AS FINORA GROUP CONSOLIDATED ANNUAL REPORT 2022

Building future together

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(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.

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GENERAL INFORMATION

Reporting period

1 January 2022 - 31 December 2022

Company information

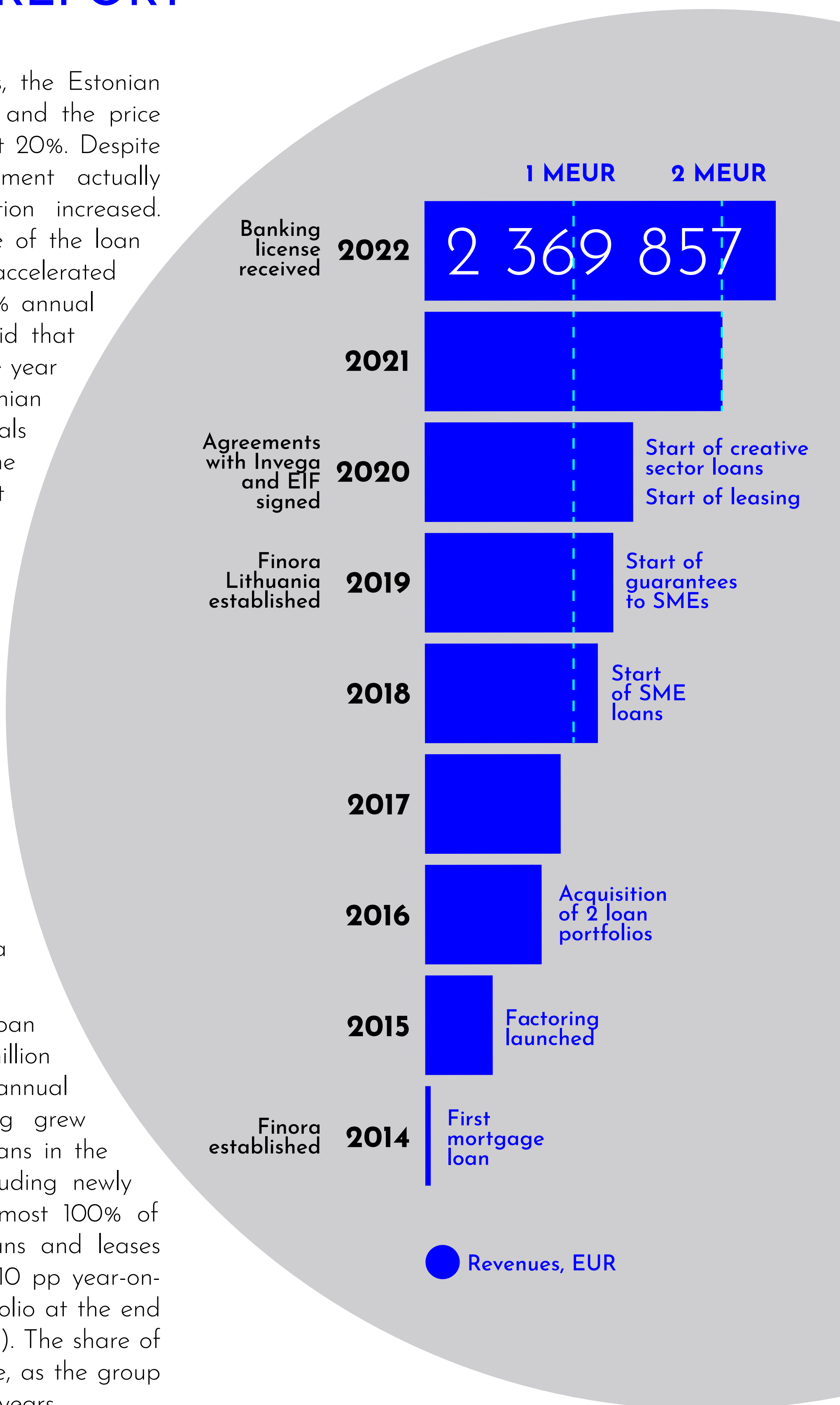
Business name	**AS Finora Group**
Legal address	**Tartu road 25, 10117 Tallinn**
Business Registry code	**12324050**
Phone	**+372 658 1300**
E-mail	**info@finoragroup.eu**
Website	**finoragroup.eu**
Auditor	**Grant Thornton Baltic OÜ**
Supervisory Board	**Veikko Maripuu Vahur Kraft Indrek Randveer Rein Ojavere**
Management Board	**Andrus Alber**

MANAGEMENT REPORT

According to preliminary estimates, the Estonian economy shrank by 1.3% in 2022, and the price increase was unusually high, almost 20%. Despite these negative trends, unemployment actually decreased and private consumption increased. At the same time, the growth rate of the loan balance of non-financial companies accelerated throughout 2022 and reached 11.4% annual growth in December. It can be said that there was a lot of uncertainty in the year that ended, but all in all, the Estonian economy, entrepreneurs and individuals managed better than feared in the background of the global events that started at the beginning of the year.

The past year was very significant for Finora Group, because the Group's subsidiary in Lithuania received a specialized banking license from the European Central Bank and Finora Bank began operations. In November 2022, the bank received permission to start cross-border banking activities in Estonia as well, and we have started accepting deposits since December. This has created a good basis for accelerating Finora Group's growth in the coming years.

