



Trends in development of guaranty products

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Member of Executive Board of Altum
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ALTUM – STRATEGIC **ENGINE** FOR LATVIA'S ECONOMIC DEVELOPMENT



ACTIVITY

- provides access to finance in the areas prioritized by the government and implements the state policy in the national economy
- operates in **5** regional centres **15** consulting offices

OWNERSHIP

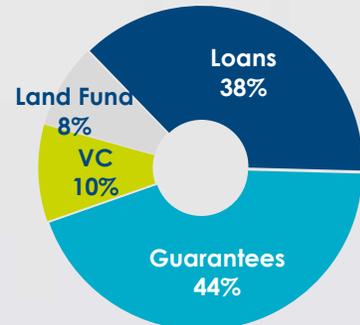
- **100% LV state-owned financial institution.** Shareholders :

Ministry of Finance 40%

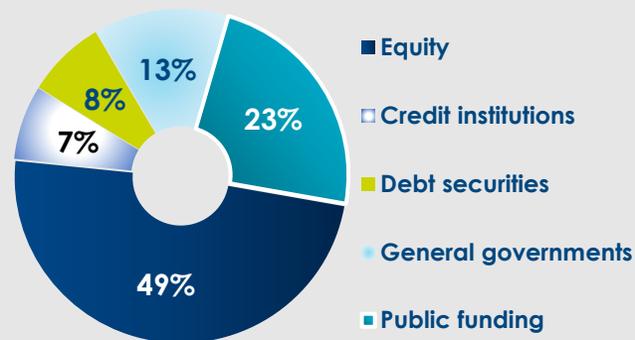
Ministry of Economics 30%

Ministry of Agriculture 30%

Financial instruments



Funding sources



UNIQUE STANDING IN THE INDUSTRY

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

KEY PARAMETERS

Rated by Moody's
Baa1

Financial instruments*
859 MEUR

Contracts
28 951

Risk Coverage
233 MEUR

TCE/TMA**
34.7%

* Loans, Guaranties, Venture Capital Funds, Land Fund

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

INVESTMENTS IN THE ECONOMY

Q4 2021, € million

€ 414 m

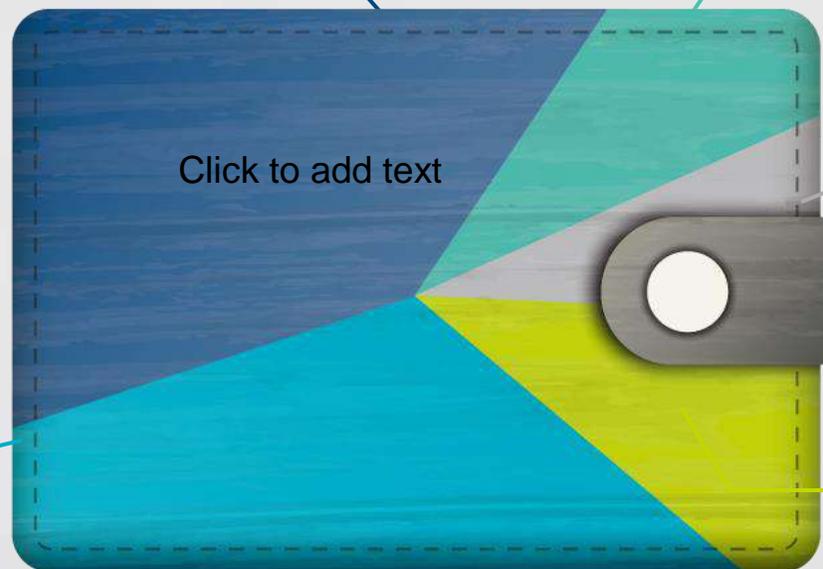
GUARANTEES

- Bank loans for business
- Housing loans
- Multi apartment energy efficiency
- Export and factoring
- Student loans
- Covid-19 loans

€ 316 m

LOANS

- Business startups
- Investments in green projects
- Farmers
- Land purchases
- SME investments and working capital
- Working capital for overcoming Covid-19



Click to add text

€ 86 m

VENTURE CAPITAL

- Acceleration funds
- Generation II, III and IV funds
- Baltic Innovation Fund - BIF
- Altum capital fund

