

The Group's / Company's transactions with related parties, in thousands of euro:

	Received State aid funding		Issued State aid funding or funding paid back	
	01.01.2021.- 30.06.2021. (unaudited)	01.01.2020.- 30.06.2020. (unaudited)	01.01.2021.- 30.06.2021. (unaudited)	01.01.2020.- 30.06.2020. (unaudited)
Transactions with shareholders				
Ministry of Finance of the Republic of Latvia	23 082	4 705	(16 220)	(4 705)
Ministry of Economics of the Republic of Latvia	18 603	123 311	-	123 311
Associates				
Venture capital funds	7 476	2 318	(2 031)	(2 658)
Other companies owned by the Group's shareholders				
Rural Support Service	-	-	-	-
Central Finance and Contracting Agency of the Republic of Latvia	7 500	300	-	(300)
Ministry of Education and Science of the Republic of Latvia	1 463	-	-	-
Ministry of Culture of the Republic of Latvia	3 815	-	-	-
Ministry of Wealth Fair of the Republic of Latvia	1 176	-	-	-

The remuneration of the members of the Supervisory Council, Audit Committee and the Management Board of the Company in the 6 months of 2021 amounted to EUR 306 thousand (6 months of 2020: EUR 275 thousand), incl. social insurance contributions.

25 Fair values of assets and liabilities

The fair values of the Group's financial assets and financial liabilities and their differences to their carrying amount are presented below, in thousands of euro:

	Carrying Amount		Fair Value	
	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)
Assets				
Due from credit institutions and the Treasury	385 119	359 949	385 119	359 949
Financial assets at fair value through profit or loss	7 602	5 425	7 602	5 425
Financial assets at fair value through other comprehensive income - investment securities	14 393	36 958	14 393	36 958
Financial assets at amortised cost:				
Investment securities	35	441	91	1 142
Individuals	335 333	313 268	325 947	304 292
<i>Companies</i>	23 729	30 370	23 110	22 023
<i>Loans</i>	311 604	282 898	302 838	282 270
Grants	41 298	31 107	41 298	31 107
Investments in associates (investments in Baltic Innovation Fund)	15 857	15 019	15 857	15 019
Investment properties	38 148	36 758	38 148	36 758
Other assets	4 187	3 643	4 187	3 643
Total assets	841 972	802 568	832 642	794 293
Liabilities				
Due to credit institutions	61 509	65 855	61 509	65 855
Due to general governments	109 918	103 520	108 482	101 838
Financial liabilities at amortised cost - Issued debt securities	65 359	65 522	65 359	65 522
Support programme funding	198 000	191 963	198 000	191 963
Total liabilities	434 786	426 860	433 350	425 178

The fair values of the Company's financial assets and financial liabilities and their differences to their carrying amount are presented below, in thousands of euro:

	Carrying Amount		Fair Value	
	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)
Assets				
Due from credit institutions and the Treasury	385 119	359 949	385 119	359 949
Financial assets at fair value through other comprehensive income - investment securities	14 393	36 958	14 393	36 958
Financial assets at amortised cost:				
Investment securities	35	441	90	1 133
Individuals	335 333	313 268	325 947	304 292
<i>Companies</i>	23 729	30 370	23 110	22 023
<i>Loans</i>	311 604	282 898	302 838	282 270
Grants	41 298	31 107	41 298	31 107
Investments in associates (investments in Baltic Innovation Fund)	15 857	15 019	15 857	15 019
Investments in subsidiaries	7 021	4 879	7 021	4 879
Investment properties	38 148	36 758	38 148	36 758
Other assets	4 187	3 608	4 187	3 608
Total assets	841 391	801 987	832 060	793 703
Liabilities				
Due to credit institutions	61 509	65 855	61 509	65 855
Due to general governments	109 918	103 520	108 482	101 838
Financial liabilities at amortised cost - Issued debt securities	65 359	65 522	65 359	65 522
Support programme funding	198 000	191 963	198 000	191 963
Total liabilities	434 786	426 860	433 350	425 178

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

The hierarchy of the Group's financial assets and liabilities measured and disclosed at fair value, in thousands of euro:

	Level 1		Level 2		Level 3		Total	
	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)
Assets measured at fair value								
Financial assets at fair value through profit or loss	-	-	-	-	7 602	5 425	7 602	5 425
Financial assets at fair value through other comprehensive income - investment securities	3 594	24 035	10 799	12 923	-	-	14 393	36 958
Investments in associates (investments in BIF)	-	-	-	-	15 857	15 019	15 857	15 019
Investment properties	-	-	-	-	38 148	36 758	38 148	36 758
Assets with fair values disclosed								
Due from credit institutions and the Treasury	-	-	341 555	316 631	43 564	43 318	385 119	359 949
Financial assets at amortised cost:								
Investment securities	-	-	91	1 142	-	-	91	1 142
Loans	-	-	-	-	325 947	304 292	325 947	304 292
Grants	-	-	-	-	41 298	31 107	41 298	31 107
Other assets	-	-	-	-	4 187	3 643	4 187	3 643
Total assets	3 594	24 035	352 445	330 696	476 603	439 562	832 642	794 293
Liabilities measured at fair value								
Support programme funding	-	-	-	-	198 000	191 963	198 000	191 963
Liabilities with fair value disclosed								
Due to credit institutions	-	-	-	-	61 509	65 855	61 509	65 855
Due to general governments	-	-	-	-	108 482	101 838	108 482	101 838
Financial liabilities at amortised cost - Issued debt securities	-	-	-	-	65 359	65 522	65 359	65 522
Total liabilities	-	-	-	-	433 350	425 178	433 350	425 178

The hierarchy of the Company's financial assets and liabilities measured and disclosed at fair value, in thousands of euro:

	Level 1		Level 2		Level 3		Total	
	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)	30.06.2021. (unaudited)	31.12.2020. (audited)
Assets measured at fair value								
Financial assets at fair value through other comprehensive income - investment securities	3 594	24 035	10 799	12 923	-	-	14 393	36 958
Investments in subsidiaries	-	-	-	-	7 021	4 879	7 021	4 879
Investments in venture capital funds – associates (investments in BIF)	-	-	-	-	15 857	15 019	15 857	15 019
Investment properties	-	-	-	-	38 148	36 758	38 148	36 758
Assets with fair values disclosed								
Due from credit institutions and the Treasury	-	-	341 555	316 631	43 564	43 318	385 119	359 949
Financial assets at amortised cost:								
Investment securities	-	-	90	1 133	-	-	90	1 133
Loans	-	-	-	-	325 947	304 292	325 947	304 292
Grants	-	-	-	-	41 298	31 107	41 298	31 107
Other assets	-	-	-	-	4 187	3 608	4 187	3 608
Total assets	3 594	24 035	352 444	330 687	476 022	438 981	832 060	793 703
Liabilities measured at fair value								
Support programme funding	-	-	-	-	198 000	191 963	198 000	191 963
Liabilities with fair value disclosed								
Due to credit institutions	-	-	-	-	61 509	65 855	61 509	65 855
Due to general governments	-	-	-	-	108 482	101 838	108 482	101 838
Financial liabilities at amortised cost - Issued debt securities	-	-	-	-	65 359	65 522	65 359	65 522
Total liabilities	-	-	-	-	433 350	425 178	433 350	425 178

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

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 Group / 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 Group / 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 Group / Company has 3 levels:

- Level 1 includes listed financial instruments for which an active market exists, if in determining their fair value the Group / 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 Group / Company that enable a credible measurement of the financial instrument's value.

Debt securities

Debt securities are measured applying quoted prices or valuation techniques using observable or unobservable market inputs or combination of the two. The majority of investments in debt securities recognised at fair value are investments in 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.

Derivatives

The derivatives, measured using valuation techniques which rely on observable market inputs, are mainly currency swaps and forwards. The most frequently applied valuation techniques include discounted cash flow calculations, where inputs include foreign exchange spot and forward rates as well as interest rate curves.

Investments in venture capital funds

The Group / Company have a number of investments in venture capital funds. The Group's and Company's investments in venture capital funds are classified as Associates or Investments in subsidiaries depending on existence of significant influence or control.

Investments in venture capital funds, except for investment in Baltic Innovation Funds, are measured using the equity method both at the Group and the Company level. Investments in Baltic Innovation Funds are measured at fair value through profit or loss statement.

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

Investment properties

The fair value of the Group's / 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.

Investments in property 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 appropriate valuation method is selected depending on the nature of property and acquisition purpose. Investment property represents agricultural land, which average selling price per hectare is 2,5 thousand euro.

Assets held for sale

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount is recovered through a sale transaction rather than through continuing use. This condition is regarded to be met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, and the sale transaction must be classified as a completed sale within one year from the date of classification. The fair value of assets held for sale is based on selling price of underlying investment properties.

