FINORA GROUP AS CONSOLIDATED ANNUAL REPORT 2023

Building future together

finora group

finoragroup.eu

(translation from Estonian language version)*

*This version of annual report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the annual report takes precedence over this translation.

finora group

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GENERAL INFORMATION

Accounting period covered by the financial statements

1 of January 2023 to 31 December 2023

Company information

Business name	**Finora Group AS**
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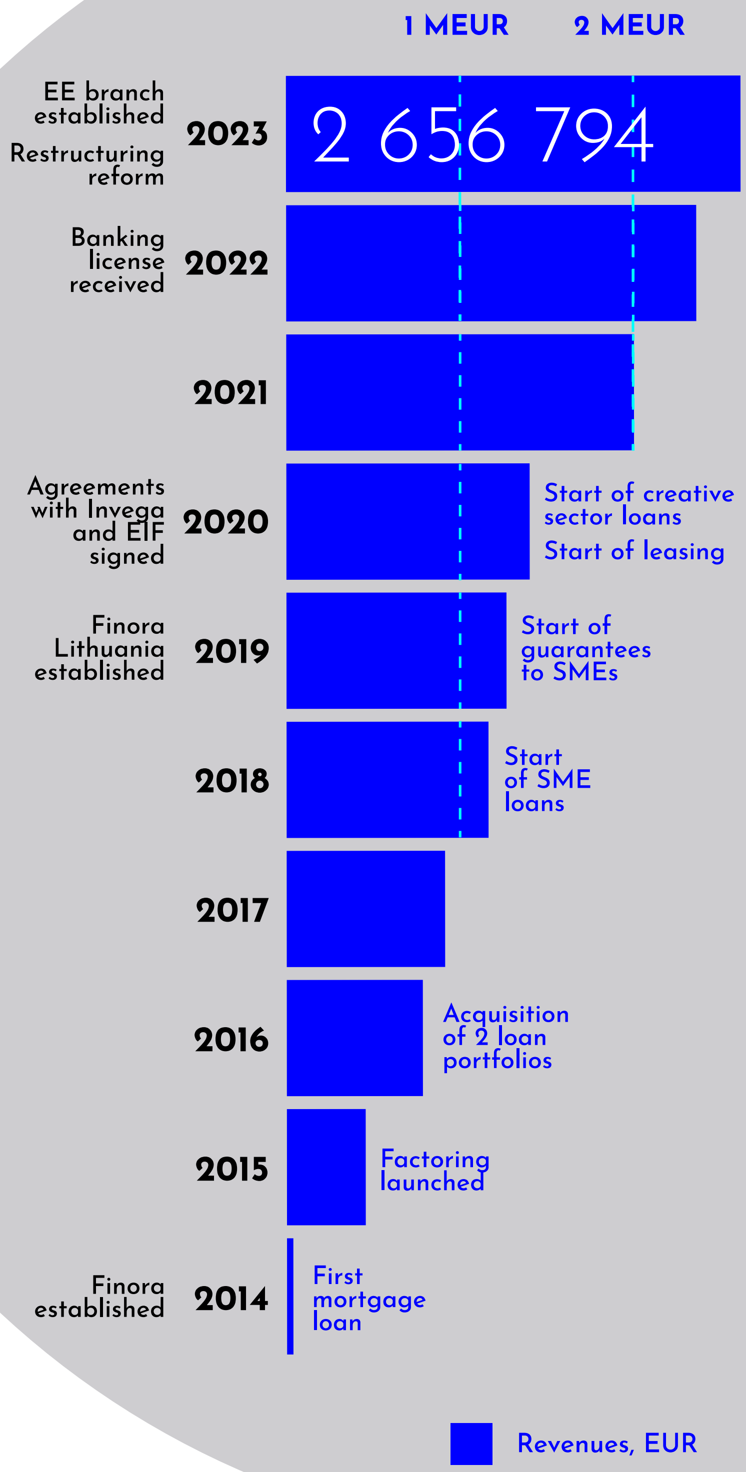
Auditor	**Grant Thornton Baltic OÜ**
Supervisory Board	**Veikko Maripuu** **Vahur Kraft** **Indrek Randveer** **Rein Ojavere**
Management Board	**Šarunas Ruzgys**

MANAGEMENT REPORT

The Estonian economy faced several challenges throughout 2023, leading to a downward trend. The real Gross Domestic Product (GDP) decreased by 3.4 percent, with the export and manufacturing sectors experiencing significant declines of 8.0 and 12.5 percent, respectively. This downturn was driven by a combination of indicators, including high interest rates, inflation, and general consumer uncertainty, which was also reflected in a 1.8 percent decrease in consumer spending. Despite these challenges, the overall unemployment rate in Estonia did not significantly increase across the economy, although sharp increases could be observed in certain sectors.

On April 29, 2022, Finora Group AS's subsidiary, Finora Bank UAB, obtained a banking license, and it commenced operations as a bank on September 9, 2022. In 2023, significant emphasis was placed on restructuring the bank's structure to ensure its growth. In addition, preparations were made to obtain a branch license in Estonia. Finora Bank UAB was granted permission to open a branch in Estonia in November 2023, which was registered in January 2024, located at Narva maantee 5, Tallinn, Estonia, with the registration code 16905996. This establishes a solid foundation for accelerating Finora Group's growth in the coming years.

By the end of 2023, Finora Group's consolidated loan portfolio increased to over EUR 23 million. In a year-on-year comparison, the secured loans



segment experienced the most significant growth. Finora Group's primary target is to support the development of small and medium-sized enterprises (SMEs), hence the loan portfolio consists of over 98% business loans, with 100% of new loans issued being business loans. The focus for the reporting year has been on enhancing the quality of the portfolio, resulting in the secured loans segment experiencing the most growth, accounting for 62% of the total loan portfolio (see figure). The leasing portfolio's share also increased, reaching 11% of the total loan portfolio by year's end. Other product loan portfolios have declined, with the unsecured business loan portfolio experiencing the most significant drop, ending the year with a portfolio of EUR 1.9 million.

The portfolio's expansion resulted in a 2% increase in the company's interest income. Overall revenues increased by 17%. Due to the continued rapid launch of the bank, there was a significant increase in personnel expenses and various operational costs last year. As a result of the rapid growth in expenses, a planned loss was also anticipated for 2023.

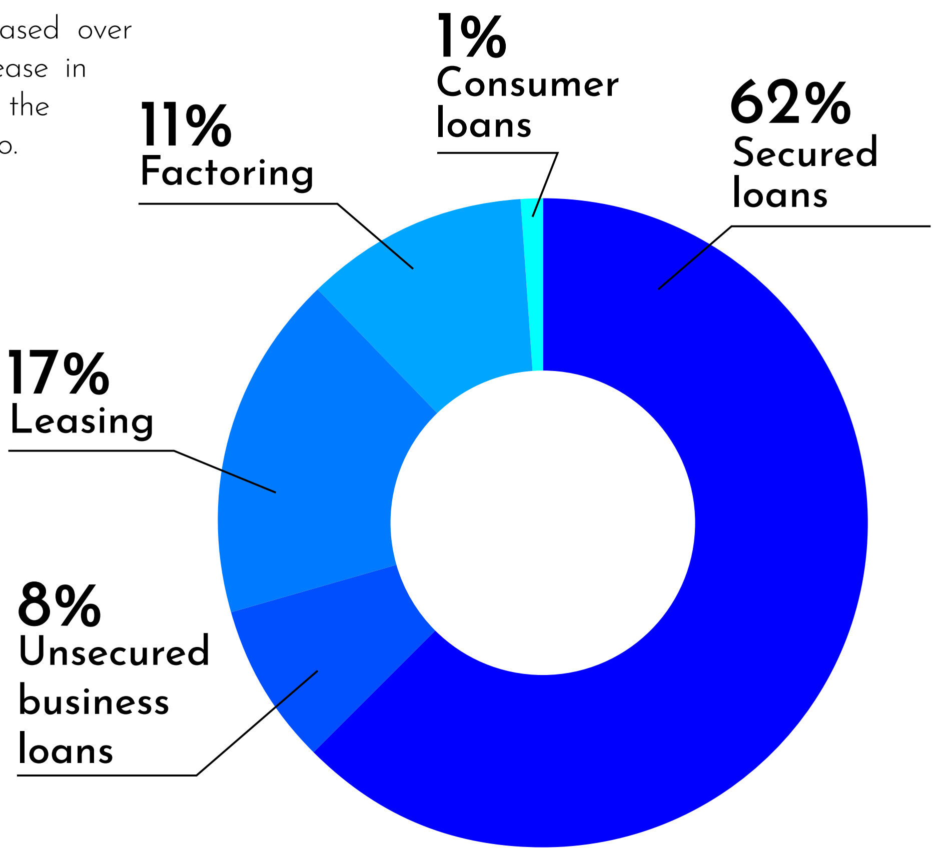
Loan loss allowance reserves decreased over the course of 2023 due to a decrease in the riskiness of the loan portfolio and the strength of the secured loans portfolio. In summary, the year ended as expected with a net loss of EUR 3.1 million. To support the year that ended in loss, existing and new shareholders increased the company's equity base by EUR 2.1 million in 2023. Additionally, Finora Group's subordinated loans were increased by EUR 1.3 million, reaching a level of EUR 2.3 million by the end of the year.

During the fiscal year, the company invested EUR 46,000 in tangible assets and approximately EUR 80,000 in intangible assets. The investments in intangible assets were related to the development of the bank's computer software and the automation of bank reporting. In 2024, there are plans to continue investments in the development of the bank's computer software and reporting.

No significant research-related projects or related expenditures have been undertaken during the reporting year, nor are any planned in the near future.

The group's business activities are not significantly affected by seasonality or economic cycles. The group's operations do not involve significant environmental or social impacts.

The group has recognized that its business activities are exposed to various risks. The objective of risk management is to identify, measure, and adequately manage these risks. In a broader context, the goal of risk management is to reduce potential losses and volatility in financial results. The group follows a classic three-tiered risk management system in its risk management practices. During the fiscal year



and the period of report preparation, the group considers the risks associated with changes in exchange rates and stock prices to be very low, as the company's receivables and liabilities are in euros, and the company does not invest in freely tradable securities, except for high-rated government bonds. Furthermore, Finora's management does not consider significant movements in Euribor to be a major influence. Detailed information is provided in the accounting report in the section describing risk management.

The consolidated report of the group reflects the financial indicators of AS Finora Group (the parent company, Estonia) and its 100% subsidiaries Finora Factoring OÜ (Estonia) and Finora Bank UAB (Lithuania). Due to the bank's launch, there has been a partial restructuring of the group in 2023. Finora Group is transitioning into a holding company, and since the end of 2022, lending activities have moved from Finora Group and Finora Factoring to Finora Bank UAB. In 2024, Finora Bank UAB's lending activities directed towards Estonia will be moved under the Finora Bank UAB Estonian branch. The dividend policy for the consolidation group is under development; currently, there is no distributable profit. No other changes in the composition of the consolidation group have occurred during the fiscal year or the report preparation period. There have been no significant changes in the investment and financing strategy, financing structure, risk hedging policy, or liquidity policy of the consolidating entity or consolidation group during the fiscal year or the report preparation period.

In summary, 2023 was a very significant year of development for the company, as the portfolio was expanded by 51%, structural reforms were carried out, a comprehensive strategy for the next ten years was established, and a focus was placed on becoming more profitable. Consent was also obtained from the Estonian Financial Supervision Authority for the establishment of Finora Bank's branch in Estonia. In 2024, we aim to significantly accelerate our growth in both Estonia and Lithuania, including speeding up our IT processes.