€ 79 m

LAND FUND

- Refurbished land
- Land for rent
- Reverse rent support

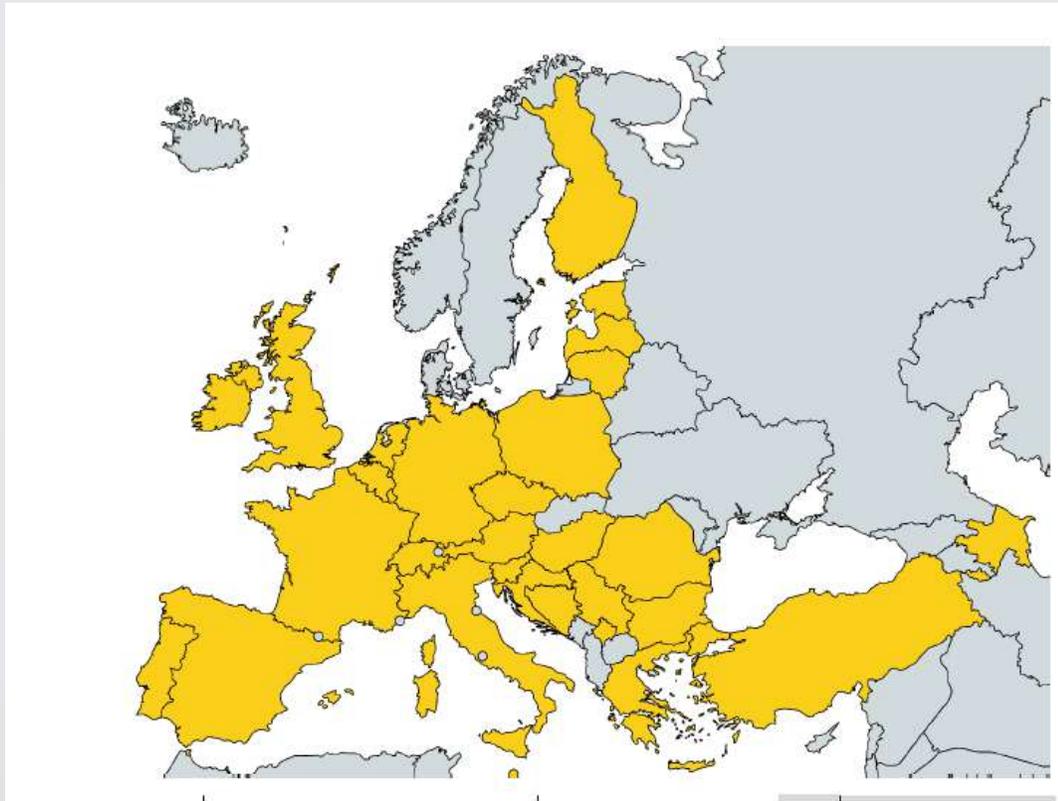
€ 83 m

GRANTS

- Social enterprises
- Energy audit
- Private homes energy efficiency
- Energy efficiency of apartment buildings
- Housing grants for large families

KEY FINANCIAL AND PERFORMANCE INDICATORS

Key Financial data (TEUR)	2021	2020	2019
Net interest income	16 717	14 572	11 569
Profit for the period	13 981	5 539	8 131
Cost to income Ratio (CIR)	39.19%	47.5%	52.6%
Employees	226	211	203
Total assets	979 042	850 704	560 061
Tangible Common Equity(TCE)/Tangible Managed Assets (TMA)	33.83%	33.6%	29.4%
Equity	441 549	382 594	232 738
Total risk coverage:	286 868	180 205	87 456
- Risk coverage reserve	160 110	112 567	99 778
- Risk coverage reserve used for provisions	(29 496)	(28 197)	(27 829)
- Portfolio loss reserve within Reserves (specific reserve capital)	159 700	102 264	15 507
- Portfolio loss reserve used to compensate provisions in the distribution of annual profit	(3 446)	(6 429)	-
Liquidity Ratio 180 days	529%	464%	582%



AECM has 48 member organisations operating in 31 European countries.

Portfolio (Y2021) of over 312 billion EUR supporting 5.9 million SMEs.

