AS FINORA GROUP CONSOLIDATED ANNUAL REPORT 2024

Building future together

finora group

finoragroup.eu

(translation from Estonian language version)*

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

CONTENTS

GENERAL INFORMATION

Accounting period covered by the financial statements

1 of January 2024 to 31 December 2024

Company information

Business name	**AS Finora Group**
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E-mail	**info@finoragroup.eu**
Website	**finoragroup.eu**
Auditor	**Grant Thornton Baltic OÜ**
Supervisory Board	**Veikko Maripuu** **Vahur Kraft** **Indrek Randveer** **Rein Ojavere** **Oleg Švaikovski**
Management Board	**Šarūnas Ruzgys**

MESSAGE FROM THE CEO

2024 brought both challenges and progress for Finora. While businesses across Estonia and Lithuania faced economic uncertainty, rising costs, and shifting market conditions, we remained focused on what matters most—helping companies grow.

The year 2024 was one of creating solutions and laying a strong foundation for the next growth phase, with several development stages undertaken to achieve greater operational speed. As a result, Finora's net interest income grew by 34% in 2024, the net loan portfolio increased by 23%, reaching €28.5 million, while total assets grew by 40% to €40.9 million.

One of the most significant achievements in 2024 was the involvement of a strategic investor and securing an additional capital investment of €8.9 million. This strengthened our capital base and enabled the financing of larger loans, leasing, and factoring projects, contributing to record sales in the fourth quarter and driving higher revenues in subsequent periods. Our sales teams in both countries not only provided financing to small and medium-sized enterprises (SMEs) but also helped strengthen Finora Bank as a more robust and recognized market player. By offering tailored financial solutions to SMEs, we built trust, reinforced our brand, and transformed first-time clients into long-term partners.

However, the numbers do not tell the whole story. The year 2024 was one of laying the foundation for our future. With capital in place and a clear plan, we focused on enhancing processes and preparing for the next development phase. We expanded our presence in the Baltics by opening a branch in Tallinn. Over the year, we strengthened the management team with experienced and competent leaders, while the total number of bank employees nearly doubled.

At the same time, we took strategic steps to ensure the stability and efficiency of operations. We improved IT, operations, anti-money laundering, and risk management functions to better align with regulatory requirements and banking sectors best practices. Recognizing the need for scalable infrastructure and improved efficiency, we committed to upgrading our core banking system in 2025.

While we have made significant progress, challenges lie ahead. Finora Bank will continue to expand its portfolio, while innovating processes and technology to meet the highest expectations of our clients. One of our key goals for 2025 is to improve operational efficiency, strengthen the capital base, balance risk tolerance with business expansion, and ensure ongoing compliance with regulatory requirements. We are confident that with the right team, a clear strategy, and strong financial backing, we will achieve these objectives. At Finora Bank, we place the client-centered approach at the forefront and maintain strong human connections. Every business has unique needs, and therefore, we offer customized and flexible financial solutions, rather than one-size-fits-all services.

Even in an era of increasing automation, SMEs still need a financial partner who truly understands their challenges and can provide personalized, flexible solutions. Unlike many lenders who rely entirely on artificial intelligence, automation, or data algorithms, Finora Bank values these as well, but prefers real conversations, customized solutions, and a deep understanding of business needs. Our approach is based on close collaboration with people, business owners, and decision-makers. We listen, adapt to their needs, and support their growth in ways that no automated or standardized system can. This is where we take the lead. Because banking should be more than just transactions; it should enable real progress.

The year 2025 will be a defining year for Finora in achieving new financial objectives. Greater challenges lie ahead, but we are ready. With strong momentum, solid financial backing, and a dedicated team, we are prepared to take bold steps forward.