Financial Ratios

	2023	2022
Average equity, in euros	2 814 081	2 750 283
Return on equity (ROE)	-110%	-41%
Total Assets (average), in euros	26 938 401	21 591 984
Return on assets (ROA)	-12%	-5%
Cost to income ratio	293%	148%

Average equity = (equity at the end of the reporting period + equity at the end of previous reporting period) / 2
Return on equity = net profit (loss) / average equity * 100
Assets (average) = (assets at the end of the reporting period + assets at the end of previous reporting period) / 2
Return on assets = net profit (loss) / total assets (average) * 100
Cost to income ratio = operating expenses / net income * 100
Net income = net interest income + other income

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

(in euros)

	31.12.2023	31.12.2022	Note
Assets			
Cash	3 008 151	6 181 572	
Investments into bonds	246 054	277 689	
Loan receivables	23 154 507	15 336 895	7
Other receivables and prepayments	1 670 715	1 200 109	8; 24
Financial investments	529 565	529 565	9
Property, plant and equipment	90 913	66 086	12
Intangible assets	565 927	1 019 053	13
Total assets	**29 265 833**	**24 610 969**	
Liabilities and equity			
Deposits from clients	18 371 353	3 246 434	15; 16
Loan liabilities	5 009 391	16 392 496	16
Bonds	1 671 288	5 014 441	
Other loan liabilities	3 338 102	11 378 054	
Payables and prepayments	1 196 770	742 196	10;17
Subordinated loans	2 290 000	1 000 000	11
Total Liabilities	**26 867 514**	**21 381 125**	
Equity			
Share capital	551 673	517 276	18
Unregistered share capital	151 050	0	18
Share premium	7 208 263	5 282 031	
Other reserves	176 590	14 921	
Retained earnings (loss)	-2 584 384	-1 446 338	
Net profit (loss) for the financial year	-3 104 873	-1 138 046	
Total equity	**2 398 318**	**3 229 844**	
Total liabilities and equity	**29 265 833**	**24 610 969**	

Consolidated statement of profit and loss and comprehensive income

(in euros)

	2023	2022	Note
Interest income	2 096 556	2 063 160	19
Interest expense	-1 256 910	-1 173 338	20
Net interest income	**839 647**	**889 822**	
Net fee income	218 633	147 697	
Other income	341 604	158 966	21
Total revenue	**1 399 884**	**1 196 485**	
Operating expenses	-1 676 192	- 750 195	22
Labor expenses	-2 148 688	-1 024 402	23
Other expenses	-290 921	0	22
Total expenses	**-4 115 801**	**-1 774 597**	
Profit before impairment losses	**-2 715 917**	**- 578 112**	
Depreciation and amortisation	-109 133	- 103 752	12; 13
Changes in loan impairment reserve	-279 824	- 456 181	
Net profit (loss) for the financial year before taxes	**-3 104 873**	**-1 138 046**	
Income tax	0	0	
Net profit (loss) and Comprehensive income (loss) for the financial year	**-3 104 873**	**-1 138 046**	

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Consolidated statement of cash flows

(in euros)

	2023	2022	Note
Cash flows from operating activities			
Net profit (loss)	-3 104 873	-1 138 046	
Adjustments			
Depreciation and amortisation	109 133	103 752	12;13
Interest expense	1 256 910	1 173 338	20
Interest income	-2 096 556	-2 198 499	19
Other adjustments	594 866	456 181	
Total adjustments	**-135 649**	**-465 227**	
Total change in receivables and prepayments related to operating activities	-8 288 219	-1 038 770	7;8
Total change in payables and prepayments related to operating activities	454 574	285 104	17
Deposits received	15 124 919	3 246 434	15
Loans received	0	4 439 700	16
Repayments of loans received	-8 039 952	-2 978 978	
Interest received	1 717 299	2 198 499	
Interest paid	-877 652	-1 222 917	
Other proceeds from operating activities (bonds)	10 000	1 050 000	16
Other payments from operating activities (bonds)	-2 085 000	-1 643 566	
Total cash flows from operating activities	**-5 224 552**	**2 732 234**	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-102 440	-339 949	12:13
Investments into bonds	318 361	-278 825	
Loans to affiliates	-286 758	0	
Total cash flows from investing activities	**-70 837**	**-618 774**	
Cash flows from financing activities			
Subordinated loans received	15 000	1 000 000	11
Proceeds from issue of shares	2 111 679	1 816 647	
Capital lease paid	-4 711	-4 668	
Total cash flows from financing activities	**2 121 968**	**2 811 978**	
Total cash flows	**-3 173 421**	**4 925 438**	
Cash and cash equivalents at beginning of period	6 181 572	1 256 134	
Change in cash and cash equivalents	**-3 173 421**	**4 925 438**	
Cash and cash equivalents at end of period	3 008 151	6 181 572	

Consolidated statement of changes in equity

(in euros)

	Share capital	Unregistered share capital	Share premium	Other reserves	Retained earnings (loss)	Total
31.12.2021	**459 332**	**0**	**3 257 728**	**0**	**-1 446 338**	**2 270 722**
Net profit (loss) for the financial year	0	0	0	0	-1 138 046	-1 138 046
Stock options	0	0	0	14 921	0	14 921
Issue of share capital	57 944	0	2 024 303	0	0	2 082 247
31.12.2022	**517 276**	**0**	**5 282 031**	**14 921**	**-2 584 384**	**3 229 844**
Net profit (loss) for the financial year	0	0	0	0	-3 104 873	-3 104 873
Stock options	0	0	0	161 669	0	161 669
Issue of share capital	34 397	151 050	1 926 232	0	0	2 111 679
31.12.2023	**551 673**	**151 050**	**7 208 263**	**176 590**	**-5 689 257**	**2 398 318**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

AS Finora Group is a public limited company incorporated and domiciled in Estonia. The principal activity of AS Finora Group (hereinafter: the Parent Company) and its subsidiaries (hereinafter collectively referred to as: the Group) is the provision of financial services to private and corporate customers.

The consolidated statements of the Group disclose the financial indicators of AS Finora Group (hereinafter: the Parent Company) and its 100% subsidiaries Finora Bank UAB (former name Finora kreditas UAB) (Lithuania) and Finora Factoring OÜ (Estonia). The financial year of the Group started on 1 January 2023 and ended on 31 December 2023.

The figures in the consolidated financial statements are presented in euros.

The consolidated financial statements of the Group for the year ended 31 December 2023 were approved by the management on 29 March 2024. The supervisory board of the Group has the right to approve or reject them and request that new statements be prepared in accordance with the law.

The subsidiary of Finora Group AS in Lithuania, Finora Bank UAB, was issued a special bank license by the European Central Bank on April 29, 2022, and the bank was registered on September 9, 2022. The branch license to be issued to the Estonian branch of Finora Bank UAB in November 2023, and the branch was registered in the Estonian Business Register on January 2024.

Note 2 Basis of preparation

2.1 Accounting principles

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2.2 Evaluation principles

The consolidated financial statements have been prepared under the historical cost convention. The consolidation group presents its statement of financial position in the order of liquidity based on the group's intention and ability to settle the assets recognized in the financial statements or liabilities.

2.3 Significant accounting estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual outcomes may differ from these estimates. The estimates and underlying assumptions reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized in the period of the change, if the change affects that period only, and any future periods affected by the change.

An important area of the estimates used in preparing the statements is related to the assessment of the impairment loss of financial assets.

The Group regularly monitors and analyses loans and receivables to assess impairment. The estimation of potential impairment losses is dependent on various circumstances. The assessment of significant increase in credit risk is a new concept under IFRS 9 Financial Instruments and will require significant estimates. At each balance sheet date, the Group assesses whether credit risk has increased significantly since initial recognition by considering the change in the risk of a default occurring over the remaining life of the financial instrument, using key risk indicators that are used in the Group's existing risk management processes. On an on-going basis potential issues are identified promptly as a result of loans being regularly monitored and analysed. Impairment losses are calculated on an individual basis in terms of loan types with reference to expected future cash flows including those arising from the realisation of collateral. The Group uses its experienced judgment to estimate the amount of any impairment loss considering matters such as future economic conditions and the resulting trading performance of the borrower and the value of collateral, for which there may not be a readily accessible market.

2.4 Change in presentation

The group has changed the presentation of service fee revenues compared to 2022. In 2022, service fee revenues amounted to 147 697 euros, which were previously included in interest income for the previous year, are now presented as a separate line item "service fee revenues" in this report.

Note 3 Summary of significant accounting policies

3.1. Summary of significant accounting policies

Application of new and / or amended IFRS(EU) and International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Amendments effective for annual periods beginning on or after 1 January 2023

IFRS 17, Insurance Contracts

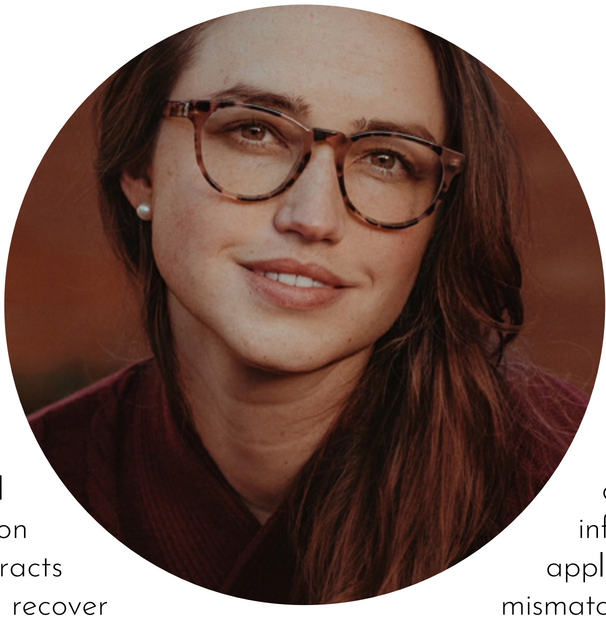
IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfillment cash flows) that incorporates all of the available information about the fulfillment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

The Group does not have insurance contracts therefore it is not applicable for the Group.

Amendments to IFRS 17 and an amendment to IFRS 4

The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the



reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

- Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfillment cash flows; and selected transition reliefs and other minor amendments.

The Group does not have insurance contracts therefore it is not applicable for the Group.

Transition option to insurers applying IFRS 17 - Amendments to IFRS 17

The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9.

The Group does not have insurance contracts therefore it is not applicable for the Group.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Group has amended its financial statements and disclosed their material accounting policy information rather than their significant accounting policies.

Amendments to IAS 8: Definition of Accounting Estimates

The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

This amendment did not have an impact on Group financial statements.

Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12

The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time.

Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

This amendment did not have an impact on Group financial statements.

Amendments effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU.

Amendments to IAS 12 Income Tax: International Tax Reform - Pillar II (minimum income tax) model rules

In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's

(OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. Companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

The management is assessing the impact of these amendments when they will be adopted by EU.

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Amendments effective for annual periods beginning on or after 1 January 2024; not yet adopted by the EU.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1

These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier's finance arrangements. The amendments do not

affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024.

The management is assessing the impact of these amendments when they are adopted by the EU and become effective.

Amendments effective for annual periods beginning on or after 1 January 2025; not yet adopted by the EU.

Amendments to IAS 21 Lack of Exchangeability

In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences.

The management is assessing the impact of these amendments when they are adopted by the EU and become effective.

Amendments with effective date to be determined; not yet adopted by the EU).

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. In 2015, the IASB decided to postpone the effective date of these amendments indefinitely.

Management will assess the impact of these changes once they are adopted by the EU and become effective.

IFRS 14, Regulatory Deferral Accounts

FRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

An entity that already presents IFRS financial statements is not eligible to apply the standard.

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The group already presents IFRS financial statements and therefore is not eligible to apply the standard.

3.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The consolidated financial statements comprise the financial statements of AS Finora Capital (the Parent Company) and its subsidiaries Finora Factoring OÜ and Finora Bank UAB. The financial statements of the subsidiaries are prepared for the same period as the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Business combinations

Business combinations are accounted for using the acquisition method, whereby all identifiable assets, liabilities and contingent liabilities of the acquired subsidiary are recognised at their fair values at the acquisition date, irrespective of the existence of a non-controlling interest. The consideration transferred for the acquisition of a <subsidiary comprises the: fair values of the assets transferred; liabilities incurred to the former owners of the acquired business; equity instruments issued by the Group; fair value of any asset or liability resulting from a contingent consideration arrangement; and fair value of any pre-existing equity interest in the subsidiary. For each business combination, the Group chooses whether to recognise a non-controlling interest in the acquired entity at fair value or at the noncontrolling interest's proportionate share of the acquired entity's net identifiable assets.

The Group recognises the cost of acquiring a business combination, except for the costs of issuing debt or equity securities, as an expense when incurred.

If the consideration transferred, the noncontrolling interest in the acquired entity and the acquisition<ion date fair value of the acquirer's previously held equity interest in the acquired entity exceeds the

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Group's interest in the identifiable assets acquired and liabilities assumed, the difference is recorded as goodwill.

If those amounts are less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Non-controlling interest is the portion of the subsidiaries' profit or loss and net assets in a subsidiary not attributable to the Group. In the consolidated statement of profit or loss and statement of other comprehensive income, profit or loss and each component of other comprehensive income are attributed to owners of the Parent Company and to the noncontrolling interests. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to equity holders of the Parent Company.

Transactions eliminated on consolidation

All intra-group balances, transactions and unrealised gains are eliminated in the consolidated financial statements. Unrealised losses are also eliminated but only to the extent that there is no indication of impairment.

3.3 Associates

Associates are all entities over which the Group has significant influence but not control. Significant influence means that the Group can participate in adopting decisions concerning the financial and operating policies of an undertaking but cannot determine or control such financial and operating policies.

Associates are reported in the statements using the equity method. Upon applying the equity method, an investment is initially recognised in its amount invested at cost. Thereafter the amount of the investment is increased by the share of the profit received from the investment made in the associate and reduced by the share of the corresponding loss.