STANDARD DEBT GUARANTIES DEVELOPMENT TRENDS

Process digitalization

- Webservices
- Platforms
- Algorithms

Subsidized pricing

Partnerships with fintech

Adjustment to EU Green Deal

Guaranties to support SME influenced by the war

New products

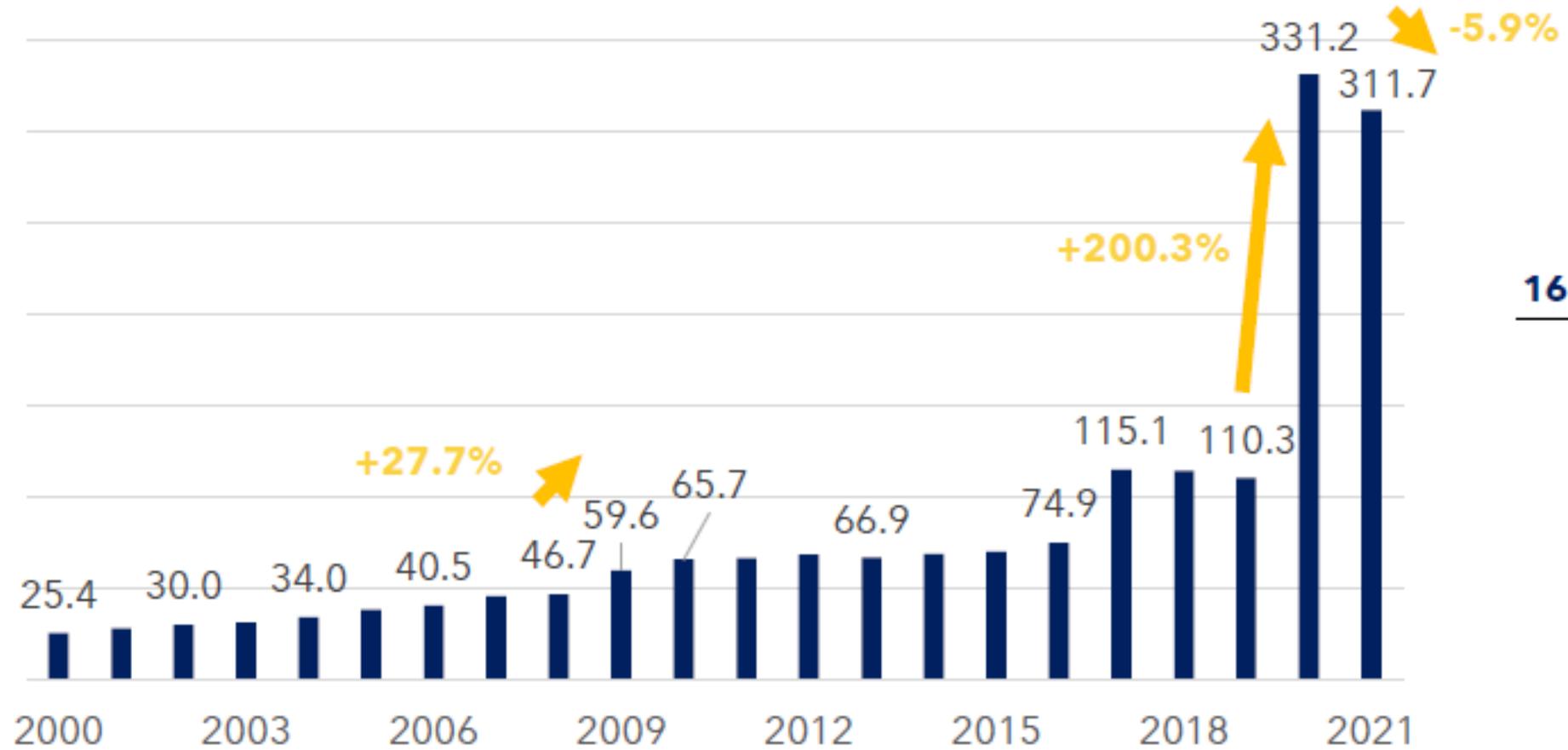




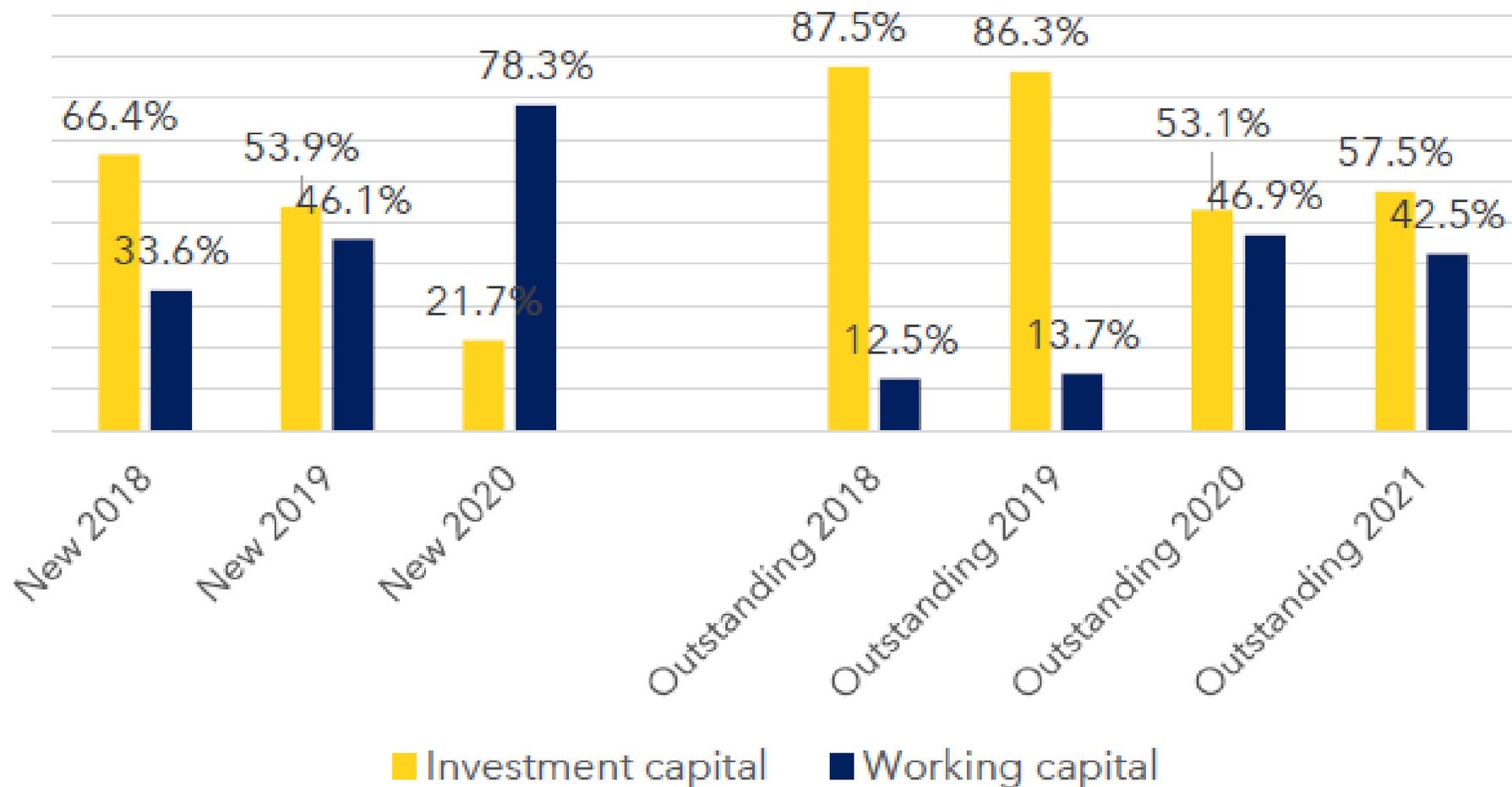
Source **AECM members' support programmes beyond standard debt guarantees**

<https://www.flipsnack.com/aecmeurope/aecm-members-support-programmes-beyond-standard-debt-guarantees.html>

Graph 3.5 : Long-term development of the outstanding guarantee volume (in bEUR)



Graph 3.2 : Development of the share of working/investment capital guarantees



Source: AECM Statistical Yearbook 2021

<https://www.flipsnack.com/aecmeurope/aecm-statistical-yearbook-2021.html>

Why guarantees for LBO?

- Transformation of economy
- More efficient SMEs due to synergies
- Continuation in financial instruments (better exit prospects for VC funds)



PRODUCT PROFILE



Coverage
up to 80%
From loan
amount



Guarantee
amount
€ 5 milj.



Maturity
10+5 years

1%

Average
premium
1%



M & A
Deals

CLIENT PROFILE

A large, bold, yellow letter 'B' with a blue outline, followed by a blue hyphen.