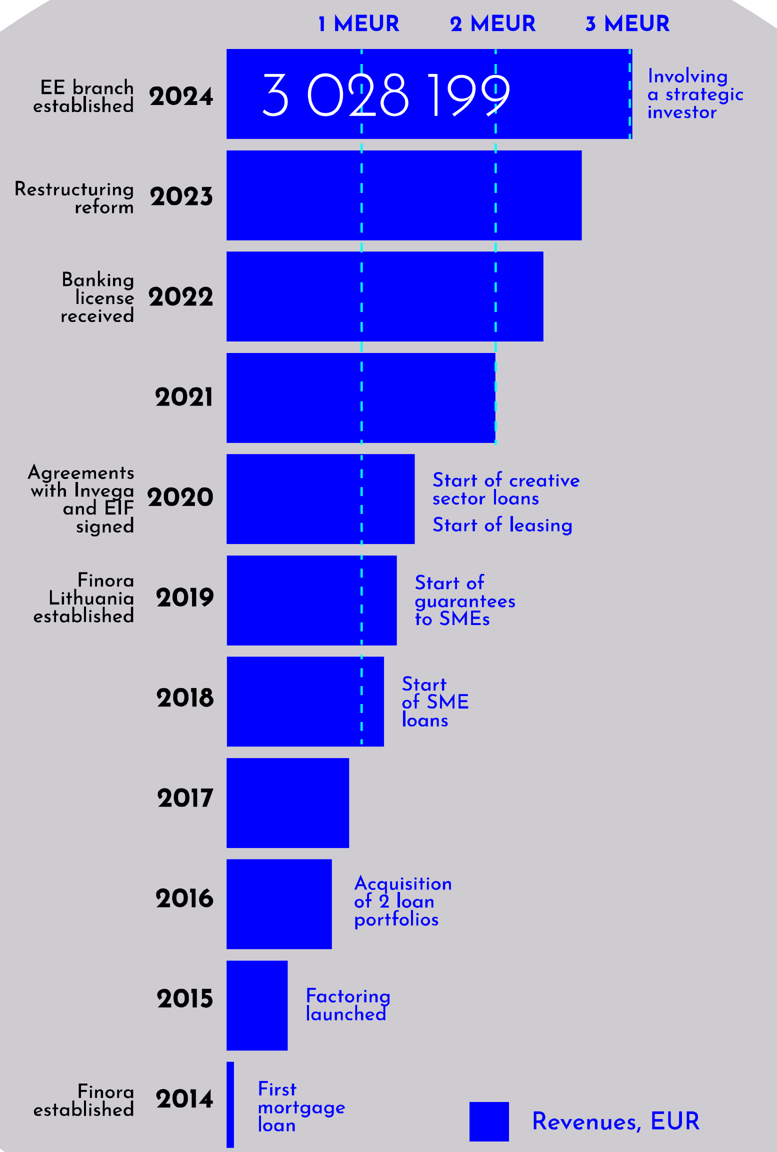
Sincerely,
Šarūnas Ruzgys
CEO and Chairman of the Management Board

MANAGEMENT REPORT

OVERVIEW OF FINORA GROUP'S BUSINESS OPERATIONS AND FINANCIAL RESULTS

Finora Group is founded in 2014, primarily based on Estonian capital, offering a wide range of financial services to SMEs in Estonia and Lithuania. The Group's parent company is AS Finora Group. After its subsidiary Finora Bank UAB obtained a banking license in 2022, parent company primarily functions as a holding company. The Group's most significant entity is Finora Bank UAB – a credit institution registered in Lithuania, which commenced operations in 2019. After receiving the banking license in 2022, the bank operates in Lithuania and as a branch in Estonia, offering loan, leasing, factoring, and guarantee services. The Estonian branch of Finora Bank UAB was registered in January 2024 and provides banking services in the Estonian market.

The goal of Finora Group is to be a leading and preferred partner in the SME sector, offering flexible and tailored financing solutions to small and medium-sized enterprises.



The figure presents gross interest income together with other operating income. The one-off income of EUR 3.5 million from the write-down of AT1 bonds has been excluded from other operating income for 2024.

Economic Overview

In the second half of 2024, the first signs of recovery emerged in the Estonian economy. According to Eesti Pank, Estonia's real GDP decreased by 0.7%, affected by a 4.0% drop in corporate investments and a 0.8% decrease in exports. Although real income in Estonia grew by 4.0%, consumer expectations prevented an increase in consumption. However, the services sector in Estonia grew by 2.0% in 2024, mainly due to an increase in purchasing power and the consumption of goods. Additionally, exports and the manufacturing sector rebounded in the last quarter of the year after a deep decline, signaling a recovery in external demand for Estonian goods and a likely return to economic growth in 2025.