3.4 Foreign currency translation

Functional and presentation currency

The functional currency of the Group companies is the currency of their economic environment. The Group's Estonian companies use euros (EUR) in accounting. The consolidated financial statements are presented in euros, which is the Parent Company's functional and presentation currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates of the European Central Bank prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of financial assets and liabilities denominated in foreign currencies at the exchange rates of the balance sheet date, are recognised in profit or loss. Realised and unrealised gains and losses resulting from the settlement and revaluation of foreign currency-based receivables and payables related to principal activities are recognised using the net method under Other operating income (-expenses). Unrealised gains and losses resulting from cash, revaluation of cash equivalents and loans are recognised using the net method under financial income (-expenses).

3.5 Cash and cash equivalents

Balances of current accounts and term deposits of up to three months are recognised as cash equivalents in the balance sheet and statement of cash flows.

3.6 Financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost, and
- those to be measured at fair value (either through OCI or through profit or loss)

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Regular purchases and sales of financial assets are recognised on the trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures financial assets at their fair value (excl. in the case of trade receivables, which do not have a significant financing component) plus transaction costs that are directly attributable to the acquisition of the financial asset, except for financial assets that are recognised at fair value through profit or loss (FVPL).

Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Trade receivables without a significant financing component are measured on initial recognition at the transaction price.

3.7 Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing financial assets and on the cash flow characteristics of the asset. All the Group's debt instruments are classified in amortised cost measurement category. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in financial income using the effective interest method. Any gain or loss arising from derecognition is recognised directly in profit or loss and presented in other operating income/ expenses. Foreign exchange gains and losses and credit losses are recognised in profit or loss.

3.8 Factoring

Factoring transactions are considered to be financing transactions where the Group provides the financial resources to its selling partners through transfer of the rights to the receivables from these sales transactions. The Group acquires the right to the receivables payable by the buyer subject to the purchase-sale agreement.

Factoring is the transfer (sale) of receivables where depending on the terms of the factoring contract the buyer either has the right to sell the receivable back to the seller during a prespecified term (recourse factoring) or there is no right of resale and all the risks and rewards associated with the receivable substantially transfer from the seller to the buyer (non-recourse factoring). The receivable of the Group against the buyer is recognised as of the moment of factoring the purchase-sale agreement, i.e. as of acquiring the receivable. A transaction is treated as financing (e.g. loan secured by the receivable) in case the Group does not acquire all the risks and rewards associated with the receivable, and the receivable is recognised in the balance sheet until it has been collected or the recourse has expired. If there is no repurchase obligation and control over the receivable and the

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associated risks and rewards transfers from the customer to the Group at the moment of transfer of the receivable, the transaction is recognised as acquisition of the receivable. Receivables acquired are initially recorded at fair value and subsequently measured at amortised cost.

3.9 Property, plant and equipment

Property, plant and equipment are assets used for production, provision of services or administrative purposes over a period of more than one year.

Recognition and measurement

Items of property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. The cost includes the purchase price and other costs directly related to the acquisition that are necessary for bringing the asset to its operating condition and location. The cost of self-constructed assets includes the cost of materials, direct labor, an appropriate proportion of production overheads, and borrowing costs related to the acquisition, construction or production of qualifying assets. Where an item of property, plant and equipment consists of significant parts that have different useful lives, the parts are accounted for as separate items of property, plant and equipment and are assigned depreciation rates that correspond to their useful lives.

Subsequent costs

Parts of some items of property, plant and equipment require replacement or renovation at certain intervals. Such costs are recognised in the carrying amount of an item of property, plant and equipment when it is probable that future economic benefits associated with the parts of the item will f low to the Group and the cost of the part of the item can be measured reliably. The carrying amount of any part that is replaced is derecognised. Under the recognition principle provided in the previous paragraph, the costs of the day-to-day servicing of

an item are not recognised in the carrying amount of the item. Instead, such costs are expensed as incurred.

Depreciation

Depreciation is recognised as an expense on a straight-line basis over the estimated useful life of an item of property, plant and equipment and its identifiable components. Land and construction in progress are not depreciated. Group companies use uniform depreciation rates. Estimated useful lives, residual values and depreciation methods are reviewed annually. The effect of the changes is reflected in the reporting period and in subsequent periods.

Threshold for recognition of non-current assets: EUR 600.

Useful life by non-current assets groups (years)

Name of non-current asset group	Useful life
Computers and computer systems	2-5 years
Other property, plant and equipment	2-5 years
Intangible assets	2-5 years

3.10 Intangible assets

Intangible assets (other than goodwill) are amortised on a straight-line basis over their estimated useful lives. Intangible assets are tested for impairment whenever there is any indication of impairment similarly to items of property, plant and equipment.

Development expenditure

Development expenditure is expenses incurred for the development, design or testing of new products, services, processes or systems. Development expenditure is capitalised as an intangible asset if the expenditure can be measured reliably, the Group has technical and financial resources and a positive intention to complete the project, the Group can use or sell the asset and the probable future economic benefits generated by the asset can be measured. Capitalised development expenditure is carried at a cost less than any accumulated amortisation and any impairment losses. Development expenditure is recognised as an expense on a straight-line basis over its estimated useful life that generally does not exceed ten years. Amortisation commences when the development project is ready for use.

Other intangible assets

Other intangible assets comprise licenses and software. Acquired licenses are recognised at cost. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire the software and prepare it for use. Other acquired intangible assets are carried at a cost less than any accumulated amortisation and any impairment losses.

3.11 Impairment of assets

Financial assets

Financial assets are tested for impairment according to the models established by IFRS 9. The impairment requirements are based on a three-stage expected credit loss (ECL) model, which considers changes in credit quality since initial recognition. The Group uses internally developed models which take into account external macroeconomic indicators (including unemployment rate, economic growth).

To test impairment, receivables are classified into the following three stages upon their initial recognition and at subsequent balance sheet dates:

- Performing loans (1 stage)
- Loans whose risk level has increased since their initial recognition (2 stage)
- Non-performing loans (3 stage)

In the case of performing loans, no such circumstances exist which could lead to a failure to perform contractual obligations. Increased-risk loans are as for their nature of weaker repayment ability, which can lead, upon realisation of the weaknesses, to their classification into the group of non-performing loans. At the same time no evidence of impairment exists in the case of this class. In the case of non-performing loans, there is objective evidence of their impairment, such as the number of days in default being 90 or more, cancellation of the agreement or other evidence suggesting insolvency (e.g. bankruptcy and compulsory dissolution, reorganisation proceedings, fraud, death of the customer, etc.).

The allowance to be taken into account in the case of performing loans is the 12-month expected loan losses. In the case of increased risk and nonperforming loans, the lifetime loan losses must be taken into account. 12-month loan losses are the loan losses that arise within 12 months after the reporting date and lifetime expected loan losses are the losses that arise over the remaining lifetime of the loan.

Expected loan losses are measured on a collective basis. Receivables measured on a collective basis are deemed to be all the receivables of the same type, whose risk level, guarantee or other common features are similar and which are not subject to measurement on an individual basis. kt. Receivables belonging to the group of performing loans and loans with an increased risk level are measured on a collective basis according to the general principles.

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Individual measurement is performed in respect of more large-scale loans receivable whose credit quality has impaired and whose possible loan losses depend on the realisation of the collaterals.

The inputs used to measure the expected loan losses include PD (probability of default), LGD (loss given default) and EAD (exposure at default). PD means the probability of default of the borrower over 90 days according to the calculation method either within 12 months or throughout the lifetime of the loan. LGD means the categorisation which arises from the default of the borrower over 90 days or from another basis that leads to the loan being classified as non-performing, the ratio of the loss on an exposure due to the default of the borrower to the amount outstanding at default. EAD means the expected exposure at the time when the default over 90 days arises, taking into account the planned repayments of the loan agreement. Lifetime of a loan means the period of time from the reporting date to the date of expiry of the loan agreement. The expected credit loss is determined by calculating the expected credit losses after the end of the 12 months after the reporting date or over the remaining lifetime of the loan according to the 12-month interim periods of the agreement, the PD rate and the LGD of the agreement at the end of the corresponding period. The final amount of the loan loss of the 12 months following the reporting date marks the 12-month expected loan loss of the loan and the amount of the loan losses of the remaining periods of the loan marks the loan loss of the lifetime of the loan. The loan losses calculated are discounted using the effective interest rate of the loans either on a collective basis or in terms of individual loans.

Upon calculation of LGD, a distinction is made between receivables unsecured by a collateral and receivables secured by a collateral. Collaterals meant here are immovable property collaterals. The LGD of an unsecured loan is determined according to the estimate based on past experience. The LGD of loans secured by immovable property collateral is determined using the method of discounted realisable value of the collateral in respect of each agreement or a group of agreements, respectively. The realisable value of the collateral is found on the basis of the market value defined at the beginning

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of the agreement, which is adjusted, if necessary. The value of the collateral is measured upon discounting the value of the collateral received within 12 months or throughout the lifetime at the weighted average interest rate of the agreement or group of agreements. The circumstances to be taken into consideration upon measurement of the realisable value of the collateral are the expenses related to compulsory sale, possible decline in the price and expected time delays arising in the course of the process.

The expected loan loss of receivables is measured on a collective basis, using the weighted average LGD of the agreements belonging to the respective subdivision, and the expected loan loss of agreements is measured on an individual basis, using the agreement based LGD. If the collateral is encumbered with a mortgage whose ranking is higher than that of the Group's receivable, the market value of the collateral is reduced by the amount of the higher-ranking mortgage.

The impairment of doubtful receivables is measured as the difference between the carrying amount of such receivables and the future cash flows, using the effective interest method. The carrying amount of receivables is reduced by the impairment of doubtful receivables and the impairment loss is charged to profit or loss as a change in loan impairment allowance.

Uncollectible receivables are deemed to be receivables from customers who have permanent solvency problems and it is not possible or economically expedient to implement measures to recover the loan. If a receivable is deemed uncollectible, the receivable and its allowance are written off the balance sheet. The collection of doubtful receivables that have previously been written down is recognised as a decrease in loan impairment allowance.

Classification of receivables between the three defined risk groups may change and, to this end, the following principles are implemented.

Agreements which had earlier been classified into the group of increased-risk loans are classified into the group of working loans if all the following conditions are met:

- The last three previous scheduled payments of the principal amount, interest and service fee have been received according to the agreement and the circumstances serving as a basis for the reduction in creditworthiness have been eliminated.
- The borrower's situation must also have improved to such an extent that the loan will probably be repaid in full according to the initial terms and conditions
- At the moment of measurement, the borrower has no overdue amounts whose due date of payment has been exceeded for more than 30 days.

According to the number of days in default, nonperforming loans are classified as performing or increased-risk loans if:

- The last three scheduled amounts under a loan agreement have been received and the circumstances that led to the reduction in the creditworthiness have been eliminated.
- The borrower's situation has improved to such an extent that the loan will probably be repaid in full
- At the moment of measurement, the borrower has no overdue amounts whose due date of payment has been exceeded for more than 30 days.

Sensitivity analysis

The Group uses the change in the unemployment rate from the macro indicators when performing the sensitivity analysis. The forecast of the Ministry of Finance is used as the baseline scenario, in the case of a positive scenario the unemployment rate is expected to be 2% lower than in the baseline scenario. In the negative scenario, the unemployment rate is expected to be 2% higher than in baseline scenario.

The change in ECL has been found by assessing the impact of the change in these macro indicators on the probability of insolvency. In the case of a positive scenario, the effect on the loan portfolio as of 31.12.2023 is 82 (31.12.2022: 42) thousand EUR and in the negative scenario, -82 (31.12.2022: -42) thousand EUR.

Non-financial assets

At each balance sheet date, the Group's management assesses whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, an impairment test is performed. The recoverable amount is equal to the higher of the asset's fair value (less costs of disposal) or value in use based on the discounted cash flows.

If the test reveals that the recoverable amount is lower than its carrying amount, the noncurrent asset is written down to its recoverable amount. If an impairment test cannot be performed in respect of an individual asset, then the recoverable amount is determined for the smallest group of assets to which the asset belongs.

If as a result of the impairment test of a previously impaired asset the asset's recoverable value exceeds its carrying amount, the earlier impairment loss is reversed and the carrying amount of the asset is increased.

Reversal of an impairment loss

If the reason for the impairment disappears, the previously recognised impairment loss is reversed. Changes in the circumstances of the impairment loss are analysed at least annually at the end of the reporting period. Impairment losses are reversed and the value of an asset item is increased as a maximum to the carrying amount that the asset item would have had if no impairment loss had been recognised, taking thereby into account the depreciation. The reversal of an impairment loss is recognised in profit or loss of the period on the same line where the original impairment loss was recognised. As an exception, impairment losses on goodwill are not reversed. Impairment losses recognised for an investment in an equity instrument classified as available for sale are not reversed through profit or loss. If the fair value of a debt instrument classified as available for sale subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

3.12 Leases

The Group as a lessee

The Group leases office premises, IT and office equipment. At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in Exchange for consideration.