Minimum
credit
rating B-
(S&P, Fitch)



Companies
Registered
in LV



SME &
MidCap



No tax debt
Restructuring
Proces e.t.c.



All industries
except...

NEW GUARANTEES WITH CAPITAL RELIEF

- EV purchase;
- Up to 500 000 EUR / 5 000 EUR for one vehicle
- Coverage up to 30% from loan amount
- Premium 0.65% p.a.
- Capital relief is paid out after 12 months if all conditions are fulfilled
- **Resource - Recovery fund**



HOW DOES IR WORK?

Guarnantee

BALANCE SHEET			
Intangible assets		Share capital	
Fixed assets	20 000	Retained earnings	
Current assets		Total Equity	
Cash		Financial debt	20 000
		Total liabilities	
Total Assets	20 000	Total liabilities & equity	20 000


GUARANTEE
5 000 EUR

Capital relief pay-out;

P&L STATEMENT		BALANCE SHEET	
Revenues		Share capital	
Other revenues	5 000	Retained earnings	5 000
Gross revenues		Total Equity	
COGS		Financial debt	-5 000
Gross profit		Total liabilities	
Operating expenses		Total liabilities & equity	0
Administrative expenses			
Profit before taxes			
Taxes			
Net income	5 000		


GUARANTEE
TERMINATED

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Member of the Board



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