After a short-term slowdown in 2023, Lithuania's economy grew significantly in 2024. According to the Bank of Lithuania, Lithuania's real GDP increased by 2.4% last year. Economic growth covered all major sectors. Service companies and retail sales adjusted for inflation grew by 7.9% and 4.3%, respectively. Industrial output and construction volumes grew by 2.9% and 5.6%, respectively. Strong growth in consumer purchasing power supported the increase in consumption; real income rose by 9.5% thanks to a 10.3% rise in wages and low inflation, which was only 0.8% during the year. The growth in industrial production was supported by exports, which increased by 2.2%, while the growth in construction was supported by ongoing investments in energy, defense, and road infrastructure. The significant decline in Euribor helped stabilize and grow the real estate market, as affordability improved, and financing costs decreased.

Forecasts indicate that the economy will grow in both Estonia and Lithuania in 2025. According to the central banks of the countries, GDP is expected to increase by 1.6% in Estonia and 3.1% in Lithuania, with investments and consumption being the main drivers of growth. Additionally, exports in Estonia are expected to recover after two years of decline. Consumption will be supported by increased purchasing power, as real household income is projected to grow by 1.4% in Estonia and 6.4% in Lithuania. Furthermore, the decline in Euribor will support investment growth, which is forecasted to increase by 4.2% in Estonia and 6.1% in Lithuania.

Strategic Directions

Finora's vision is to provide its clients with the opportunity to grow their businesses by offering them access to credit solutions. Finora Bank, part of the Finora Group, aims to establish itself as a prominent and preferred partner in the SME segment across the Baltic markets, positioning itself as an expert in the field.

Finora Bank's mission is to inspire and support today's SMEs to become tomorrow's business leaders. The bank promotes financial literacy and offers comprehensive financial services to SMEs. Striving for excellence, the bank stands out as a leading local financial institution by enhancing the customer's experience and tailoring solutions to meet the unique needs of its clients.

Finora Business Model

Our goal is to create sustainable value for all stakeholders. Therefore, we strive for competitive returns on invested capital and market-leading cost efficiency, while balancing risk management, delivering excellent customer experience, and maintaining a strong commitment to sustainability. Finora's core business has been financing small and medium-sized enterprises (SMEs) through Finora Bank, and we will continue to primarily focus on business financing.

Targeted Service. Finora invests significantly in creating innovative solutions and proactively addressing issues, always acting in the best interests of our clients. We do not simply offer a list of products – we solve our clients' problems.

Integrity. Finora stands for transparency, honesty, and a client-centered mindset. We openly acknowledge both our strengths and limitations, providing clear and understandable communication and solutions that truly support small and medium-sized businesses. By focusing on building trust and fostering meaningful relationships, we prioritize long-term partnerships over short-term gains, ensuring that every interaction reflects authenticity and care.

Speed. Finora continually works to make the service process as fast as possible. Short response times – saving our clients' time and giving them the freedom to grow their businesses – a priority we hold in high regard.

Financial Overview

On September 9, 2022, Finora Bank UAB, a member of Finora Group, received its banking license and began operations as a bank. In 2023, significant focus was placed on restructuring the bank to ensure its growth. In 2024, Finora Bank built upon the strong foundation laid in previous years and made significant progress in expanding its operations and services. A key achievement was the opening of the Estonian branch, which was registered in January 2024 at Narva mnt 5, Tallinn, Estonia (registration code 16905996). This marked an important step in strengthening the bank's presence in the Baltic region.