The Group determines the lease term as the noncancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonable certain not to exercise that option. The lessee reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

The Group revises the lease term if there is a change in the non-cancellable period of a lease. The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is measured at cost, which comprises

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the amount of the initial measurement of the lease liability. The amount of the initial measurement of the lease liability is adjusted for any advance lease payments, any direct costs incurred and any restoration costs. Any lease incentives received are deducted from this amount. Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease until the end of the lease term unless the ownership of the underlying asset transfers to the Group at the end of the lease term or the residual value of the right-of-use asset indicates that the Group plans to exercise the purchase option. In that case, the underlying asset is depreciated over its entire estimated useful life, which is determined using an approach consistent with that for similar items of property, plant and equipment owned by the Group. Right-of-use assets are also adjusted for impairment losses, if any. In addition, right-of use assets are adjusted to reflect certain remeasurements of the lease liabilities.

The lease liability is initially measured at the net present value of the lease payments not paid by the commencement date of the lease, using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The Group applies the incremental borrowing rate as the discount rate. The incremental borrowing rate is determined by reference to different sources of financing. The inputs received are adjusted to reflect the terms of the lease and the type of the underlying asset, in order to find the incremental borrowing rate appropriate for the asset. Lease payments included in the measurement of the lease liability comprise the following: fixed payments; the exercise price of a purchase option (if the lessee is reasonably certain to exercise that option); amounts expected to be payable by the lessee under residual value guarantees; and lease payments that depend on an index or rate used to determine the payments, if the amount of the residual value guarantee is reassessed or if the Group changes its assessment as to whether it intends to exercise the option to purchase the underlying asset or the option to extend or terminate the lease. The lease liability is also remeasured to reflect changes in fixed payments.

If the lease liability is remeasured due to the above reasons, a corresponding adjustment is made to the carrying amount of the right-of use asset. The effect of the change in the lease liability is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

According to the IFRS 16 "Leases" standard, a short-term lease exception is allowed for leases with a term of less than one year. The group applies for this exemption to leased premises with lease periods of less than one year. these leases are not recorded in the balance sheet as right-of-use assets or liabilities. Expenses related to short-term leases are recognized in the income statement in the period in which they are incurred.

3.13 Financial liabilities

All financial liabilities of the Group are classified as "other financial liabilities at amortised cost". Financial liabilities are classified as current when they are due to be settled within 12 months after the balance sheet date unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Liabilities with payment deadlines exceeding one year from the date of the financial position statement are presented in the annual report as long-term liabilities in the supplementary notes.

Loans, including subordinated loans and borrowings

Loans, including subordinated loans and borrowings are initially recognised at fair value less direct transaction costs. Subsequently, loans are recognised at amortised cost using the effective interest rate.

Deposits

Deposits from customers are initially recorded on their settlement date at their fair value less

transaction costs and are subsequently measured at amortised cost using the effective interest method in the statement of financial position line „Deposits". Accrued interest liabilities are included in the same line. IInterest expenseis recognised in the statement of profit or loss line „Interest expense on the accrual basis.

Trade payables

Trade payables are initially recognised at fair value less direct transaction costs and they are subsequently measured at amortised cost using the effective interest rate.

3.14 Contingent liabilities

All possible or present obligations whose settlement is not probable, or the amount cannot be measured with sufficient reliability are disclosed as contingent liabilities in the notes to the financial statements. Unused factoring limit arising from differences between total credit limit granted to the seller according to the contract, and the total amount used by the seller, indicating the amount of invoices the seller is eligible to have financed as of the balance sheet date is considered a contingent liability.

3.15 Income tax and deferred tax

Income tax is paid on fringe benefits, gifts, donations, costs of entertaining guests, dividends, and nonbusiness related disbursements. The corporate income tax calculated on the profit of the subsidiaries located in Lithuania, the effect of the change in deferred tax liabilities and assets and the income tax on dividends of Estonian companies are recognised in the consolidated statement of profit or loss.

Corporate income tax in Estonia

According to the Income Tax Act that entered into force in Estonia on 1 January 2000, it is not the Company's profits that are taxed but net dividends paid. Thus, in the case of the Group companies located in Estonia there are no differences between the tax bases and carrying values of assets and liabilities and no deferred tax payables or receivables arise. As of 1 January 2015, the tax rate applicable to profit distributed as dividends is 20/80 of the net amount to be paid out. The income tax payable on dividends is recognised as a liability and an expense when the dividends are declared irrespective of the period for which they are declared or when they are distributed. Starting from 2019, it is possible to apply a more favourable tax rate on dividend payments (14/86). This more favourable tax rate can be applied to dividend payments not exceeding the average dividend disbursements for the previous three financial years that have been taxed at the rate of 20/80. 2018 is the first year to be taken into consideration when calculating the average dividend disbursement for the previous three financial years. Provisions in respect of future income tax payable on dividends are not formed before the declaration of dividends, but the relevant information is disclosed in the notes.

Tax assets and liabilities of this period and previous periods are equal to the amount that will presumably be received from or payable to the tax authority. Deferred tax refers to differences between the carrying value and tax base, on the basis of which the income tax payable in the future will arise. Deferred tax liabilities refer to the income tax attributable to temporary differences, which is subject to payment in the future. Deferred tax liabilities are recognised in the case of all the deferred tax liabilities arising from temporary differences. An exception is the situation where the company does not recognise the deferred tax liability arising from temporary differences attributable to the initial recognition of goodwill and an exception is also certain differences in the case of interests in subsidiaries. Deferred tax assets represent a reduction in future tax attributable to deductible temporary differences, tax loss carry-forwards or other future taxable deductions. Deferred tax assets are tested at each balance sheet date and recognised to the extent it is likely at each balance sheet date that they can be utilised. As a result, a previously unrecognised deferred tax asset is recognised when it is considered likely that a sufficient surplus will be available in the future. Tax rates established or substantially established on the reporting date are used in the calculations. The Group's deferred tax assets and liabilities are estimated at nominal value using each country's tax rate in effect in subsequent years. All current and deferred taxes are recognised through profit and loss as "Income tax". As the Parent Company controls the dividend policy of its subsidiaries, it is also able to control the timing of the reversal of temporary differences associated with that investment. Therefore, when the Parent Company has determined that those profits will not be distributed in the foreseeable future, the Parent Company does not recognise deferred tax liability. To the extent that the Parent Company has determined that dividends will be distributed, relevant deferred tax liability is recognised.

Corporate income tax in other countries

The net profit of the Group's Lithuanian subsidiary is subject to income tax, thus its income tax assets and liabilities, and income tax expenses and income include current (payable) and deferred tax. The income tax rate in Lithuania is 15%. For banks an additional 5% is added. Taxable profit is calculated on profit before tax, which is adjusted in income tax declarations with temporary and permanent differences based on local tax law requirements. Deferred tax is calculated on all significant temporary differences between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax assets are only recorded in the company's statement of financial position if their future realisation is probable. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

3.16 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are accounted for as a deduction from consideration received and recognised under equity.

Where any Group entity repurchases the company's treasury shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Parent Company's equity holders.

3.17 Capital reserve

The Estonian Commercial Code requires companies to create a capital reserve from annual net profit.

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Each financial year, at least one twentieth of the net profit has to be transferred to the capital reserve until the capital reserve accounts for one-tenth of the share capital. The capital reserve may be used for covering losses and increasing share capital but not for making distributions to shareholders.

3.18 Revenue recognition

Interest income

The Group's main revenue stream is interest income from lending activities. Interest income is received from mortgage loans, small loans, hire purchase contracts, overdraft and factoring contracts. The effective interest method is applied to recognise interest income and interest expenses in profit or loss for financial assets and financial liabilities measured at amortised cost. The effective interest method is a method of calculating the gross carrying amount of a financial asset or the amortised cost of a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the carrying amount of the financial instrument. When calculating future payments, all payments included in the terms and conditions of the contracts, such as advance payments, are taken into consideration. The calculation of the effective interest rate includes fees that are an integral part of the effective interest rate. However, expected credit losses are not taken into account. If a financial asset subsequently has become credit impaired the interest income is recognised applying the effective interest rate to the amortised cost, i.e. gross carrying amount adjusted for the loss allowance. In case a financial asset is credit impaired at initial recognition, the expected credit losses are included in the estimated cash flows to calculate a credit adjusted effective interest rate which then is applied to recognise the interest income.

Fee and commission income

The Group receives fee and commission income mainly in the form of contract fees.

The recognition of revenue from contracts with customers is reported as fee and commission income. This does not apply for revenue from leasing contracts or financial instruments and other contractual obligations within the scope of IFRS 9 Financial Instruments. Fees that are included in the calculation of the effective interest rate of a f financial instrument measured at amortised cost, such as loan origination fees, are allocated over the expected tenor of the instrument applying the effective interest method and presented in Net interest income. Fee and commission income is recognised to depict the transfer of promised services to the customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the service. Fee and commission income is recognised over time on a straight-line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur. Other fees and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations.

3.19 Interest expenses

Interest expenses are recorded on an accrual basis each month.

3.20 Dividend income

Dividend income is recognised when the right to receive payment is established.

Dividend distribution. A dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

3.20 Share-Based Payments

Finora Group AS has established a share-based payment option program, under which the Group issues options to employees to buy shares of Finora Group AS in return for their services. The fair value of options issued is recognized as an expense over the term of the option program as an increase in the labor costs and an increase in equity (other reserves). The total cost is determined by the fair value of the options at the time the options are issued. The fair value of the options is found based on actual transactions with the shares. At the end of each reporting period, the Group assesses how many options are likely to be exercisable. Changes compared to initial estimates are recognized in the statement of profit or loss and with a correspondent adjustment to equity. When the options are exercised, Finora Group AS will issue new shares. According to the terms and conditions of the share options, there are no social tax expenses when exercising options after 3 years.

3.22 Related parties

In preparing the financial statements of the Group, the following entities have been considered related parties:

- owners that have significant impact and the entities related to them;
- members of the management board and legal entities controlled by them;
- members of the supervisory board;
- close relatives of the persons mentioned above and the entities related to them.

3.23 Events after the reporting period

The financial statements of the reporting period include material circumstances affecting the assessment of assets and liabilities that became evident between the balance sheet date and the date of preparing the financial statements but that are related to transactions in the reporting period or previous periods.

The financial statements of the Group are prepared in accordance with the principles of consistency and comparability, which means that the same accounting policies and presentation methods are continuously applied. Any changes in the accounting policies or presentation methods are only made upon the adoption or amendment of new IFRS standards or interpretations or if the new accounting policy or presentation method provides a more objective overview of the financial position, financial results and cash flows of the company.

3.24 Unconsolidated statements of the Parent Company presented in the notes to the consolidated statements

Pursuant to the Accounting Act of the Republic of Estonia, the separate unconsolidated primary statements of the consolidating entity (parent company) are disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the Parent Company, the same accounting policies have been used as also in preparing the consolidated financial statements.

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Note 4 Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The value of short-term liquid financial instruments, such as cash and cash equivalents, and receivables with a maximum maturity of one month are deemed equal to their carrying amount in the balance sheet. The value of trade and other payables with credit risk adjustment is also approximately equal to their carrying amount.

Based on the general principles, financial assets are broken down into three levels:

- Level 1 – quoted prices in an active and liquid market.
- Level 2 – valuation based on market observables (values and interest levels of arm's length transactions);
- Level 3 – other methods (e.g. discounted cash flow method) with estimations as input.

Amortizised cost at the fair value of financial assets and liabilities has been determined in accordance with Level 3 principles, where the inputs to the assets or liabilities are not based on observable market data; except for cash and cash equivalents, the fair value of which has been determined in accordance with Level 1 principles. The fair value of financial investments carried at fair value has been determined in accordance with Level 3 principles - based on the values of similar transactions.