26 Segment Information

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

- Loan service
- Guarantee service,
- Venture capital fund service,
- Grant service,
- Land Fund service,
- 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 Group doesn't provide detailed information on the type of transaction since all the transactions are external.

26 Segment Information (cont'd)

Analysis of the operating segments of the Group for the period from 1 January 2021 till 30 June 2021, in thousands of euro:

	Loan service	Guarantee service	Venture capital fund service	Grant service	Land Fund service	Management of AIF "Altum capital fund"	Other services	Total
Interest income	6 645	1 550	13	-	1 108	-	2	9 318
<i>of which, interest on loans and guarantees (Note 4)</i>	<i>6 537</i>	<i>1 423</i>	<i>-</i>	<i>-</i>	<i>1 108</i>	<i>-</i>	<i>-</i>	<i>9 068</i>
Interest expense	(694)	(12)	-	-	(314)	-	-	(1 020)
Net interest income	5 951	1 538	13	-	794	-	2	8 298
Income for implementation of state aid programmes	88	322	2 070	553	-	-	43	3 076
Expenses to be compensated for implementation of state aid programmes	(60)	(102)	(1 866)	(553)	-	-	(18)	(2 599)
Net income for implementation of state aid programmes	30	220	204	-	-	-	23	477
Gains from debt securities and foreign exchange translation	9	10	1	-	-	-	-	20
Share of (losses) of investment in associates	-	-	146	-	-	-	-	146
Share of gain of investment in associates at fair value through profit or loss	-	-	-	-	-	-	-	-
Gains less losses from liabilities at fair value through profit or loss	-	-	(153)	-	-	-	-	(153)
Other income	-	-	224	13	710	279	20	1 246
Other expense	(110)	(29)	(5)	(16)	(183)	(279)	(5)	(627)
Operating income / (loss) before operating expenses	5 880	1 739	430	(3)	1 321	-	40	9 407
Staff costs	(1 742)	(599)	(85)	(398)	(125)	-	(57)	(3 006)
Administrative expense	(423)	(187)	(67)	(117)	(37)	-	(29)	(860)
Amortisation of intangible assets and depreciation of property, plant and equipment	(229)	(103)	(23)	(92)	(19)	-	(18)	(484)
(Impairment) gain, net	(547)	1 466	-	(19)	(6)	-	(4)	890
Profit or (loss) from assets held for sale revaluation	-	-	-	-	-	-	-	-
Total segment profit/(loss)	2 939	2 316	255	(629)	1 134	-	(68)	5 947
Financial assets at fair value through profit or loss	-	-	35 602	-	-	-	-	35 602
Other investments	-	-	15 858	-	-	-	-	15 858
Investments in associates	-	-	8 318	-	-	-	-	8 318
Additions of property and equipment, intangible assets and investment property	43	17	5	21	1 545	-	3	1 634
Total segment assets	465 078	155 683	123 418	54 580	73 400	359	23 968	896 486
Total segment liabilities	287 855	68 283	22 779	39 720	62 091	30	758	481 516

26 Segment Information (cont'd)

Analysis of the operating segments of the Group for the period from 1 January 2020 till 30 June 2020, in thousands of euro:

	Loan service	Guarantee service	Venture capital fund service	Grant service	Land Fund service	Other services	Total
Interest income	5 402	1 274	17	-	598	2	7 293
of which, interest on loans and guarantees (Note 4)	5 074	868	-	-	579	-	6 521
Interest expense	(728)	(16)	-	-	(230)	-	(974)
Net interest income	4 674	1 258	17	-	368	2	6 319
Income for implementation of state aid programmes	431	250	1 693	488	-	38	2 900
Expenses to be compensated for implementation of state aid programmes	(53)	(199)	(1 676)	(488)	-	(54)	(2 470)
Net income for implementation of state aid programmes	378	51	17	-	-	(16)	430
Gains from debt securities and foreign exchange translation	1	2	-	-	(1)	-	2
Share of (losses) of investment in associates	-	-	2 018	-	-	-	2 018
Share of gain of investment in associates at fair value through profit or loss	-	-	-	-	-	-	-
Gains less losses from liabilities at fair value through profit or loss	-	-	(2 018)	-	-	-	(2 018)
Other income	-	-	567	3	497	329	1 396
Other expense	(132)	(23)	(2)	(15)	(159)	(32)	(363)
Operating income / (loss) before operating expenses	4 921	1 288	599	(12)	705	283	7 784
Staff costs	(1 799)	(419)	20	(325)	(134)	(128)	(2 785)
Administrative expense	(503)	(146)	(22)	(168)	(35)	(39)	(913)
Amortisation of intangible assets and depreciation of property, plant and equipment	(209)	(83)	(14)	(77)	(17)	(16)	(416)
(Impairment) gain, net	(2 212)	(956)	-	-	238	(2)	(2 932)
Profit or (loss) from assets held for sale revaluation	-	-	-	-	-	-	-
Total segment profit/(loss)	198	(316)	583	(582)	757	98	738
Financial assets at fair value through profit or loss	-	-	14 651	-	-	-	14 651
Other investments	-	-	37 728	-	-	-	37 728
Investments in associates	-	-	250	-	-	-	250
Additions of property and equipment, intangible assets and investment property	426	122	22	181	9 186	30	9 967
Total segment assets	363 468	111 309	95 538	31 594	63 554	35 332	700 795
Total segment liabilities	180 027	73 302	32 191	28 360	53 574	744	368 198

27 Events after the reporting date

There are no other subsequent events since the last day of the reporting year, which would have a significant effect on the financial position of the Group / Company.

Other Notes

OTHER NOTES TO UNAUDITED INTERIM CONDENSED REPORT

Key financial and performance indicators

78 - 79

Definitions of indicators

80 - 81

OTHER NOTES TO THE INTERIM CONDENSED REPORT

KEY FINANCIAL AND PERFORMANCE INDICATORS

Based on data from financial statements for the respective reporting period

	2021 6M (unaudited)	2021 3M (unaudited)	2020 12M (audited)
Key financial data			
Net interest income (EUR '000) **	8 298	4 095	14 572
Profit for the period (EUR '000)	5 947	2 320	5 539
Cos to income ratio (CIR) ***	46.24%	42.04%	47.51%
Employees	222	217	211
Total assets (EUR '000)	896 486	855 956	850 704
Tangible common equity (TCE) / Total tangible managed assets (TMA) ****	34.73%	35.67%	33.56%
Equity and reserves (EUR '000)	414 970	411 933	382 904
Total risk coverage: (EUR '000)	232 725	226 002	180 205
Risk coverage reserve	127 364	119 785	112 567
Risk coverage reserve used for provisions	(29 434)	(28 569)	(28 197)
Portfolio loss reserve (specific reserve capital)	135 704	142 134	102 264
Portfolio loss reserve used to compensate provisions upon approval of the annual report	(909)	(7 348)	(6 429)
Liquidity ratio for 180 days *****	346%	462%	464%
Financial instruments (gross value)			
Outstanding (EUR '000) (by financial instrument) *****			
Loans (excluding sales and leaseback transactions)	323 275	313 185	302 481
Guarantees	379 602	373 708	359 605
Venture capital funds	83 620	75 901	73 165
Land Fund, of which:	72 411	70 574	68 258
- sales and leaseback transactions	34 263	32 920	31 500
- investment properties	38 148	37 654	36 758
Total	858 908	833 368	803 509
Number of transactions	28 951	27 560	26 578
Volumes issued (EUR '000) (by financial instrument) *****			
Loans (excluding sales and leaseback transactions)	59 492	33 431	138 238
Guarantees	55 671	28 860	137 425
Venture capital funds	13 222	5 406	14 014
Land Fund, of which:	3 870	2 266	28 191
- sales and leaseback transactions	2 214	1 218	16 796
- investment properties	1 656	1 048	11 395
Total	132 255	69 964	317 868
Number of transactions	3 270	1 526	6 147
Leverage for raised private funding	163%	139%	114%
Volume of support programmes funding per employee (EUR '000)	3 869	3 840	3 808
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1

* Due to change of accounting policy on investments in venture capital funds and adoption of IFRS 9 requirements that effects the accounting of public funding risk coverage the comparatives for 2017, 2016 and 2015 have been restated.

** Due to reclassification of fees and commission related to lending activities following the industry practise, excludes fees and commission not related to lending activities, the comparatives for 2018 have been reclassified with subsequent ratio recalculation.

*** Due to reclassification of staff and administrative costs to be compensated as well as respective income on compensation, the comparatives for 2018 have been reclassified with subsequent ratio recalculation.