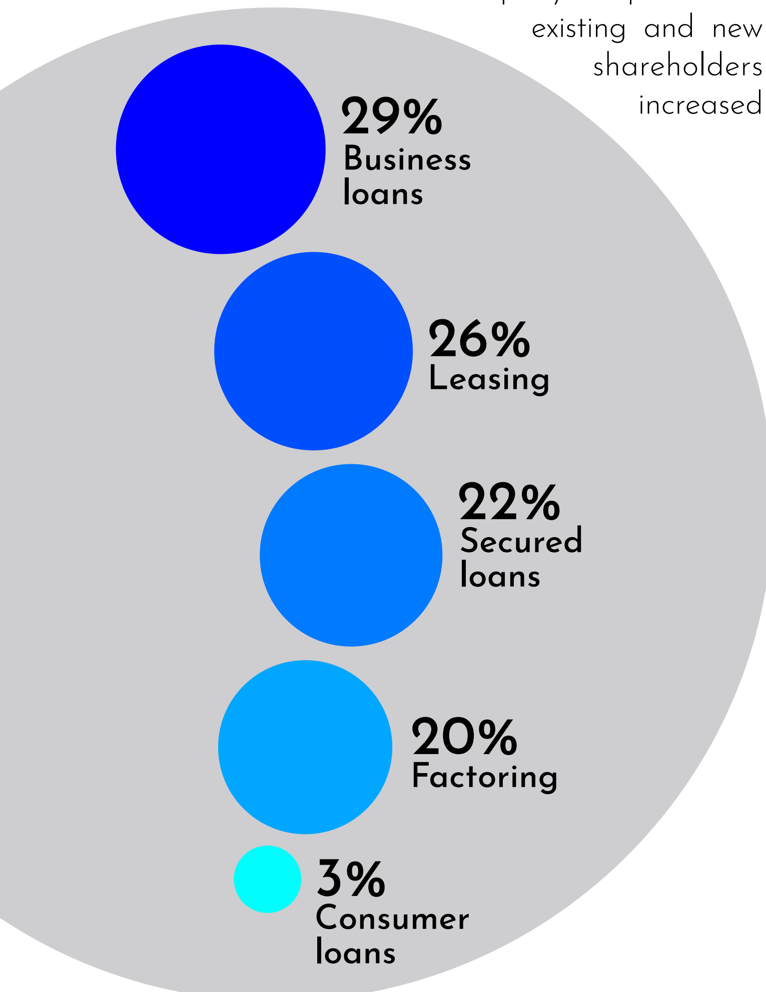
Finora Group's consolidated loan portfolio grew to almost 15.5 million euros by the end of 2022. In the annual comparison, factoring and leasing grew the most. The share of business loans in the portfolio remains above 95%, including newly issued business loans make up almost 100% of loans. The share of mortgage loans and leases with guarantees has increased by 10 pp year-on-year and reached 48% of the portfolio at the end of December (see figure on page 5). The share of consumer credit continues to decline, as the group no longer has issued them in recent years.



Although the company's portfolio grew minimally over the year, the company's interest income grew by 40% over the year and reached almost 2.3 million euros in 2022. Interest expenses grew by 23% over the year, i.e. slower than income. As a result, net interest income grew by 48% year-on-year and exceeded the million euro mark for the first time.

In connection with the launch of the bank, personnel costs and various operating costs increased substantially last year. The number of employees and labor costs doubled in a year. In Lithuania, the workforce grew 6 times in a year. Various operating expenses increased by 81%. As a result of the rapid increase in costs, the 2021 profit before discounts was replaced by a loss, as expected.

Loan loss allowance reserves grew in the same amount as the year before, that is, the quality of the loan portfolio did not deteriorate over the year. 2022 ended with expected net loss, totaling to more than 1 million euros. In order to support the company's capital base existing and new shareholders increased the Group's share capital and share premium by almost 2.1 million euros in 2022. In addition, subordinated loans in the amount of 1 million were placed in Finora Bank's Tier 2 capital.



The company invested in fixed assets during the financial year 25 thousand euros and to intangible fixed assets 322 thousand euros. The largest investments in intangible fixed assets were related to the development of computer software, bank reporting and activities necessary to obtain a bank license. In 2023, it is planned to continue with investments in Banking software development and reporting.

There have been no significant research related projects and related expenditures in the reporting year and there are non planned in the nearest future.

The Group's business is not significantly affected by seasonality or cyclical economic activity. The Group's operations do not have significant environmental and social impacts.

The Group has taken into account that it is exposed to several risks in its economic activities. The goal of risk management is the recognition, measurement and adequate management of these risks. In a broader context, the aim of risk management is to reduce possible losses and the volatility of economic results. The Group's risk management is based on the classic three-level risk management system. The Group considers the risks related to changes in foreign exchange rates and stock exchange rates during the financial year and the reporting period to be very low, as the company's receivables and liabilities are denominated in euros and the company does not invest in tradable Securities, except to highly rated government bonds. More detailed information is provided in the section describing risk management in the financial statements.

The consolidated report of the Group reflects the financial indicators of AS Finora Group (parent company, Estonia) and its 100% subsidiaries Finora Factoring OÜ (Estonia) and Finora Bank UAB

(Lithuania). During the financial year nor during the preparation period of annual report there have been no changes in the composition of the Group. Changes in the investment and financing strategy of the consolidating entity and the group, the financing structure, the risk management policy and liquidity that started in second half of 2022 had a minor effect on 2022 results, but will effect future periods. Instead of bonds and bilateral (including institutional) loans the Group will mainly finance itself through deposits. Due to the significant increase in liquidity, the company allocates free funds to central bank deposits and also to freely tradable government bonds.

In connection with the launch of the bank, a group has also started partial restructuring. Finora Group is becoming an holding company and loan activity has been moving from Finora Group AS and Finora Factoring OÜ to Finora Bank UAB since the end of 2022. The dividend policy of the consolidation group is being developed; there is currently no distributable profit.