(in euros)

31.12.2023	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets at fair value					
Investments into bonds	246 054	0	0	246 054	246 054
Financial investments	0	529 565	0	529 565	529 565
Total financial assets at fair value	**246 054**	**529 565**	**0**	**775 620**	**775 620**
Financial assets at amortized cost					
Cash	3 008 151	0	0	3 008 151	3 008 151
Loan receivables	0	0	23 154 507	23 154 507	23 154 507
Other receivables and prepayments	0	0	1 670 715	1 670 715	1 670 715
Total financial assets at amortized cost	**3 008 151**	**0**	**24 825 222**	**27 833 373**	**27 833 373**
Financial liabilities at amortized cost					
Deposits from clients	0	0	18 371 353	18 371 353	18 371 353
Loan liabilities	0	0	5 009 391	5 009 391	5 009 391
Bonds	0	0	1 671 288	1 671 288	1 671 288
Other loan liabilities	0	0	3 338 102	3 338 102	3 338 102
Payables and prepayments	0	0	1 196 770	1 196 770	1 196 770
Subordinated loans	0	0	2 290 000	2 290 000	2 290 000
Total financial liabilities at amortized cost	**0**	**0**	**26 867 514**	**26 867 514**	**26 867 514**

(in euros)

31.12.2022	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets at fair value					
Investments into bonds	277 689	0	0	277 689	277 689
Financial investments	0	529 565	0	529 565	529 565
Total financial assets at fair value	**277 689**	**529 565**	**0**	**807 254**	**807 254**
Financial assets at amortized cost					
Cash	6 181 572	0	0	6 181 572	6 181 572
Loan receivables	0	0	15 336 895	15 336 895	15 336 895
Other receivables and prepayments	0	0	1 200 109	1 200 109	1 200 109
Total financial assets at amortized cost	**6 181 572**	**0**	**16 537 003**	**22 718 575**	**22 718 575**
Financial liabilities at amortized cost					
Deposits from clients	0	0	3 246 434	3 246 434	3 246 434
Loan liabilities	0	0	16 392 496	16 392 496	16 392 496
Bonds	0	0	5 014 441	5 014 441	5 014 441
Other loan liabilities	0	0	11 378 054	11 378 054	11 378 054
Payables and prepayments	0	0	742 196	742 196	742 196
Subordinated loans	0	0	1 000 000	1 000 000	1 000 000
Total financial liabilities at amortized cost	**0**	**0**	**21 381 125**	**21 381 125**	**21 381 125**

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Note 5 Use of significant accounting judgements and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies.

Significant accounting judgements

Assessment of receivables

At each balance sheet date, the Group assesses the collectability of the receivables recognised in the balance sheet. If there are signs of impairment of receivables, the receivables will be written down to the present value of their estimated future cash inflows. Receivables are assessed both on an individual basis and by performing the aging analysis of the receivables. Impairment losses are recognised as an expense in profit or loss.

Refer to the previous appendix on the ECL model and Appendix 6 on risk management.

Significant accounting estimates

Assessment of the useful life of intangible assets

The useful life of intangible assets is determined based on the actual period of using the asset as estimated by the management. Management reviews the useful lives of intangible assets on a yearly basis at minimum. Currently the amortisation rate for licenses, software and internally developed intangible assets is two to five years. For further details refer to Note for Intangible assets.

Impairment of intangible assets

At each balance sheet date, the Group's management board assesses critically whether there is any indication that an asset may be impaired. If any such indication exists, an impairment test is performed. If an impairment test cannot be performed in respect of an individual asset because the cash flows generated by the given asset cannot be distinguished from the remaining cash flows of the company, the impairment test is performed in respect of the cash-generating unit to which the asset belongs. An impairment test is performed to determine the recoverable amount of an asset, which is the higher of the two indicators – fair value of an asset (less costs to sell) and its value in use. For estimating an asset's value in use, a realistic estimate is prepared for the cash flows to be derived from the use of the asset in subsequent periods and the present value of these cash flows is calculated. The budgets or forecasts approved by the management for subsequent periods (generally no longer than five years) are used as the basis for the cash flow estimate. The cash flows of the periods beyond those covered by the budgets and forecasts approved by the management are estimated by applying realistic growth rates to current budgets or estimates.

Note 6 Risk management

General principles for risk management

Risk is defined as a potential negative deviation from the expected financial result and the Group has taken into consideration that in its business activities it is exposed to several risks. The object of risk management is to recognise, measure and manage these risks adequately. On a wider scale, the purpose of risk management is to minimise potential losses and reduce the volatility of f financial results. Risk management in the Group is based on the classic three-level risk management system with the following structure:

1. The first level consists of the departments of the Group and employees thereof whose duty is to understand and manage risks in their sphere of responsibility.
2. The second level consists of the persons independently in charge of risk management and compliance whose duty is to develop and manage the risk management and control mechanism and overall framework.
3. The third level consists of the internal audit who carries out an independent control over the adequacy of the risk management system and reports to the supervisory board of the Group.

The Group manages its risks first of all based on the definition of its risk capacity, i.e. which the maximum loss is that the Group is able to tolerate upon the materialisation of risks. Risk tolerance has been defined as the maximum risk arising from the risk capacity that the Group is able to tolerate and this, in turn, serves as a basis for risk appetite, i.e. which risks the Group wants to take to achieve its objectives and which ones should be avoided. A risk profile has been created on the basis of the risk appetite as follows. The risk profile combines various risks arising from the specificity, scope and complexity level of the operations of the Group as well as from its operating environment.

The risk management system comprises mapping all material risks, measuring exposure to these risks and quantifying the results, if possible, and ensuring the existence of sufficient capital to cover all material risks as well as Control thereof. The risk management system also comprises developing adequate measures for minimising the probability of materialisation of the risks and the adverse consequences arising from their possible materialisation.

Thus, the risk management process established starts with the identification of the risks to which the Group is exposed, assessment of the risks and compliance control thereof in respect of the risk profile. The risks to which the Group is exposed may be internal as well as external. The identification of risks starts from extensive mapping of the risks to which the Group may be exposed and, in the course of further analysis, a shorter list is compiled of the major risks whose risk categories are subject to a more detailed assessment.

As a result of its risk assessment process, the Group has found that the major risks to which it is exposed, which must be monitored and responded to with adequate countermeasures are as follows: credit risk (incl. concentration risk), liquidity risk, interest risk, operational risk, market risk and business and strategic risk. In addition, fields related to money laundering must also be pointed out in the risk assessment process.

Credit risk and concentration risk

Credit risk is the risk of financial loss to the Group if customers or market counterparties fail to meet their contractual obligations to the Group. Credit risk arises principally from loans given to customers, including outstanding loans and given guarantees. The Group is also exposed, to a minor extent, to the risk through cash and cash equivalents position. Credit risk is one of the major risks and the management performs a detailed assessment of the positions exposed to credit risk. The purpose of the Group is to maintain well-diversified loan and guarantee portfolio at an accepted risk level.

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The purpose of credit risk management is to limit the impact of the credit risks and other risks arising from customers on the income of the Group to an acceptable level and try to optimize the risk return-ratio. This maximises the risk adjusted return while maintaining the credit risk parameters at an acceptable level. Credit risk management process consists of the initial identification of a given risk, risk assessment, risk management and subsequent monitoring as well as reporting.

Identification of a credit risk is based on the sources from which the risk originates, which is the bank's credit products such as factoring, micro loan, consumer loans and loans secured by immovable property, each of which has its own risk level and factors that affect it, which are mapped and quantitatively assessed at this stage. The most important subcategories of credit risk are the customer's insolvency, default risk, risk of a decline in solvency, risk of fraud, concentration risk and market risk (as regards, first of all, the value of collaterals).

Credit risk assessment comprises the assessment of solvency and liquidity in respect of the loan or another financial product, valuation of collaterals as well as the terms and conditions of the loan. In the assessment process, customers are classified into various risk categories from low to high or very high risk.

In order to manage credit-related risks, the Group applies customer selection criteria on the basis of their risk profile and applies limits in terms of product and customer groups. Issues of importance in credit risk management are the principles of granting loans, decision making and loan analysis as well as the overall quality of the loan process. The Group uses scoring models to assess the creditworthiness of loan customers being private persons and legal persons, except for loans secured by immovable property and factoring (to forecast Credit quality and the probability of default). The validation of the models takes place when material changes occur, but no less often than once a year. The Group uses loan customers' scoring models in making credit decisions and choosing customers. Following the issue of a loan, the Group consistently assesses the customer's solvency and value of the collateral. The Group manages the credit risk in terms of the loan portfolio as a whole as well as in terms of individual loans. The credit risk is managed, taking also into consideration the ratio of the given risk to other material risks.

The credit risk monitoring and reporting function is different in the case of various products, ensuring that the most important risk parameters are observed and a sufficiently detailed overview of the loan portfolio is always provided. The credit risk monitoring must ensure as early assessment of the decline in solvency and possible breach of the terms and conditions of the agreement as possible. It must ensure that the risk level is acceptable and the profitability of the Group is ensured as well as to prevent loan losses from occurring. To this end, the Group has developed internal information systems, which give early warnings of a possible increase in risks.

The cash and cash equivalents of the Group are held with commercial banks that are rated at least Baa2 based on Moody's Credit ratings. As of December 31, 2023, the Group's money in a commercial bank had a rating of Aa3 for 1 550 308 EUR and Baa3 for 237 843 EUR. 1 220 000 EUR was held in the Bank of Lithuania. As of December 31, 2022, there were 2 766 820 EUR in a commercial bank with a rating of Baa1 and 3 414 752 EUR in a commercial bank with a rating of Aa3.

Concentration risk within the meaning of a credit risk is defined as an increase in the risk level of exposures arising from related parties, parties operating in the same economic sector or parties belonging to the same geographic region. The Group assesses and manages the concentration risk through the establishment of limits and subsequent monitoring.

Maximum exposure to credit risk

The group's maximum exposure to Credit risk from financial instruments subjected to impairment:

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(in euros)

31.12.2023	Total	Stage 1	Stage 2	Stage 3
Mortgage loans to clients	**14 420 051**	13 175 403	999 174	245 474
Mortgage loans	**14 472 087**	13 213 929	1 003 882	254 277
Allowance for doubtful accounts	**-52 036**	-38 526	-4 708	-8 803
Other loans to clients	**8 444 227**	6 254 446	1 195 578	994 203
Factoring and other business loans	**9 240 784**	6 337 926	1 228 702	1 674 156
Allowance for doubtful accounts	**-796 557**	-83 480	-33 124	-679 953
Consumer loans	**627 555**	15 786	0	611 769
Allowance for doubtful accounts	**-337 326**	-3 378	0	-333 948
Total loan receivables to clients	**23 154 507**	**19 442 257**	**2 194 752**	**1 517 498**

(in euros)

31.12.2022	Total	Stage 1	Stage 2	Stage 3
Mortgage loans to clients	**3 390 818**	2 580 900	372 695	437 224
Mortgage loans	**3 413 661**	2 588 403	373 443	451 815
Allowance for doubtful accounts	**- 22 843**	- 7 503	- 748	- 14 591
Other loans to clients	**11 946 077**	8 027 533	1 419 316	2 499 229
Factoring and other business loans	**12 138 294**	8 042 516	1 374 499	2 721 278
Allowance for doubtful accounts	**- 582 430**	- 62 131	- 18 053	- 502 246
Consumer loans	**751 617**	50 762	71 188	629 666
Allowance for doubtful accounts	**- 361 403**	- 3 614	- 8 319	- 349 470
Total loan receivables to clients	**15 336 895**	**10 608 433**	**1 792 010**	**2 936 453**

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Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its future obligations as they fall due or in full. Major sub-risks of the liquidity risk are payment risk and financing risk. Payment risk is the risk that the Group cannot meet its obligations without major related costs. Financing risk is the risk that the Group cannot raise sufficient resources without an adverse impact on the everyday activities or financial position of the Group. The overall purpose of liquidity risk management is to ensure that the Group has sufficient cash and liquid assets in order to perform its financial obligations as they fall due and to increase its loan portfolio. Upon managing the liquidity risk, the Group takes into consideration that a sufficient liquidity buffer must be maintained at any time for issuing loans and covering other possible obligations. Financing is performed mostly through equity, loans and bonds, and the Group forecasts cash flows in order to have a sufficient buffer of financial resources on the due dates of repayment of financial obligations and a sufficient time frame for preparing refinancing upon expiry of the terms. The overview of the Group's financial assets and financial liabilities by residual maturity (undiscounted cash flows) is provided in the table below:

in euros	31.12.2023	Within 12 months	1-5 years	over 5 years
Financial assets				
Cash	3 008 151	3 008 151	0	0
Investments into bonds	246 054	246 055	0	0
Loan receivables	23 154 507	6 945 423	14 334 505	1 874 579
Other receivables and prepayments	2 200 280	2 200 280	0	0
Total financial assets	**28 608 993**	**12 399 909**	**14 334 505**	**1 874 579**
Liabilities and equity				
Deposits from clients	18 371 353	6 498 363	11 872 990	0
Loan liabilities	5 009 391	738 102	4 271 288	0
Bonds	1 671 288	0	1 671 288	0
Other loan liabilities	3 338 102	738 102	2 600 000	0
Payables and prepayments	1 196 770	1 196 770	0	0
Subordinated loans	2 290 000	0	0	2 290 000
Total financial liabilities	**26 867 514**	**8 433 236**	**16 144 278**	**2 290 000**
Duration gap of financial assets and financial liabilities	**1 741 479**	**3 966 673**	**-1 809 773**	**-415 421**

in euros	31.12.2022	Within 12 months	1-5 years	over 5 years
Financial assets				
Cash	6 181 572	6 181 572	0	0
Investments into bonds	277 689	128 699	148 990	0
Loan receivables	15 336 895	457 552	10 565 242	4 314 101
Other receivables and prepayments	1 200 109	1 200 109	0	0
Total financial assets	**22 996 264**	**7 967 932**	**10 714 232**	**4 314 101**
Liabilities and equity				
Deposits from clients	3 246 434	699 281	2 547 153	0
Loan liabilities	16 392 496	7 684 891	8 707 605	0
Bonds	5 014 441	0	5 014 441	0
Other loan liabilities	11 378 054	1 084 891	10 293 163	0
Payables and prepayments	742 196	742 196	0	0
Subordinated loans	1 000 000	0	0	1 000 000
Total financial liabilities	**21 381 125**	**9 126 367**	**11 254 758**	**1 000 000**
Duration gap of financial assets and financial liabilities	**1 615 139**	**-1 158 436**	**-540 526**	**3 314 101**

Interest rate risk

Interest rate risk reflects the mismatch in the balance sheet items and the off-balance sheet items due to changes in interest rates as well as the possible negative change in the fair value of financial instruments due to a decline in the present value of future cash flows arising from a change in interest rates. The purpose of monitoring and managing interest rate risk is to assess the profitability of the Group's interest-bearing products, forecast profits of future periods and prevent a significant decline in profitability arising from a change in interest rates. To this end, the Group monitors interest rate risk exposures in order for them to be exactly defined, observed and controlled. Loans issued by the Group have a fixed interest rate and financial liabilities also mostly have a fixed interest rate. Thus, fluctuations in interest rates have no remarkable impact on the financial position in the short term. A change in the overall level of interest rates has an indirect impact on the interest rates of the loans issued (although a more important factor is still market competition) and the expected interest rate upon financing liabilities in the future. The Group's management analyses the market situation and avoids, when pricing its loan products, a possible situation where an increase in interest expenses would have a critical impact on financial results.