**** TMA includes off-balance sheet item outstanding guarantees.

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

***** Taking into account the significance of the volume, the Land Fund portfolio, which consists of sales and leaseback transactions and investment properties, is also presented in the outstanding volumes and in volumes issued in the period. Since according to the accounting principles and IFRS the sales and leaseback transactions are accounted for under the loans, the volume of loans presented in this table has been reduced for the volume of the sales and leaseback transactions as it is recorded under the Land Fund portfolio.

OTHER NOTES TO THE INTERIM CONDENSED REPORT (cont'd)

KEY FINANCIAL AND PERFORMANCE INDICATORS (cont'd)

Based on data from audited financial statements for the respective years

	2020	2019	2018	2017 (corrected) *	2016 (corrected) *	2015 (corrected) *
Key financial data						
Net interest income (EUR '000) **	14 572	11 569	11 302 **	11 602	11 024	16 419
Profit for the period (EUR '000)	5 539	8 131	4 092	8 709 *	2 170	4 924
Cos to income ratio (CIR) ***	47.51%	52.58%	74.84% ***	50.30% *	88.40%	55.80%
Employees	211	203	222	230	242	282
Total assets (EUR '000)	850 704	560 061	495 939	453 668 *	443 400 *	406 918
Tangible common equity (TCE) / Total tangible managed assets (TMA) ****	33.56%	29.40%	31.70%	35.10% *	36.50%	37.30%
Equity and reserves (EUR '000)	382 904	232 738	221 590	222 848 *	210 406 *	199 610
Total risk coverage: (EUR '000)	180 205	87 456	77 815	67 593 *	66 508 *	41 021
Risk coverage reserve	112 567	99 778	85 276	62 651	63 636 *	40 662
Risk coverage reserve used for provisions	(28 197)	(27 829)	(19 268)	(4 753)	(4 323)	(1 276)
Portfolio loss reserve (specific reserve capital)	102 264	15 507	11 807	9 695	7 195	1 635
Portfolio loss reserve used to compensate provisions upon approval of the annual report	(6 429)	-	-	-	-	-
Liquidity ratio for 180 days *****	464%	582%	227%	482% *	449%	352%
Financial instruments (gross value)						
Outstanding (EUR '000) (by financial instrument) *****						
Loans (excluding sales and leaseback transactions)	302 481	225 144	210 208	207 065	217 429	218 562
Guarantees	359 605	284 232	236 895	182 376	147 175	131 120
Venture capital funds	73 165	68 331	59 698	62 299	64 785	44 378
Land Fund, of which:	68 258	39 634	21 717	11 328	4 635	991
- sales and leaseback transactions	31 500	15 268	6 923	520	-	-
- investment properties	36 758	24 366	14 794	10 808	4 635	991
Total	803 509	617 341	528 518	463 068	434 024	395 051
Number of transactions	26 578	22 437	18 603	14 655	11 561	8 940
Volumes issued (EUR '000) (by financial instrument) *****						
Loans (excluding sales and leaseback transactions)	138 238	64 320	59 608	51 349	59 465	52 329
Guarantees	137 425	98 240	88 765	68 615	56 109	50 065
Venture capital funds	14 014	9 022	4 149	2 638	21 356	18 798
Land Fund, of which	28 191	16 384	10 823	6 359	3 704	991
- sales and leaseback transactions	16 796	7 239	6 835	520	-	-
- investment properties	11 395	9 145	3 988	5 839	3 704	991
Total	317 868	187 966	163 345	128 961	140 634	122 183
Number of transactions	6 147	5 559	5 590	4 839	4 537	2 841
Total contribution to the economy, including the contribution of the final recipients (EUR)	696 305	531 661	460 045	370 560	359 706	248 665
Leverage for raised private funding	114%	142%	162%	185%	162%	104%
Volume of support programmes funding per employee (EUR '000)	3 808	3 041	2 381	2 013	1 793	1 401
Long-term rating assigned by Moody's Investors Service	Baa1	Baa1	Baa1	Baa1	-	-

* Due to change of accounting policy on investments in venture capital funds and adoption of IFRS 9 requirements that effects the accounting of public funding risk coverage the comparatives for 2017, 2016 and 2015 have been restated.

** Due to reclassification of fees and commission related to lending activities following the industry practise, excludes fees and commission not related to lending activities, the comparatives for 2018 have been reclassified with subsequent ratio recalculation.