In addition to regular business activities and banking development activities Finora has achieved significant further developments in 2023. In addition to equity increase in 2022 the share capital and share premium were additionally increased at the beginning of 2023. Additional 0.6 million of share capital and share Premium and 1.25 million of subordinated loans were added. During the first months of 2023 the amount of deposits have been significantly increased and the bilateral loans and the bonds in total amount of more than 5 million euros were repaid.

All in all, 2022 was a year of significant development for the Group as Finora Bank started its operations and bank started to collect deposits. It was especially significant achievement in a situation where in the entire Baltic region no other company than Finora received a Banking license. In 2023 we plan significantly accelerate our growth in both Estonia and Lithuania, whereas in Estonia we plan to open the Finora Bank branch.

Financial Ratios

	2022	2021
Average equity, in euros	2 750 283	2 443 422
Return on equity (ROE)	-41%	-14%
Total Assets (average), in euros	21 591 984	14 290 103
Return on assets (ROA)	-5%	-2%
Cost to income ratio	-104%	-91%

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)

	31.12.2022	31.12.2021	Note
Assets			
Cash	6 181 572	1 256 134	
Investments into bonds	277 689	0	
Loan receivables	15 336 895	14 864 098	7
Other receivables and prepayments	1 200 109	1 074 260	8; 22
Financial investments	529 565	529 565	9
Property, plant and equipment	66 086	61 873	12
Intangible assets	1 019 053	787 069	13
Total assets	**24 610 969**	**18 573 000**	
Liabilities and equity			
Deposits from clients	3 246 434	0	15; 16
Loan liabilities	16 392 496	15 795 608	16
Bank loans	0	156 590	
Bonds	5 014 441	5 873 607	
Other loan liabilities	11 378 054	9 765 411	
Payables and prepayments	742 196	506 670	10;17
Subordinated loans	1 000 000	0	11
Total Liabilities	**21 381 125**	**16 302 278**	
Equity			
Share capital	517 276	459 332	18
Share premium	5 282 031	3 257 728	
Other reserves	14 921	0	
Retained earnings (loss)	-1 446 338	-1 100 939	
Net profit (loss) for the financial year	-1 138 046	-345 399	
Total equity	**3 229 844**	**2 270 722**	
Total liabilities and equity	**24 610 969**	**18 573 000**	

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Consolidated statement of profit and loss and comprehensive income

(in euros)

	2022	2021	Note
Interest income	2 263 219	1 618 563	19
Interest expense	-1 173 338	-884 313	20
Net interest income	**1 089 881**	**734 249**	
Other income	106 604	390 853	21
Total revenue	**1 196 485**	**1 125 102**	
Operating expenses	-750 195	-416 178	22
Labor expenses	-1 024 402	-519 134	23
Total expenses	**-1 774 597**	**-935 312**	
Profit before impairment losses	**-578 112**	**189 791**	
Depreciation and amortisation	-103 752	-69 265	12; 13
Changes in loan impairment reserve	-456 181	-458 029	
Net profit (loss) for the financial year before taxes	**-1 138 046**	**-337 503**	
Income tax	0	-7 896	
Net profit (loss) and Comprehensive income (loss) for the financial year	**-1 138 046**	**-345 399**	

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Consolidated statement of cash flows

(in euros)

	2022	2021	Note
Cash flows from operating activities			
Net profit (loss)	-1 138 046	-345 399	
Adjustments			
Depreciation and amortisation	103 752	69 265	12;13
Interest expense	1 173 338	884 313	20
Interest income	-2 198 499	-1 448 222	19
Other adjustments	456 181	101 574	
Total adjustments	**-465 227**	**-393 070**	
Total change in receivables and prepayments related to operating activities	-1 038 770	-8 853 757	7;8
Total change in payables and prepayments related to operating activities	285 104	138 334	17
Deposits received	3 246 434	0	15
Loans received	4 439 700	8 190 305	16
Repayments of loans received	-2 978 978	-382 054	
Interest received	2 198 499	1 448 222	
Interest paid	-1 222 917	-723 200	
Other proceeds from operating activities (bonds)	1 050 000	823 494	16
Other payments from operating activities (bonds)	-1 643 566	-20 000	
Total cash flows from operating activities	**2 732 233**	**-117 125**	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-339 949	-445 036	12;13
Investments into bonds	-278 825	0	
Other investments	0	-21 800	
Total cash flows from investing activities	**-618 774**	**-466 836**	
Cash flows from financing activities			
Subordinated loans received	1 000 000	0	11
Proceeds from issue of shares	1 816 647	0	
Capital lease paid	-4 668	0	
Total cash flows from financing activities	**2 811 978**	**0**	
Total cash flows	**4 925 438**	**-583 961**	
Cash and cash equivalents at beginning of period	1 256 134	1 840 096	
Change in cash and cash equivalents	**4 925 438**	**-583 961**	
Cash and cash equivalents at end of period	6 181 572	1 256 134	

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Consolidated statement of changes in equity

(in euros)

	Share capital	Share premium	Other reserves	Retained earnings (loss)	Total
31.12.2020	**459 332**	**3 257 728**	**0**	**-1 100 939**	**2 616 121**
Net profit (loss) for the financial year	0	0	0	-345 399	-345 399
31.12.2021	**459 332**	**3 257 728**	**0**	**-1 446 338**	**2 270 722**
Net profit (loss) for the financial year	0	0	0	-1 138 046	-1 138 046
Stock options	0	0	14 921	0	14 921
Issue of share capital	57 944	2 024 303	0	0	2 082 247
31.12.2022	**517 276**	**5 282 031**	**14 921**	**-2 584 384**	**3 229 844**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

AS AS Finora Group (former name AS Finora Capital) 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 2022 and ended on 31 December 2022. The figures in the consolidated financial statements are presented in euros.