Operational risk

Operational risk means a potential loss caused by human, process or information system flaws or inadequate operation thereof. This risk includes reputation and legal risk, but excludes strategic and business risk, which is assessed separately. Legal risk is the risk of an entitled party not being able to exercise its rights or expect the performance of obligations because of the failure of the obligated party to perform the obligations assumed by it. Reputation risk means the potential that negative publicity regarding the Group and its business activities, whether true or not, will cause a decline in the customer base or in revenue, and increase in the expenses relating to legal assistance.

All products, services, activities and processes are exposed to operational risk and the management of operational risk plays a leading role in the risk management system of the Group as a whole. The initial step in the management of this risk category consists in the identification and measurement of risks (if qualitatively possible). Thereafter it is ensured that sufficient monitoring and control mechanisms have been developed and implemented, which is followed by finding measures for the management of these risks. Operational risks are reported to the management board and supervisory board of the Group.

To minimize operational risks, the Group defines and records all material business processes, observes strict rules in defining duties and responsibilities, and engages in constant development of information systems.

Market risk

Market risk is the risk caused by adverse movements of market prices. Although market risks are, as a rule, material for companies operating in the field of credit, the Group has assessed the share of this risk as low because it has no assets and liabilities directly exposed to market risks.

Business and strategic risk

Business and strategic risk means risks caused by a potential decline in revenue due to changes in the operating environment or incorrect business decisions, unsuitable implementation of decisions in a given situation or inadequate changes in the activities of the Group due to the overall change in the business environment. Business risk is the risk that the Group earns less profit than expected or sustains losses. Strategic risk is caused by negative consequences if the Group's management adopts incorrect decisions regarding strategy, products, distribution channels or other aspects of direct impact on business activities. The Group's areas of activity are exposed to risks that may have an adverse impact on the planned financial results. This is primarily related to stiff competition in main fields of activity. The Group mitigates these risks, offering fast and flexible financing solutions for which there is a strong market demand and works constantly towards their further improvement in order to stand out against its competitors. In its business activities, the Group is not only aimed at winning a market share from the current providers of similar services, but it is also important to expand the market, introducing financing opportunities above all to small and medium-sized enterprises. The Group also mitigates these risks with its effective management structure and clear division of roles and responsibilities, ensuring that the management board and the supervisory board have sufficient information in order to adopt high-quality management decisions as well as disclose and implement the decisions in the organization as a whole. The Group implements regulatory management principles, being at the same time aware of the relevance of an open and dynamic organizational culture. Employees are constantly trained in order to ensure the ability to implement sufficient knowledge and skills, high quality of the decision-making process and taking responsibility. The Group's long-term goals, such as sufficient profitability as well as customer and employee satisfaction, must ensure that the Group responds fast to customers' changing expectations. The goal established undergo constant measurement and analysis.

Anti-money laundering

Money laundering and terrorist financing risk is the risk that products of the Group are used for money laundering or terrorist financing purposes, which may manifest itself in reputation or compliance risk. Reputation risk is the risk that the actual or suspected involvement in money laundering or terrorist financing results in a material impact on the financial results of the Group, which also leads to the materialization of the compliance risk. Compliance risk is the risk that the Group is unable to comply with the anti-money laundering and terrorist financing rules, especially upon implementation of the due diligence obligation, which may lead to fines or revocation of a license. For anti-money laundering purposes, the Group's management monitors compliance of the business activities with the rules established as well as the existence and adequacy of internal rules of procedure and control systems. The regulations established are also followed upon analyzing projects and involving investors, and employees are aware and sufficiently informed in order to identify possible money laundering and terrorist financing risks at an as early stage as possible. The business model of the Group is also established on the principles that reduce these risks. The Group does not provide payment services, its customers are located in the Baltic countries, the Group does not offer its products and services to non-residents and its customers s of European Union (Estonian and Lithuanian, as a rule) credit institutions.

Note 7 Loan receivables

in euros		Allocation by remaining maturity		
	31.12.2023	Within 12 months	1-5 years	over 5 years
Mortgage loans to clients	**14 420 051**	**2 655 247**	**10 349 699**	**1 415 104**
Mortgage loans	14 472 087	2 660 963	10 394 448	1 416 676
Allowance for doubtful accounts	-52 036	-5 716	-44 749	-1 572
Other loans to clients	**8 444 227**	**4 000 042**	**3 984 711**	**459 474**
Factoring and other business loans	9 240 784	4 760 034	4 010 257	470 493
Allowance for doubtful accounts	-796 557	-759 993	-25 545	-11 018
Consumer loans	627 555	627 450	105	0
Allowance for doubtful accounts	-337 326	-337 315	-11	0
Total loan receivables to clients	**23 154 507**	**6 945 423**	**14 334 505**	**1 874 579**

in euros		Allocation by remaining maturity		
	31.12.2022	Within 12 months	1-5 years	over 5 years
Mortgage loans to clients	**3 390 818**	**316 291**	**2 713 030**	**361 497**
Mortgage loans	3 413 660	339 133	2 713 030	361 497
Allowance for doubtful accounts	-22 843	-22 843	0	0
Other loans to clients	**11 946 077**	**141 262**	**7 852 212**	**3 952 604**
Factoring and other business loans	12 176 016	718 150	7 506 503	3 951 363
Allowance for doubtful accounts	-585 308	-585 308	0	0
Consumer loans	713 895	366 945	345 709	1 241
Allowance for doubtful accounts	-358 525	-358 525	0	0
Total loan receivables to clients	**15 336 895**	**457 552**	**10 565 242**	**4 314 101**

in euros Loan type	31.12.2023	31.12.2022	Collateral
Mortgage loans	14 420 051	3 390 818	Mortgage
Business loans	1 930 798	4 517 102	Surety
Factoring	2 546 466	3 124 406	Factoring invoices
Leasing	3 966 963	3 949 200	Leased assets
Consumer loans	290 229	355 369	Unsecured
Total	**23 154 507**	**15 336 895**	

Similar to previous years, all loans have been issued in euros, with terms ranging from 6 months to 20 years (excluding factoring agreements, where the period for a single factored invoice is typically 30-90 days), and the annual interest rate for loans and factoring is between 7-25%. The effective interest rate does not significantly differ from the contractual interest rate.

Note 8 Receivables and prepayments

in euros	31.12.2023	Allocation by remaining maturity: Within 12 months	Allocation by remaining maturity: 1-5 years	Note
Other receivables				
Other receivables	1 404 474	539 974	864 500	
Tax prepayments	48 122	48 122	0	10
Prepaid expenses	218 119	218 119	0	
Total receivables and prepayments	**1 670 715**	**806 215**	**864 500**	

in euros	31.12.2022	Allocation by remaining maturity: Within 12 months	Allocation by remaining maturity: 1-5 years	Note
Other receivables				
Other receivables	1 074 105	399 605	674 500	
Tax prepayments	36 548	36 548	0	10
Prepaid expenses	89 456	89 456	0	
Total receivables and prepayments	**1 200 109**	**525 609**	**674 500**	

As of December 31, 2022, the composition of other receivables included a claim against Inbank in the amount of EUR 290 921. In January 2020, a 100% subsidiary of Inbank, which offers full-service leasing, was acquired. After the acquisition, the company was renamed AS Finora Finance. As a result of the transaction, Finora Group's consolidated loan portfolio increased to EUR 10 million by the end of January 2020. In May 2020, the leasing company returned to Inbank's ownership, as Inbank and Finora Group failed to agree on the final fulfillment of the terms of the sale. Inbank returned part of the received funds, but not in full. Finora took the case to court in 2020. The parties went through all levels of court. The court did not satisfy Finora's claim, and the final decision came from the Supreme Court in January 2024. Since this is a correcting post-balance sheet date event, the remaining claim of EUR 290 921 as of December 31, 2023, has been recorded as expenses for the year 2023. The process of compensating the other party's court costs is ongoing. Since there is no clarity on the amount and due date of these costs as of December 31, 2023, they have not been reflected in expenses; they are treated as contingent liabilities (see note 25).

As of 31.12.2023, other receivables include a loan receivable from AS Bankish in the amount of EUR 864 500 and interest receivables in the amount of EUR 122,519. As of 31.12.2022, other receivables include a loan receivable from AS Bankish in the amount of EUR 674 500 and interest receivables in the amount of EUR 61 056. The loan repayment deadline is 31.12.2027 and the interest rate is 9%.

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Note 9 Financial investments

in euros	31.12.2023	31.12.2022
Financial investments	529 565	529 565
Total Financial investments	**529 565**	**529 565**

The basis for measuring fair value was actual transactions with the company's shares. Transactions occurred in the years 2023, 2022, 2021, and 2020, with a significant portion being between independent parties.

Note 10 Tax prepayments and tax payables

in euros	31.12.2023 Tax prepayments	31.12.2023 Tax payables	31.12.2022 Tax prepayments	31.12.2022 Tax payables	Note
Corporate income tax	0	0	0	466	
Value-added tax	0	84 586	0	23 651	
Personal income tax	0	48 580	0	40 420	
Social security tax	0	34 146	0	29 724	
Contributions to mandatory funded pension	0	312	0	736	
Unemployment insurance premium	0	563	0	1 421	
Net of prepayment account	48 122	0	36 548	0	8
Total tax prepayments and liabilities	**48 122**	**168 187**	**36 548**	**96 420**	

The company does not have any overdue tax payables.

The tax authorities have the right to verify the Company's tax records up to 5 years from the time of filling the tax return and upon finding errors, impose additional taxes, interest and fines.

The Company's management estimates that there are not any circumstances which may lead the tax authorities to impose additional significant taxes on the Company.

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Note 11 Subordinated Loans

In 2023, subordinated loans totaling 1 290 000 euros were received. The balance of subordinated loan obligations as of December 31, 2023, was 2 290 000 million euros, with an interest rate of 11-12% and a redemption period of 2029-2030. The subordinated loans were issued in euros. 15 000 euros of the subordinated loans were paid in cash, with the remainder being a non-cash movement through the reconversion of long-term bonds.

In 2022, a total of 1 million euros in subordinated loans was obtained. The balance of subordinated loan obligations as of 31.12.2022 was 1 million euros, the interest rate was 12% and the maturity date was summer 2029. The subordinated loans were issued in euros. All subordinated loans were paid in cash, there were no non-cash movements.

The interest costs of the subordinated loans of the reporting period and the accrued interest obligations as of the end of the reporting period are shown in the table below. Interest liabilities are recognized in the statement of financial position using the internal interest rate. The nominal interest rate on subordinated loans is equal to their effective interest rates, since no other fees have been paid.

in euros	Total
Accrued interest on subordinated loans as at 01.01.2022	**0**
Interest calculated for 2022	62 320
Interest paid during 2022	52 320
Accrued interest on subordinated loans as at 31.12.2022	**10 000**

in euros	Total
Accrued interest on subordinated loans as at 01.01.2023	**10 000**
Interest calculated for 2023	253 936
Interest paid during 2023	242 111
Accrued interest on subordinated loans as at 31.12.2023	**21 825**

Note 12 Tangible assets

in euros	Computers and ITsystems	Other property, plant and equipment	Total
31.12.2021			
Cost	25 003	77 686	97 499
Accumulated depreciation	- 21 113	- 19 706	- 35 627
Carrying amount	**3 890**	**57 980**	**61 873**
Additions and improvements	25 306	0	25 306
Sale	0	0	0
Depreciation	- 6 323	- 14 770	- 21 093
31.12.2022			
Cost	50 309	77 686	122 805
Accumulated depreciation	- 27 436	- 34 476	- 56 720
Carrying amount	**22 873**	**43 211**	**66 086**
Additions and improvements	25 050	20 733	45 783
Sale	-642	0	-642
Depreciation	-11 228	-9 084	-20 312
31.12.2023			
Cost	74 717	98 419	173 136
Accumulated depreciation	-38 664	-43 559	-82 224
Carrying amount	**36 053**	**54 860**	**90 913**

There have been no write-downs of assets during the reporting period.