*** Due to reclassification of staff and administrative costs to be compensated as well as respective income on compensation, the comparatives for 2018 have been reclassified with subsequent ratio recalculation.

**** TMA includes off-balance sheet item outstanding guarantees.

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

***** Taking into account the significance of the volume, the Land Fund portfolio, which consists of sales and leaseback transactions and investment properties, is also presented in the outstanding volumes and in volumes issued in the period. Since according to the accounting principles and IFRS the sales and leaseback transactions are accounted for under the loans, the volume of loans presented in this table has been reduced for the volume of the sales and leaseback transactions as it is recorded under the Land Fund portfolio.

Definitions of ratios

<i>Net income from interest, fees and commission</i>	<p>"Net income from interest, fees and commission" 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 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 Group's 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 Group's budget.</p>
<i>Cost to income ratio (CIR)</i>	<p>"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.</p>
<i>Tangible common equity (TCE) / Tangible managed assets (TMA)</i>	<p>"Tangible Common Equity" (TCE) is calculated by subtracting the revaluation reserve of available for sale investments from total equity.</p> <p>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 Group taking into account provisions for these guarantees and subtracting "Deferred expense", "Accrued income", "Property, plant and equipment", "Intangible assets", "Other assets" and "Assets held for sale".</p> <p>Data for the calculation of both indicators (TCE, TMA) are obtained from ALTUM Group's Financial statements: Statement of Financial Position and Consolidated Statement of Changes in Equity, notes - Off balance sheet items and contingent liabilities and Provisions. ALTUM uses the ratio "TCE/TMA" to evaluate ALTUM Group's capital position adequacy and to measure ALTUM Group's tangible common equity in terms of ALTUM Group's tangible managed assets including the off-balance sheet item Guarantee portfolio. The Risk and Liquidity Management Committee of ALTUM monitors its level on a quarterly basis.</p>
<i>Total risk coverage</i>	<p>"Total Risk Coverage" is the net funding available for covering the expected credit losses of the State aid 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 losses are estimated before implementation of the respective State aid programme and part of the public funding received under respective State aid programme for coverage of expected losses on credit risk is transferred either to "Portfolio Loss Reserve" as ALTUM Group's 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 Group. "Risk Coverage Reserve" is disclosed in the Note on Support Programme Funding to the Financial statements of ALTUM Group. "Risk Coverage Reserve Used for Provisions" is the amount of "Risk Coverage Reserve" allocated to and used for provisioning for impairment loss on loan portfolio and guarantees which in its turn is disclosed in the Note on Support Programme Funding to the Financial statements of ALTUM Group. "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 Group.</p> <p>"Total Risk Coverage" is key indicator to be used for assessment of ALTUM's risk coverage on implemented programmes and long-term financial stability.</p>
<i>180-day liquidity ratio</i>	<p>"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 and 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 Group's 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 Group's ability to fulfil ALTUM Group's contractual and/or contingent liabilities during 6 (six) month with the currently available liquidity resources. "180-days-liquidity ratio" helps to manage ALTUM Group's liquidity risk in line with ALTUM Group's/ALTUM's funding management objectives and risk framework. Risk and Liquidity Management Committee of ALTUM monitors its level on a quarterly basis.</p>
<i>Total contribution to the economy, including the participation of the final recipients, by volumes issued in the period</i>	<p>The 'Total contribution to the economy, including the participation of the final recipients, by volumes issued in the period' is calculated by adding to the volumes issued by ALTUM the financing provided by the private co-financier and the project promoter.</p>

Definition of ratios (cont'd)

<i>Leverage for raised private funding</i>	"Leverage for raised private funding" indicates the amount of additional private funds invested in a project in addition to ALTUM's financing. "Leverage for raised private funding" is determined considering the financing invested by a private co-financier and a project's implementer, which, on average, makes up to 50 per cent for loans, up to 70 per cent for guarantees and venture capital (except for housing loan guarantees' programme for the first instalment with a ratio of 795 per cent) in addition to ALTUM's funding.
<i>Employees</i>	Average number of employees in the period excluding members of the Council and the Audit Committee.
<i>Volume of support programmes funding per employee</i>	"Support programmes funding per employee" is calculated by dividing the gross value of the Financial Instruments Portfolio by the average number of employees during the period, excluding members of the Supervisory Council and the Audit Committee.
<i>Venture capital</i>	The Venture Capital Funds presented at their gross value.