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved by the management on 31 March 2023. The supervisory board of the Group has the right to approve or reject them and request that new statements be prepared in accordance with law.

In May 2022, the European Central Bank issued a specialized bank license to Finora kreditas UAB, a subsidiary of Finora Group AS in Lithuania.

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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 estimats 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 recognised 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 thefinancial 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

In 2022, a banking license was issued to Finora Bank UAB, a subsidiary of AS Finora Group, a member of the Group, and the subsidiary was registered as a bank. In connection with this, the presentation method of the cash flow statement has changed compared to the previous year. Receipts and disbursements from bonds as well as loans received and interest paid are reported in this report as part of operating activities (in 2021 annual report they were reported as part of financing activities).

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Note 3 Summary of significant accounting policies

3.1. Summary of significant accounting policies

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

Amendments effective for annual periods beginning on or after 1 January 2022

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 - amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant, or equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, must be recognised in profit or loss. An entity has to use IAS 2 to measure the cost of those items. Cost does not include depreciation of the asset being tested because it is not yet ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying

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amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude tax from cash flows when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments effective for annual periods beginning on or after 1 January 2021, deferred to 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 riskadjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment 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 management is assessing the impact of these amendments as they become effective from 2023.

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

Amendments to IFRS 17 and 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

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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 fulfilment cash flows; and selected transition reliefs and other minor amendments.

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.

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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.

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.

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

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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; allowing 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 is assessing the impact of these amendments to future financial reports.

Amendments that will become effective to reporting periods that start at 1 January 2024 or later and and have not been adopted by EU yet

Amendments to IFRS 16 Leases: LeaseLiability 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.

The Group is assessing the impact of these amendments for future financial statements.

Amendments that have not yet adopted by EU and the effective date will be settled by IASB

Sale or Contribution of Assets between anInvestor 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

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these assets are held by a subsidiary.

The Group is assessing the impact of these amendments for future financial statements.

Amendments that´s effective date has not yet been adopted by EU yet

IFRS 14, Regulatory Deferral Accounts

IFRS 14 permits first-time adopters to continue torecognise 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.

The Group already presents IFRS financial statements, therefore, this change has no effect on the Group.

3.2 Consolidation

Susidiaries

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 kreditas 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

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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 of debt or equity securities, as an expense when incurred.

If the consideration transferred, the noncontrolling interest in the acquired entity and the acquisition-date fair value of the acquirer's previously held equity interest in the acquired entity exceeds the 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 way purchases and sales of financial assets are recognised on 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 on 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

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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 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 periood 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 labour, 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 flow 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.

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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.

Thereshold 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 cost less 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 licences and software. Acquired licences are recognised at cost. Acquired computer software licences 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 cost less 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 regonition 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

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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 non-performing 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. 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. 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

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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 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 agreementbased 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 incresed-risk loans are classified into the group of working loans if all of the following conditions are met:

- 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 the 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

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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 berepaid 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 31.12.2022 is 42 (31.12.2021: 42) thousand EUR and in the negative scenario, -42 (31.12.2021: -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

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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 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. Rightof-use assets are also adjusted for impairment losses, if any. In addition, right-ofuse 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. The lease liability is measured at amortised cost. It is remeasured if there are changes in future lease payments reflecting a change in the 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-ofuse 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.

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 due dates longer than one year from the date of the statement of financial position are disclosed in the statement of financial position as noncurrent liabilities.

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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 effective interest method in the statement of financial position line „Deposits". Accrued interest liabilities are included in the same line. Interest expense is recognised in the statement of profit or loss line „Interest expens"e 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 non-business 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 Companyl'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

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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 a 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 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

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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. Each financial year, at least onetwentieth 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 comission 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 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 fee 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.

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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.

3.21 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 labour 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

GIn 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.

On the basis of 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)

31.12.2022	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets at fair value					
Investments into bonds	0	277 689	0	277 689	277 689
Financial investments	0	529 565	0	529 565	529 565
Total financial assets at fair value	**0**	**807 254**	**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
Bank loans	0	0	0	0	0
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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(in euros)

31.12.2021	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets at fair value					
Financial investments	0	529 565	0	529 565	529 565
Total financial assets at fair value	**0**	**529 565**	**0**	**529 565**	**529 565**
Financial assets at amortized cost					
Cash	1 256 134	0	0	1 256 134	1 256 134
Loan receivables	0	0	14 864 098	14 864 098	14 864 098
Other receivables and prepayments	0	0	1 074 260	1 074 260	1 074 260
Total financial assets at amortized cost	**1 256 134**	**0**	**15 938 358**	**17 194 492**	**17 194 492**
Liabilities at amortized cost					
Loan liabilities	0	0	15 795 608	15 795 608	15 795 608
Bank loans	0	0	156 590	156 590	156 590
Bonds	0	0	5 873 607	5 873 607	5 873 607
Other loan liabilities	0	0	9 765 411	9 765 411	9 765 411
Payables and prepayments	0	0	506 670	506 670	506 670
Total financial liabilities at amortized cost	**0**	**0**	**16 302 278**	**16 302 278**	**16 302 278**

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Note 5 Use of significant accounting judgements and estimates

The preparation of consolidated financial statements in corformity 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.

The assessment of loans receivables is set out in Note 6 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 yearly basis at minimum. Currently the amortisation rate for licences, 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.