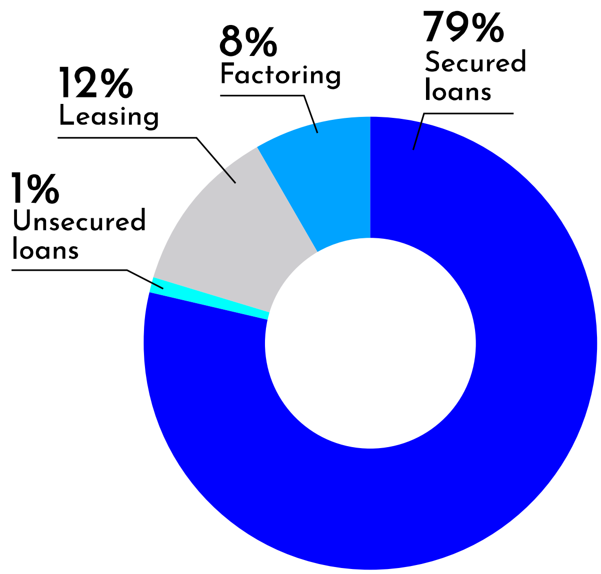
As a bank, Finora continued providing financial services to its clients. In 2024, new financing totaling €40.5 million were issued. After the involvement of a strategic investor in the second half of 2024, Finora was able to restart its active sales operations, and in December 2024, Finora achieved its highest-ever monthly new sales, reaching €7.5 million, and its highest-ever quarterly new sales of €16 million. Finora's December monthly new sales reflected the bank's strong sales efforts, effective strategic initiatives, and high levels of client engagement. This milestone not only strengthens the bank's growth trajectory but also emphasizes its commitment to delivering long-term value.

Finora Group's net interest income grew by 34% compared to 2023. This positive development was primarily driven by the growth in secured loan volumes.

Personnel expenses increased by €1 089 thousand, reaching €3 238 thousand. The rise in personnel costs was due to the bank's expansion and the resulting increase in the number of employees. During the reporting year, Finora employed an average of 55 people including 7 members of the governing bodies. Other operating expenses increased by €413 thousand and included significant amounts allocated to marketing campaigns, launching new services, IT developments, recruitment, and other initiatives to support the bank's growth.

The expected credit loss in the profit and loss statement amounted to €1 898 thousand, which was primarily related to the write-down of the legacy loan portfolio of the parent company, AS Finora Group, and its subsidiary, Finora Factoring OÜ. The loan losses of Finora Bank UAB, a subsidiary of Finora Group, increased mainly due to the growing portfolio.

The loan portfolio structure continued to evolve in favour of loans backed by stronger collateral. In 2024, the focus was primarily on growing the secured loan portfolio, which was successfully achieved. The secured loan portfolio increased by over €8 million, representing an annual growth rate of approximately 60%.



Share of products

Finora's deposit base also grew, reaching €27.8 million as of December 31, 2024 (2023: €18.4 million). Deposits were raised primarily through the Raisin platform, an international digital marketplace that connects depositors with banks across different countries.

2024 was a significant year for Finora, as a new strategic investor was brought in to support the rapid growth of Finora. Investors contributed a total of €2.4 million to the share capital and share premium of AS Finora Group during the year. In addition, AS Finora Group issued Additional Tier 1 (AT1) bonds totaling €6.5 million. AT1 bonds issued in 2024 do not qualify as Common Equity Tier 1 (CET1) capital under current banking regulations.. As a result, Finora Group had to adjust the valuation of the AT1 instruments through a temporary discount mechanism to meet the CET1 capital requirements

set by the Central bank. This adjustment resulted in a one-time accounting gain of €3.5 million, reflecting the impact of regulatory capital optimization measures. The revaluation brought the group's capital structure into compliance with regulatory expectations while supporting its long-term financial stability.

The company invested €90 thousand in tangible assets and approximately €98 thousand in intangible assets during the financial year. Investments in intangible assets were primarily related to the automation of regulatory reporting. In 2025, investments are primarily planned for the development of new banking software.

During the reporting year, there were no significant research-related projects or associated expenditures, nor are any planned in the near future.

The group's business activities are not significantly affected by seasonality or the cyclical nature of economic activity. The group's operations do not have significant environmental or social impacts.

The group acknowledges that its business activities are exposed to a variety of risks. The goal in risk management is to identify, measure, and appropriately manage these risks. In a broader context, the objective of risk management is to reduce potential losses and volatility in economic results. In risk management, the group follows a classical three-tiered risk management system. Risks related to currency exchange rates and stock market fluctuations that arose during the fiscal year and reporting period are considered minimal by the group, as the company's assets and liabilities are denominated in euros, and the company does not invest in freely traded securities, except for high-rated government bonds. The Finora management also does not consider significant movements in Euribor rates to be a major factor. Further details are provided in the risk management section of the annual report.