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Note 13 Intangible assets

in euros	Software	Other intangible assets	Total
31.12.2021			
Cost	488 327	417 359	905 685
Accumulated depreciation	-76 184	-42 432	-118 616
Carrying amount	**412 142**	**374 927**	**787 069**
Additions and improvements	309 607	5 036	314 643
Write-offs	0	0	0
Depreciation costs	-70 301	-12 358	-82 660
31.12.2022			
Cost	797 933	422 395	1 220 328
Accumulated depreciation	-146 486	-54 790	-201 276
Carrying amount	**651 448**	**367 605**	**1 019 053**
Additions and improvements	75 875	4 480	80 355
Write-offs	-428 898	0	-428 898
Depreciation costs	-58 597	-45 985	-104 582
31.12.2023			
Cost	444 911	426 875	871 785
Accumulated depreciation	-205 083	-100 775	-305 858
Carrying amount	**239 828**	**326 099**	**565 927**

There have been no write-downs of assets during the reporting period.

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Note 14 Subsidiaries

Shares in subsidiary	31.12.2023	31.12.2022
Name of subsidiary	Finora Bank UAB	Finora Bank UAB
Registration number	305156796	305156796
Country of residency	Lithuania	Lithuania
Ownership share	100%	100%
Ownership nominal value	4 600 000	3 000 000
Expenses related to establishment	10 473	10 473
Total	**4 610 473**	**3 010 473**

Shares in subsidiary	31.12.2023	31.12.2022
Name of subsidiary	Finora Factoring OÜ	Finora Factoring OÜ
Registration number	14439107	14439107
Country of residency	Estonia	Estonia
Ownership share	100%	100%
Ownership nominal value	10 000	10 000
Expenses related to establishment	190	190
Total	**10 190**	**10 190**

Due to becoming a bank, in 2022 the name of Finora kreditas UAB was changed to Finora Bank UAB.

Note 15 Deposits

The Group started obtaining deposits in December 2022. As of 31 December 2023 and 2022, all deposits were term deposits and mainly from private individuals. The nominal interest rates of most deposits from customers equal their effective interest rates as no other significant fees have been paid. Customer deposits are all in euros and received mainly through the Raisin platform from Germany. The average interest rate was 3.55% (in 2022: 3.27%). The distribution of customer deposits by residual term is as follows:

(in euros)

Term	31.12.2023	31.12.2022
1 year	6 498 363	699 281
2 years	8 466 107	2 142 993
3 years	1 611 480	404 160
4 years	218 602	0
5 years	1 576 801	0
Total	**18 371 353**	**3 246 434**

Note 16 Loan liabilities and deposits

in euros		Allocation by remaining maturity					
	31.12.2023	Within 12 months	1-5 years	over 5 years	Maturity	Interest	Currency
Deposits							
Deposits from clients	18 371 353	6 498 363	11 872 990	0	2024-2028	3.55%	EUR
Total Deposits from clients	**18 371 353**	**6 498 363**	**11 872 990**	**0**			
Other loans							
Corporates	3 338 102	738 102	2 600 000	0	2024-2027	1% - Eurobor + 5,5%	EUR
Total other loans	**3 338 102**	**738 102**	**2 600 000**	**0**			
Bonds							
Bonds	1 671 288	0	1 671 288	0	July 2025*	9%	EUR
Total bonds	**1 671 288**	**0**	**1 671 288**	**0**			
Subordi-nated loans							
Subordinated loans	2 290 000	0	0	2 290 000	2029-2030	11-12%	EUR
Total subordi-nated loans	**2 290 000**	**0**	**0**	**2 290 000**			
Total loan liabilities	**25 670 744**	**7 236 466**	**16 144 278**	**2 290 000**			

in euros	Allocation by remaining maturity						
	31.12.2022	Within 12 months	1-5 years	over 5 years	Maturity	Interest	Currency
Deposits							
Deposits from clients	3 246 434	699 281	2 547 153	0	2023-2026	3.27%	EUR
Total Deposits from clients	**3 246 434**	**699 281**	**2 547 153**	**0**			
Other loans							
Corporates	11 278 054	7 584 891	3 693 163	0	2023-2027	1%-12,5%	EUR
Private individuals	100 000	100 000	0	0	2023	11%	EUR
Total other loans	**11 378 054**	**7 684 891**	**3 693 163**	**0**			
Bonds							
Bonds	5 014 441	0	5 014 441	0	February 2024*	9%	EUR
Total bonds	**5 014 441**	**0**	**5 014 441**	**0**			
Subordinated loans							
Subordinated loans	1 000 000	0	0	1 000 000	2 029	12%	EUR
Total subordi-nated loans	**1 000 000**	**0**	**0**	**1 000 000**			
Total loan liabilities	**20 638 930**	**8 384 172**	**11 254 758**	**1 000 000**			

*The initial maturity date of the bonds was April 2022. In February 2022, with the consent of bondholders, the maturity date of the bonds was extended to February 2024. In November 2023, with the consent of bondholders, the maturity date of the bonds was further extended by 1.5 years.

The internal rate of return on loans and bonds does not significantly differ from the contractual interest rate.

The bonds are secured by pledged mortgages, collateral from loan agreements, and deposit pledges, which must cover the obligations arising from the bonds by at least 105%. The total amount of secured assets exceeded the required level as of December 31, 2023, as well as December 31, 2022. As of the end of the reporting period, mortgages and real estate pledges accounted for 2% (compared to 4% as of December 31, 2022) of the collateral, claims against the Lithuanian subsidiary (and claims against Lithuanian companies through it) accounted for 77% (compared to 50% as of December 31, 2022), pledges from corporate microloans and consumer loan claims accounted for 5% (compared to 12% as of December 31, 2022), claims arising from leasing agreements accounted for 8% (compared to 31% as of December 31, 2022), and the remaining portion consisted of deposit pledges, claims against subsidiaries, etc.

As of December 31, 2023, and December 31, 2022, among the loans taken from legal entities, there is a loan from

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the European Investment Fund (EIF) amounting to 2 600 000 EUR, which entails certain covenant requirements for the Group in terms of ratios. As of December 31, 2022, the Group was compliant with these requirements, except for the cost-income ratio. However, as of December 31, 2023, the Group was not in compliance with the EIF requirements regarding the ratios they stipulated (Financial leverage ratio, Short-term obligations coverage ratio, Cost-income ratio, Non-performing loans ratio). According to the agreement, the EIF has the right to demand early repayment of the loan. Consequently, as of December 31, 2022, and December 31, 2023, the loan is reflected as short-term.

Another loan taken from legal entities, a loan from Invega amounting to 0.7 million euros as of December 31, 2023 (3.6 million euros as of December 31, 2022), is secured by both the bank account of the Lithuanian subsidiary associated with this loan and loans issued under this measure.

Note 17 Other payables and prepayments

in euros	31.12.2023	Within 12 months	1-5 years	31.12.2022	Within 12 months	1-5 years	Note
Trade payables	46 119	46 119	0	79 527	79 527	0	
Payables to employees	178 887	178 887	0	111 094	111 094	0	
Tax liabilities	168 187	168 187	0	96 420	96 420	0	10
Other liabilities	665 009	665 009	0	254 637	254 637	0	
Interest liabilities	562 371	562 371	0	183 114	183 114	0	
Other accrued expenses	102 637	102 637	0	71 523	71 523	0	
Prepayments received	138 569	128 592	9 977	200 519	174 247	26 272	
Deferred income	138 569	128 592	9 977	200 519	174 247	26 272	
Total payables and prepayments	**1 196 770**	**1 186 793**	**9 977**	**742 196**	**715 924**	**26 272**	

Note 18 Share capital, share premium and other reserves

in euros	31.12.2023	31.12.2022
Share capital	551 673	517 276
Number of shares (pcs)	551 673	517 276
Unregistered share capital	151 050	0
Share premium	7 208 263	5 282 031
Other reserves	176 590	14 921

In 2023, the share capital increased by a total of EUR 34 397, with all payments made in cash. The share premium increased by a total of EUR 1 926 232 in 2023, with all payments made in cash. Additionally, in 2023, a payment for share capital in the amount of EUR 151 050 (in cash) was received in the company's bank account (including EUR 2 650 for share capital and EUR 148 400 for share premium), which was registered by the Commercial Register in January 2024 and is therefore reflected as unregistered share capital as of December 31, 2023.

In 2022, the share capital increased by a total of EUR 57 944, including EUR 49 744 paid in cash and EUR 8

200 offset against bonds and their interest. The share premium increased by a total of EUR 2 024 303 in 2022, including EUR 1 765 183 paid in cash and EUR 259 120 offset against bonds and their interest.

The company has no contingent liabilities (related to dividends) as of both December 31, 2023, and December 31, 2022. Since the undistributed profit from previous periods is negative, consequently, there is no contingent dividend tax amount.

Since 2022, the group has been issuing stock options to owners, board members, department heads, and key employees. The exercise period for the options is three years, and the issuance of shares underlying the options takes place at the shareholders' annual general meeting or a special meeting close to the exercise deadline. The reserve for issued options as of December 31, 2023, was EUR 176 590 (December 31, 2022: EUR 14 921). The corresponding expenses in the income statement for 2023 were EUR 161 669 (in 2022: EUR 14 921). The fair value of the options is calculated using the Black-Scholes model, which takes into account the bank's share price, volatility, and the risk-free interest rate as inputs. Employees do not have the right to cash out the amount of the options. The options cannot be exchanged, sold, pledged, or encumbered. The options are inheritable. The option agreement expires if an employee leaves the company before the fulfillment of the options, but the board may decide otherwise. In 2023, 2 200 stock options were issued (in 2022: 28 600). In 2023, 6 450 stock options were canceled due to people leaving the company. No stock options were exercised or canceled in 2022.

Changes in Options	
Options Balance as of 2021 Dec	0
Options Issued in 2022	28 600
Options Balance as of 2022 Dec	28 600
Options Issued in 2023	2 200
Options Cancelled in 2023	-6 450
Options Balance as of 2023 Dec	24 350

Options outstanding as of 31 December 2023		
Date of issue	December 2022	May 2023
Expiry date	December 2025	May 2026
Share price	32,6	57
Issued Options Quantity	28 600	2 200
Cancellation	-6 450	0
Balance	22 150	2 200
Total balance 24 350		

Options outstanding as of 31 December 2022	
Date of issue	December 2022
Expiry date	December 2025
Share price	32,6
Number of options	28 600
Total balance 28 600	

Note 19 Interest income

in euros	2023	2022
Geographical breakdown of sales revenue		
Sales to EU countries		
Estonia	325 783	1 604 062
Lithuania	1 770 773	659 157
Sales to EU countries, total	2 096 556	2 263 219
Sales revenue total	**2 096 556**	**2 263 219**
Sectoral breakdown of sales revenue		
Interests from mortgage loans	869 507	341 666
Other interests	1 008 416	1 856 833
Fee income	218 633	64 720
Sales revenue total	**2 096 556**	**2 263 219**

The company's main source of revenue is interest received from lending activities. Interest is received from mortgage loans, small loans, microloans, hire-purchase, factoring and lease contracts.

The distribution of revenues is based on legal entities.

Note 20 Interest expenses

in euros	2023	2022
Bonds	240 117	518 157
Bank loans	0	3 592
Corporates	271 502	586 983
Deposits from clients	491 356	2 285
Subordinated loans	253 936	62 320
Total other income	**1 256 910**	**1 173 338**

Note 21 Other income

in euros	2023	2022
Penalty interest	124 839	56 475
Other fee income	113 527	2 479
Other operating income	103 238	47 650
Total other income	**341 604**	**106 604**

Other business income is largely from the sale of intangible assets.

Note 22 Operating expenses

in euros	2023	2022
Office expenses	121 281	94 352
State and local taxes	76 783	41 536
IT services costs	562 743	101 514
Legal costs	126 623	53 560
Advertising and marketing costs	227 030	173 305
Accounting services (incl. audit costs)	43 449	47 192
Subscription fees	90 033	51 123
Seminars and other employee expenses	77 151	60 072
Financing fees	65 070	47 333
Consultation fees	66 254	6 389
Recruitment fees	76 927	25 056
Management and brokerage fees	30 887	46 200
Other	402 882	2 562
Total miscellaneous operating expenses	**1 967 113**	**750 195**

Under Other Expenses, a significant portion comprises costs related to writing off Inbank's receivables, in addition to inquiries into databases and debt management expenses.