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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 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 optimise the risk-return-ratio. This maximises the riskadjusted 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, decisionmaking 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 probabilty 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 at 31.12.2021, all Group's cash and bank were in commercial bank with a rating of Aa3 and as of 31.12.2022, EUR 2 766 820 was in a commercial bank rated Baa1 and EUR 3 414 752 in a commercial bank rated 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	31.12.2022 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**

in euros	31.12.2021 Total	Stage 1	Stage 2	Stage 3
Mortgage loans to clients	**3 033 144**	2 383 983	466 102	183 059
Mortgage loans	**3 098 904**	2 397 016	466 634	235 255
Allowance for doubtful accounts	**-65 760**	-13 032	-531	-52 196
Other loans to clients	**11 863 835**	10 298 458	873 132	692 245
Factoring and other business loans	**11 853 561**	10 357 249	807 188	689 124
Allowance for doubtful accounts	**-471 570**	-84 355	-11 074	-376 141
Consumer loans	**805 228**	26 886	81 497	696 845
Allowance for doubtful accounts	**-323 385**	-1 322	-4 480	-317 583
Total loan receivables to clients	**14 896 979**	**12 682 441**	**1 339 234**	**875 304**

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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 cannotraise 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	31.12.2022	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
Bank loans	0	0	0	0
Bonds	5 014 441	0	5 014 441	0
Other loan liabilities	11 378 054	7 684 891	3 693 163	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**

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in euros	31.12.2021	within 12 months	1-5 years	over 5 years
Financial assets				
Cash	1 256 134	1 256 134	0	0
Loan receivables	14 864 098	4 903 585	9 468 545	491 968
Other receivables and prepayments	1 074 260	1 074 260	0	0
Total financial assets	**17 194 492**	**7 233 979**	**9 468 545**	**491 968**
Liabilities				
Loan liabilities	15 795 608	7 043 120	3 945 319	4 807 168
Bank loans	156 590	139 811	16 779	0
Bonds	5 873 607	5 873 607	0	0
Other loan liabilities	9 765 411	1 029 702	3 928 540	4 807 168
Payables and prepayments	506 670	506 670	0	0
Total financial liabilities	**16 302 278**	**7 549 790**	**3 945 319**	**4 807 168**
Duration gap of financial assets and financial liabilities	**892 214**	**-315 811**	**5 523 226**	**-4 315 200**

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 interestbearing 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

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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 minimise 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 organisation as a whole. The Group implements regulatory management principles, being at the same time aware of the relevance of an open and dynamic organisational 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 measurementand 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 materialisation 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 licence. 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 analysing 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.

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Note 7 Loan receivables

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		Allocation by remaining maturity		
	31.12.2021	within 12 months	1-5 years	over 5 years
Mortgage loans to clients	**3 055 964**	**917 619**	**1 820 512**	**317 833**
Mortgage loans	3 121 723	983 378	1 820 512	317 833
Allowance for doubtful accounts	-65 759	-65 759	0	0
Other loans to clients	**11 808 134**	**3 985 967**	**7 648 033**	**174 134**
Factoring and other business loans	11 798 064	3 983 259	7 640 671	174 134
Allowance for doubtful accounts	-471 571	-471 571	0	0
Consumer loans	805 026	797 663	7 363	
Allowance for doubtful accounts	-323 385	-323 385	0	0
Total loan receivables to clients	**14 864 098**	**4 903 585**	**9 468 545**	**491 968**

in euros Loan type	31.12.2021	31.12.2020	Collateral
Mortgage loans	3 390 818	3 055 964	mortgage
Business loans	4 517 102	6 501 850	surety
Factoring	3 124 406	2 056 173	factoring invoices
Leasing	3 949 200	2 768 470	leased assets
Consumer loans	355 369	481 641	unsecured
Total	**15 336 895**	**14 864 098**	

As in previous years, all the issued loans are denominated in euro with maturity ranging from 6 months to 20 years (except for factoring contracts, where the usual length of invoice is between 30-90 days). Annual interest rate of the issued loans is 7-25% and the effective interest rate does not differ significantly from the contractual interest rate.

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Note 8 Receivables and prepayments

in euros	31.12.2022	Allocation by remaining maturity		Note
		within 12 months	1-5 years	
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**	

in euros	31.12.2021	Allocation by remaining maturity		Note
		within 12 months	1-5 years	
Other receivables				
Other receivables	939 662	382 162	557 500	
Tax prepayments	35 671	35 671	0	10
Prepaid expenses	98 926	98 926	0	
Total receivables and prepayments	**1 074 260**	**516 760**	**557 500**	

As of 31.12.2022 and 31.12.2021, other claims include a claim against Inbank in the amount of EUR 290 921. In January 2020, their 100% subsidiary, which offers full-service leasing, was acquired from Inbank. After the acquisition, the company was named AS Finora Finance. As a result of the transaction, Finora Group's consolidated loan portfolio grew to 10 million euros by the end of January 2020. In May 2020, the leasing company returned to Inbank's ownership, as Inbank and Finora Capital could not agree on the final fulfillment of the terms of the company's purchase and sale. According to the management, the Inbank claim will be realized within 12 months.

As of 31.12.2022, other claims include a loan claim against AS Bankish in the amount of EUR 674 500 and interest claims in the amount of EUR 61 056.

Note 9 Financial investments

in euros	31.12.2022	31.12.2021
Financial investments	529 565	529 565
Total Financial investments	**529 565**	**529 565**

The fair value measurement was based on real transactions with the company's shares. The transactions took place in March, April and September 2021 and in March 2020, of which majority were between non-related parties. The gain on fair value assessment was 335 thousand euros in 2021.

See also Note 14 Subsidiaries.

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Note 10 Tax prepayments and tax payables

in euros	31.12.2022 Tax prepayments	31.12.2022 Tax payables	31.12.2021 Tax prepayments	31.12.2021 Tax payables	Note
Corporate income tax	0	466	0	8 131	
Value-added tax	0	23 651	0	111	
Personal income tax	0	40 420	0	13 012	
Social security tax	0	29 724	0	19 657	
Contributions to mandatory funded pension	0	736	0	730	
Unemployment insurance premium	0	1 421	0	1 048	
Net of prepayment account	36 548	0	35 671	0	8
Total tax prepayments and liabilities	**36 548**	**96 420**	**35 671**	**42 688**	**14**

The company does not have any overdue tax payables.

The tax authorites 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.

Note 11 Subordinated Loans

In the summer of 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**

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Note 12 Tangible assets

in euros	Computers and IT systems	Other property, plant and equipment	Total
31.12.2020			
Cost	23 231	8 979	32 212
Accumulated depreciation	-14 639	-6 969	-21 608
Carrying amount	**8 592**	**2 010**	**10 604**
Additions and improvements	1 773	68 707	70 480
Sale	0	-5 192	-5 192
Depreciation	-6 474	-12 737	-19 211
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**

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
31.12.2020			
Cost	267 733	258 204	525 937
Accumulated depreciation	-38 387	-30 175	-68 562
Carrying amount	**229 346**	**228 029**	**457 375**
Additions and improvements	220 594	159 154	379 748
Depreciation costs	-37 797	-12 257	-50 054
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**

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

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Note 14 Subsidiaries

Shares in subsidiary	31.12.2022	31.12.2021
Name of subsidiary	Finora Bank UAB	Finora kreditas UAB
Registration number	305156796	305156796
Country of residency	Leedu	Leedu
Ownership share	100%	100%
Ownership nominal value	3 000 000	2 300 000
Expenses related to establishment	10 473	10 473
	3 010 473	**2 310 473**

Shares in subsidiary	31.12.2022	31.12.2021
Name of subsidiary	Finora Factoring OÜ	Finora Factoring OÜ
Registration number	14439107	14439107
Country of residency	Eesti	Eesti
Ownership share	100%	100%
Ownership nominal value	10 000	10 000
Expenses related to establishment	190	190
	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 accepting deposits in December 2022. As of 31.12.2022, all deposits were term-deposits and from private individuals. The nominal interest rates on most customer deposits are equal to their effective interest rates because no other significant fees have been paid. Customer deposits are all in euros and received through the Raisin platform from Germany. The average interest rate was 3.27%. The breakdown of customer deposits by term is as follows:

Term	Sum
1 year	699 281
2 years	2 142 993
3 years	404 160
Total	**3 246 434**

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Note 16 Loan liabilities and deposits

in euros		Allocation by remaining maturity					
	31.12.2022	within 12 months	1-5 years	over 5 years	Maturity	Interest	Currency
Deposits from clients							
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
Subordinated loans	**1 000 000**	**0**	**0**	**1 000 000**			
Total loan liabilities	**20 638 930**	**8 384 172**	**11 254 758**	**1 000 000**			

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in euros		Allocation by remaining maturity					
	31.12.2021	within 12 months	1-5 years	over 5 years	Maturity	Interest	Currency
Bank loans							
Coop Pank AS	156 590	139 811	16 779	0	March 2023	7%	EUR
Total bank loans	**156 590**	**139 811**	**16 779**	**0**			
Other loans							
Corporates	9 765 411	1 029 702	3 928 540	4 807 168	2022-2027	1%-11%	EUR
Total other loans	**9 765 411**	**1 029 702**	**3 928 540**	**4 807 168**			
Bonds							
Bonds	5 873 607	5 873 607	0	0	February 2024*	9%	EUR
Total bonds	**5 873 607**	**5 873 607**	**0**	**0**			
Total loan liabilities	**15 795 608**	**7 043 120**	**3 945 319**	**4 807 168**			

* The initial maturity of the bonds was April 2022. In February 2022 the maturity was extended with the consent of the bondholders until February 2024.

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

The bonds are secured by mortgages, pledges of receivables arising from loan agreements and an account pledge, which must cover the liabilities arising from the bonds at least 105%. The total amount of guaranteed assets as of 31.12.2022 and 31.12.2021 was above the required level. At the end of the reporting period, mortgages and real estate pledges accounted for 4% (31.12.2021: 11%) of collateral, 50% (31.12.2021: 45%) receivables from the Lithuanian subsidiary (and thus receivables from Lithuanian companies to customers), 12% (31.12.2021: 30%) pledges of corporate microloans and consumer loan receivables, 31% receivables arising from leasing agreements (31.12.2021: 26%) and the rest were account pledges, receivables from a subsidiary, etc.

As of 31.12.2021, the bank loan in the amount of EUR 363 750 was 100% secured by mortgage. In 2022, the loan was paid back.

The largest loan out from legal entities is secured both by the bank account of the Lithuanian subsidiary linked to the loan and by loans granted under this measure.

Among the loans taken from legal entities, as of 31.12.2022, there is a loan from the EIF (European Investment Fund) in the amount of EUR 2 600 000 (31.12.2021: EUR 2 000 000), in connection with which the Group has certain financial covenants in the form of ratios. As of 31.12.2021, the group was in compliance with these requirements. As of 31.12.2022, the group was in compliance with the given requirements, except for the cost-to-income ratio. According to the agreement, EIF has the right to reclaim the early repayment. Consequently, as of 31.12.2022, the loan is recorded as short-term.