Note 23 Labour expenses

in euros	2023	2022
Wages and salaries	1 770 819	882 233
Labour taxes	216 199	127 248
Options	161 669	14 921
Total labour expense	**2 148 688**	**1 024 402**
Average number of employees in full time equivalent units	**54**	**25**
Person working under an employment contract	42	19
Member of the management or control body of a legal person	12	6

Note 24 Related parties

Name of accounting entity's parent company: Nebbiolo Capital OÜ

Country, where parent company is registered: Estonia

(in euros)

Related party balances according to groups	Receivables 31.12.2023	Liabilities 31.12.2023	Receivables 31.12.2022	Liabilities 31.12.2022
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	**1 363 180**	**1 089 964**	**756 308**	**1 222 361**

Loan receivables 2022	Loans given	Repayments of loans given	Interest
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	**117 000**	**0**	**47 650**

Loan receivables 2023	Loans given	Repayments of loans given	Interest
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	**190 000**	**0**	**61 463**

Loan obligations 2022	Received loans	Repayments of loans received	Calculated interest for the period
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	1 080 000	1 416 320	101 341

Loan obligations 2023	Received loans	Repayments of loans received	Calculated interest for the period
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	740 000	1 080 000	85 422

2022	Sales	Purchase
Parent company		20 250
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	40 798	167 032

2023	Sales	Purchase
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	305 447	363 302

Finora Group AS – Remuneration and other significant benefits calculated for members of management and highest supervisory body	2023	2022
Remuneration	50 622	47 724

Parties are considered to be related either when one party is controlled by another, or one party has significant influence over the business decisions of another.

Related party is management and supervisory board members and their close relatives and corporates controlled by them. There have been no write-downs of related party assets during the reporting period. Management received management fees and did not receive any other significant benefits. The company does not have any contingent liabilities in connection with its management.

In 2023, 2 200 stock options were granted to a board member. Additionally, in 2023, 4 200 stock options for a board member were cancelled.

In 2022, a total of 21 100 stock options were granted to board members, members of the supervisory board who are also shareholders, and to employees in executive positions. In 2022, none of the stock options associated with them were exercised or cancelled.

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Changes in options	
Number of options issued as of 2021 Dec	0
Options issued in 2022	21 100
Number of options issued as of 2022 Dec	21 100
Options issued in 2022	2 200
Options cancelled in 2023	4 200
Number of options issued as of Dec 2023	19 100

In 2022, 267,320 euros of repayments received from related parties' loans were converted into equity. However, in 2023, such repayments were not received, as all contributions were made in cash to the share capital, and no conversion of loans into equity occurred.

Note 25 Contingent liabilities

in euros	31.12.2023	31.12.2022
Issued guarantees	1 554 915	1 508 076
Unused factoring limits	7 547 617	1 662 115
Total contingent liabilities	**9 102 532**	**3 170 191**

The unused factoring limit refers to the unutilized limit of factoring agreements signed with clients.

See also Note 8 for a description of the Inbank court case, the principal claim balance of which was expensed in 2023. The process of compensating the other party's court costs is ongoing. Since there is no clarity on the size and payment deadline of these costs as of December 31, 2023, they have not been recorded as expenses; they are treated as contingent liabilities.

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Note 26 Unconsolidated financial statements of the parent company

Pursuant to the Accounting Act of the Republic of Estonia, the separate unconsolidated primary statements of the consolidating entity (parent company) are disclosed in the notes to the consolidated financial statements.

Statement of financial position

in euros	31.12.2023	31.12.2022
Assets		
Cash	1 209 646	913 724
Investments into bonds	0	118 699
Loan receivables	2 444 265	5 152 838
Mortgage loans	444 259	705 898
Other loans	2 000 005	4 446 940
Other receivables and prepayments	1 513 654	2 146 224
Financial investments	529 565	529 565
Investments into subsidiaries and affiliates	4 664 173	3 023 637
Property, plant and equipment	56 048	43 034
Intangible assets	195 959	495 784
Total assets	**10 613 310**	**12 423 506**
Liabilities		
Loan liabilities	4 280 988	8 783 083
Bank loans	2 600 000	2 600 000
Bonds	1 671 288	5 014 441
Other loan liabilities	9 700	1 168 641
Payables and prepayments	477 373	394 915
Subordinated loans	1 290 000	0
Total Liabilities	**6 048 361**	**9 177 998**
Equity		
Share capital	551 673	517 276
Unregistered share capital	151 050	0
Share premium	7 208 263	5 282 031
Other reserves	176 590	14 921
Retained earnings (loss)	-2 568 720	-1 734 721
Net profit (loss) for the financial year	-953 907	- 833 999
Total equity	**4 564 949**	**3 245 508**
Total Liabilities and equity	**10 613 310**	**12 423 506**

Income statement

in euros	2023	2022
Interest income	488 642	995 609
Interest expense	-596 441	- 771 796
Net interest income	**-107 799**	**223 813**
Other income	190 654	47 178
Total revenue	**82 855**	**270 991**
Operating expenses	-284 309	- 386 856
Labor expenses	-361 702	- 461 636
Other expense	-290 921	0
Total expenses	**-936 932**	**- 848 492**
Profit before impairment losses	**-854 077**	**- 577 501**
Depreciation and amortisation	-75 385	- 84 268
Changes in loan impairment reserve	-24 445	- 172 231
Net profit (loss) for the financial year	**-953 907**	**- 833 999**

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Statement of Cash Flow

in euros	2023	2022
Cash flows from operating activities		
Net profit (loss)	-953 907	-833 999
Adjustments		
Depreciation and amortisation	**75 385**	**84 268**
Interest expense	596 441	771 796
Interest income	-488 642	-995 609
Other adjustments	186 114	172 231
Total adjustments	**369 298**	**32 685**
Total change in receivables and prepayments related to operating activities	2 599 019	199 624
Total change in payables and prepayments related to operating activities	82 458	71 245
Interest received	468 188	933 938
Interest paid	-641 955	-818 763
Other proceeds from operating activities (bonds)	10 000	1 050 000
Other payments from operating activities (bonds)	-2 085 000	-1 643 566
Total cash flows from operating activities	**-151 899**	**-1 008 837**
Cash flows from investing activities		
Sold bond investments	318 361	0
Investments into bonds	-199 182	0
Purchase of property, plant and equipment and intangible assets	-64 744	-141 086
Proceeds from property, plant and equipment and intangible assets	644	151 103
Investments into subsidiaries	-1 600 000	-702 974
Loans to subsidiaries and affiliates	-190 000	-2 735 000
Repayment of loans from subsidiaries and affiliates	936 062	2 805 000
Total cash flows from investing activities	**-798 859**	**-622 957**
Cash flows from financing activities		
Loans received	215 000	2 239 700
Repayments of loans received	-1 080 000	-1 750 809
Proceeds from issue of shares	2 111 679	1 816 647
Total cash flows from financing activities	**1 246 679**	**2 305 537**
Total cash flows	**295 922**	**673 744**
Cash and cash equivalents at beginning of period	913 724	239 980
Change in cash and cash equivalents	**295 922**	**673 744**
Cash and cash equivalents at end of period	1 209 646	913 724

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Statement of changes in equity

	Share capital	Unregistered share capital	Share premium	Other reserves	Retained earnings (loss)	Total
31.12.2021	**459 332**	**0**	**3 257 728**	**0**	**-1 734 721**	**1 982 339**
Net profit (loss) for the financial year	0	0	0		- 833 999	- 833 999
Issue of share capital	57 944	0	2 024 303	0	0	2 082 247
Stock options	0	0	0	14 921	0	14 921
31.12.2022	**517 276**	**0**	**5 282 031**	**14 921**	**-2 568 720**	**3 245 508**
Net profit (loss) for the financial year	0	0	0	0	-953 907	-953 907
Issue of share capital	34 397	151 050	1 926 232	0	0	2 111 679
Stock options	0	0	0	161 669	0	161 669
31.12.2023	**551 673**	**151 050**	**7 208 263**	**176 590**	**-3 522 626**	**4 564 949**

Adjusted unconsolidated equity	31.12.2022	31.12.2023
Unconsolidated equity	**3 245 508**	**4 565 949**
Investments into subsidiaries and affiliates	-3 023 637	-4 664 173
Investments into subsidiaries and affiliates, based on equity method	3 016 428	2 841 806
Adjusted unconsolidated equity	**3 238 298**	**2 742 582**

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Note 27 Post-Balance Sheet Events

In the first quarter of 2024, 151 050 euros, which was reflected as unregistered share capital as of December 31, 2023, was registered. Additionally, Finora Group's share capital and premium were increased by a total of 270 000 euros.

Note 28 Continuation of Operations

In 2024, the Group intends to secure additional capital of up to 8 million euros, involving existing shareholders, attracting new investors, and exploring market-based financing options. This capital raise is of critical importance for expanding services, upgrading technological infrastructure, meeting regulatory capital requirements, and ensuring business continuity. Initiatives are underway to enhance operational efficiency and better manage costs, aiming to improve the financial sustainability of the Group. A significant development in our capital-raising strategy is the establishment of an in-house Investor Relations department at the end of 2023, dedicated to daily efforts in raising necessary capital in both Estonia and Lithuania. Equally important is the engagement of a leading consulting firm, with whom the Group signed a contract in the first quarter of 2024. This partnership focuses on supporting our capital-raising efforts, demonstrating our proactive approach to securing the financial future of the Group.

The management is confident in the effectiveness of the implemented measures to ensure the Group's continuity. The partnership established with the leading consulting firm, the dedicated team focused on Investor Relations, along with our capital-raising and operational improvement activities, positions us well to achieve our strategic objectives in fundraising. Overall, the Group is actively taking steps to secure its position and ensure sustainability. The aforementioned initiatives, supported by our strategic partnerships and team dedication, ensure the necessary capital raise.

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Signatures of the report

Signing of the report: 31.03.2024

The correctness of the annual report AS Finora Group (registry code: 12324050) for the period 01.01.2023 – 31.12.2023 has been approved.

Name:	Position:	Date and signature:
Šarunas Ruzgys	Member of the Management Board	05.04.2024 

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

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To the Shareholders of AS Finora Group

Opinion

We have audited the consolidated financial statements of AS Finora Group and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISA (EE)s). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (Estonia) (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Management report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. It is also our responsibility to disclose whether information presented in the Management report is in accordance with the applicable requirements provided for by law.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, in relation to the above, we are required to report that fact. We have nothing to report in this regard and we note that information presented in the management report is in material respects in accordance with the consolidated financial statements and with the applicable requirements provided for by law.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA (EE)s will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA (EE)s, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Janno Greenbaum
Sworn Auditor, license number 486

Grant Thornton Baltic OÜ, license number 3
Pärnu mnt 22, 10141 Tallinn
April 5, 2024

Proposal for loss coverage

in euros	31.12.2023	31.12.2022
Profit (loss) of previous periods	-2 584 384	-1 446 338
Annual period profit (loss)	-3 104 873	-1 138 046
Total	**-5 689 257**	**-2 584 384**
Coverage		
Profit (loss) of previous periods after distribution	-5 689 257	-2 584 384
Total	**-5 689 257**	**-2 584 384**

Decision on loss coverage

in euros	31.12.2023	31.12.2022
Profit (loss) of previous periods	-2 584 384	-1 446 338
Annual period profit (loss)	-3 104 873	-1 138 046
Total	**-5 689 257**	**-2 584 384**
Coverage		
Profit (loss) of previous periods after distribution	-5 689 257	-2 584 384
Total	**-5 689 257**	**-2 584 384**

Declaration of the Supervisory Board

The Management Board has prepared the management report and financial statements of AS Finora Group for the financial year 2023. The Supervisory Board has reviewed the annual report prepared by the Management Board, which consists of the management report and the financial statements, the opinion of the sworn auditor and the proposal for the distribution of profits (coverage of loss) and approved it for submission to the general meeting of shareholders.

Veikko Maripuu
Chairman of the Supervisory Board

Vahur Kraft
Member of the Supervisory Board

Indrek Randveer
Member of the Supervisory Board

Rein Ojavere
Member of the Supervisory Board

Distribution of revenue by business segments

Field of activity	EMTAK code	Sales revenue (EUR)	Sales revenue (%)	Main field of activity
Other credit products, excl pawnshops	64929	2 263 219	100.00%	Yes

Share holders

Name	Registry code	Location	Size of ownership and currency
Nebbiolo Capital OÜ	11918037	Estonia	218 350 EUR
Others		Estonia	298 926 EUR

Contact details

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finora group