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Note 17 Other payables and prepayments

in euros	31.12.2022	Within 12 months	31.12.2021	Within 12 months	Note
Trade payables	79 527	79 527	25 554	25 554	
Payables to employees	111 094	111 094	48 698	48 698	
Tax liabilities	96 420	96 420	42 688	42 688	10
Other liabilities	254 637	254 637	250 918	250 918	
Interest liabilities	183 114	183 114	232 692	232 692	
Other accrued expenses	71 523	71 523	18 225	18 225	
Prepayments received	200 519	200 519	138 813	138 813	
Deferred income	200 519	200 519	138 813	138 813	
Total payables and prepayments	**742 196**	**742 196**	**506 670**	**506 670**	

Note 18 Share capital, share premium and other reserves

in euros	31.12.2022	31.12.2021
Share capital	517 276	459 332
Number of shares (pcs)	517 276	459 332
Share premium	5 282 031	3 257 728
Other reserves	14 921	0

The share capital increased by a total of 57 944 euros in 2022. 49 744 euros was paid in cash. 8 200 euros were converted from bonds and their interest.

In 2022, the share premium increased by a total of 2 024 303 euros, including 1 765 183 euros paid in cash and 259 120 euros were converted from bonds and their interest.

The company had no contingent liabilities (related to dividends) as of 31.12.2022 and as of 31.12.2021. As retained earnings are negatiive, there is no contingent amount of income tax on dividends.

Since 2022 Finora Group AS is granting share options to members of management board, managers, and key employees. Vesting period of the options is 3 years and issue of shares will be decided on the Annual General Meeting of Shareholders or Meeting of the Shareholders close to the vesting date. Reserve of options granted as of 31 December 2022 amounted to 14 921 euros. Related expenses in statement of profit and loss in 2022 were also 14 921 euros.

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The fair value of options is calculated with Black-Scholes model, which uses the share price of the Group, volatility and risk-free interest rate as inputs. Employees do not have the possibility to take the specified amount in cash in lieu of the share options. Share options cannot be exchanged, sold, pledged or encumbered. Share options can be inherited. The contract of share options will expire if employee is leaving the company before vesting period, but the Supervisory Board can decide otherwise. In 2022, 28 600 stock options were issued. No stock options were exercised nor cancelled in 2022.

Options outstanding as of 31 December 2022	
Date of issue	Dec.22
Expiry date	Dec.25
Share price	32.6
Number of options	28 600

Note 19 Interest income

in euros	31.12.2022	31.12.2021
Geographical breakdown of sales revenue		
Sales to EU countries		
Estonia	1 604 062	1 177 935
Lithuania	659 157	440 628
Sales to EU countries, total	2 263 219	1 618 563
Sales revenue total	**2 263 219**	**1 618 563**
Sectoral breakdown of sales revenue		
Interests from mortgage loans	341 666	342 208
Other interests	1 856 833	1 106 014
Fee income	64 720	170 340
Sales revenue total	**2 263 219**	**1 618 563**

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

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Note 20 Interest expenses

in euros	2022	2021
Bonds	518 157	534 424
Bank loans	3 592	18 142
Corporates	586 983	331 748
Deposits from clients	2 285	0
Subordinated loans	62 320	0
Total other income	**1 173 338**	**884 313**

Note 21 Other income

in euros	2022	2021	Note
Penalty interest	56 475	47 133	
Other fee income	2 479	4 046	
Other operating income	47 650	339 675	9
Total other income	**106 604**	**390 853**	

Note 22 Operating expenses

in euros	2022	2021
Office expenses	94 352	51 842
State and local taxes	56 485	15 016
IT services costs	97 371	75 821
Legal costs	53 560	48 035
Advertising and marketing costs	173 305	57 293
Accounting services (incl. audit costs)	47 192	29 870
Other	227 929	138 301
Total operating expenses	**750 195**	**416 178**

Other expenses include queries to databases, debt management costs, travel costs and various other operational costs.

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Note 23 Labour expenses

in euros	2022	2021
Wages and salaries	882 233	423 691
Labour taxes	127 248	95 442
Options	14 921	0
Total labour expense	**1 024 402**	**519 134**
Average number of employees in full time equivalent units	**25**	**14**
Person working under an employment contract	19	13
Member of the management or control body of a legal person	6	1

Note 24 Related parties

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

Country, where parent company is registered: Estonia

Related party balances according to groups	Receivables 31.12.2022	Liabilities 31.12.2022	Receivables 31.12.2021	Liabilities 31.12.2021
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	756 308	1 222 361	598 994	1 180 319

Loan receivables 2021	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	30 000	0	44 607

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

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Loan receivables 2021	Loans received	Repayments of loans received	Interest
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	898 000	0	60 790

Loan receivables 2022	Loans received	Repayments of loans received	Interest
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

2021	Sales	Purchases
Parent company	0	27 000
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	51 449	273 650

2022	Sales	Purchases
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

Finora Group AS – Remuneration and other significant benefits calculated for members of management and highest supervisory body	2022	2021
Remuneration	47 724	37 224

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.

Management received management fees and did not receice any ohter significant benefiits. The company does not have any contingent liabilities in connection with its managements.

In 2022 Finora Group AS issued to a member of the Management board and a member of the Supervisory board, who are also shareholders and to management board members of Group companies in total of 21 100 stock options. No stock options were exercised nor cancelled in 2022.

Repayments of related party loans were converted into equity in 2022 267 320 euros.

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Note 25 Contingent liabilities

in euros	31.12.2022	31.12.2021
Issued guarantees	1 508 076	1 684 474
Unused factoring limits	1 662 115	4 127 899
Total contingent liabilities	**3 170 191**	**5 812 373**

The unused factoring limit is the unused limit of factoring agreements concluded with customers.

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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	31.12.2022	31.12.2021
Assets		
Cash	913 724	239 980
Investments into bonds	118 699	0
Loan receivables	5 152 838	5 018 112
Mortgage loans	705 898	1 081 115
Other loans	4 446 940	3 936 997
Other receivables and prepayments	2 146 224	2 913 052
Financial investments	529 565	529 565
Investments into subsidiaries and affiliates	3 023 637	2 320 663
Property, plant and equipment	43 034	59 537
Intangible assets	495 784	425 424
Total assets	**12 423 506**	**11 506 335**
Liabilities		
Loan liabilities	8 783 083	9 153 358
Bank loans	2 600 000	2 156 590
Bonds	5 014 441	5 873 607
Other loan liabilities	1 168 641	1 123 161
Payables and prepayments	394 915	370 637
Total Liabilities	**9 177 998**	**9 523 995**
Equity		
Share capital	517 276	459 332
Share premium	5 282 031	3 257 728
Other reserves	14 921	0
Retained earnings (loss)	-1 734 721	-1 083 063
Net profit (loss) for the financial year	-833 999	-651 658
Total equity	**3 245 508**	**1 982 339**
Total Liabilities and equity	**12 423 506**	**11 506 335**

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Income statement

in euros	2022	2021
Interest income	995 609	788 729
Interest expense	-771 796	-683 817
Net interest income	**223 813**	**104 912**
Other income	47 178	357 849
Total revenue	**270 991**	**462 761**
Operating expenses	-386 856	-322 766
Labor expenses	-461 636	-367 251
Total expenses	**-848 492**	**-690 018**
Profit before impairment losses	**-577 501**	**-227 257**
Depreciation and amortisation	-84 268	-65 318
Changes in loan impairment reserve	-172 231	-359 083
Net profit (loss) for the financial year	**-833 999**	**-651 658**

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Statement of Cash Flow

in euros	2022	2021
Cash flows from operating activities		
Net profit (loss)	-833 999	-651 658
Adjustments		
Depreciation and amortisation	84 268	65 318
Interest expense	771 796	683 817
Interest income	-995 609	-788 729
Other adjustments	172 231	-2 628
Total adjustments	**32 685**	**-42 222**
Total change in receivables and prepayments related to operating activities	199 624	-2 504 420
Total change in payables and prepayments related to operating activities	71 245	114 436
Interest received	933 938	809 270
Interest paid	-818 763	-590 520
Other proceeds from operating activities (bonds)	1 050 000	823 494
Other payments from operating activities (bonds)	-1 643 566	-20 000
Total cash flows from operating activities	**-1 008 837**	**-2 061 620**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-141 086	-278 221
Proceeds from property, plant and equipment and intangible assets	151 103	0
Investments into subsidiaries and associate	-702 974	-21 800
Loans to subsidiaries and affiliates	-2 735 000	-700 000
Repayment of loans from subsidiaries and affiliates	2 805 000	300 000
Total cash flows from investing activities	**-622 957**	**-700 021**
Cash flows from financing activities		
Loans received	2 239 700	3 285 000
Repayments of loans received	-1 750 809	-668 999
Proceeds from issue of shares	1 816 647	0
Total cash flows from financing activities	**2 305 537**	**2 616 001**
Total cash flows	**673 744**	**-145 640**
Cash and cash equivalents at beginning of period	239 980	385 621
Change in cash and cash equivalents	**673 744**	**-145 640**
Cash and cash equivalents at end of period	913 724	239 980

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Statement of changes in equity

in euros	Share capital	Share premium	Other reserves	Retained earnings (loss)	Total
31.12.2020	**459 332**	**3 257 728**	**0**	**-1 083 063**	**2 633 997**
Net profit (loss) for the financial year	0	0		-651 658	-651 658
31.12.2021	**459 332**	**3 257 728**	**0**	**-1 734 721**	**1 982 339**
Net profit (loss) for the financial year	0	0		-833 999	-833 999
Issue of share capital	57 944	2 024 303	0	0	2 082 247
Stock options	0	0	14 921	0	14 921
31.12.2022	**517 276**	**5 282 031**	**14 921**	**-2 568 720**	**3 245 508**

Adjusted unconsolidated equity	31.12.2021	31.12.2022
Unconsolidated equity	**1 982 339**	**3 245 508**
Investments into subsidiaries and affiliates	-2 320 663	-3 023 637
Investments into subsidiaries and affiliates, based on equity method	2 627 500	3 016 428
Adjusted unconsolidated equity	**2 289 176**	**3 238 298**

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Signatures of the report

Signing of the report: 31.03.2023

The correctness of the annual report AS Finora Group (registry code: 12324050) for the period 01.01.2022 – 31.12.2022 has been approved:

Name:	Position:	Date and signature:
Andrus Alber	Member of the Management Board	31.03.2023

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

Grant Thornton Baltic OÜ

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VAT No. EE100086678

(Translation of the Estonian original)

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, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2022, 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
March 31, 2023

Proposal for loss coverage

in euros	31.12.2022
Profit (loss) of previous periods	-1 446 338
Annual period profit (loss)	-1 138 046
Total	**-2 584 384**
Coverage	
Profit (loss) of previous periods after distribution	-2 584 384
Total	**-2 584 384**

Decision on loss coverage

in euros	31.12.2022
Profit (loss) of previous periods	-1 446 338
Annual period profit (loss)	-1 138 046
Total	**-2 584 384**
Coverage	
Profit (loss) of previous periods after distribution	-2 584 384
Total	**-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 2022. 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 sales revenue by field of activity

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

Type	
Phone	+372 658 1300
E-mail	info@finoragroup.eu

finora group