The consolidation group's dividend policy is under development; currently, there is no distributable profit. During the financial year and the reporting period, there were no changes in the consolidation group's composition. There were also no significant changes in the investment and financing strategies, financing structure, risk mitigation policies, or liquidity policies of the consolidating entity or consolidation group during the financial year and reporting period.

Ratios

	2024	2023
Average equity, in euros	2 399 771	2 814 081
Return on equity (ROE)	-107%	-110%
Total Assets (average), in euros	35 095 775	26 938 401
Return on assets (ROA)	-7%	-12%
Cost to income ratio*	349%	293%

*One-off income of EUR 3.45 million related to the write-down of AT1 instruments has been excluded from total income.

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

FINORA 2024 RESULTS

Net Loan Portfolio €28.5 million	**+23%** annual growth	
Gross Interest Income €2.5 million	**+21%** annual growth	
Deposits €27.7 million	**+51%** annual growth	
Additional Investments into Finora	**€+8.9 million** annual growth	

Net Loan Portfolio Growth

The structure of the loan portfolio continued to shift towards higher-collateral loans. In 2024, the focus was primarily on growing the secured loan portfolio, which was successfully achieved.

Growth in Gross Interest Income

Gross interest income grew by 21% year-over-year. The main increase came from interest income on secured loans. Additionally, in 2024, funds were invested in the Target-2 system and overnight deposits with other banks, which also increased the share of other interest income.

Growth in Deposits

Finora Bank's deposit portfolio grew by over 51% year-over-year. Deposits were primarily attracted through the Raisin platform. Additionally, there is confidence in utilizing local deposits. All deposits as of 2024 are demand deposits.

Additional Capital Investment

2024 was a significant year for Finora, as a new strategic investor was brought in to support Finora's rapid growth. Investors contributed a total of €2.4 million to the share capital and premium of AS Finora Group during the year. In addition, AS Finora Group issued AT1 bonds totaling €6.5 million.

2025 YEAR GOALS

The scope of services provided by Finora Bank, part of Finora Group, is continually expanding, and we see it as our responsibility to participate in important, solution-oriented discussions about the economic environment. Through long-term proactive communication, we have chosen key areas where our thought leadership can have the deepest and most productive impact.

We see that our home markets mainly require our input in the following areas: the attitude towards small and medium-sized enterprises (SMEs), the practical implementation of the transition to a sustainable economy, and the sharply uneven level of financial literacy. These are the issues that Finora aims to address through its core activities. In our communication, we see it as our mission to advocate for these groups and topics and to achieve their goals.

Focus on Small and Medium-Sized Enterprises (SMEs). Successful SMEs, their founders and owners, and broad-minded, independent entrepreneurs are the foundation of any innovative economy. A society with a vibrant SME sector, especially newly founded businesses, is an entrepreneurial, developing, and resilient society. It is crucial that both established and new entrepreneurs have good access to the resources they need.

Focus on the Environment. The transition from a fossil-fuel-based economy to an ecologically sustainable economy is the greatest challenge of our time. Any undertaking of such scope and complexity carries a significant risk of friction. By combining our professional expertise with specialized tailored financing solutions, the bank does its best to contribute to this action plan.

Focus on Creating Customer Value. In most of the bank's markets, the value and potential of a scalable, export-oriented creative economy are largely undervalued. By offering financial solutions to creative entrepreneurs, Finora also takes on the role of a strategic advocate and supporter of the sector. A diverse and profitable creative industry is an essential part of any sustainable post-industrial economy, and Finora shares the responsibility for realizing this vision.

Our activities focus on understanding and meeting the unique needs of small and medium-sized enterprises. This means going beyond traditional banking services by offering customized financial solutions and expert advice that enable businesses to grow and succeed. By prioritizing value creation, we aim to become a trusted partner by offering flexible products, seamless processes, and proactive support designed to address real-world challenges.

Focus on Financial Literacy. Despite recent promising progress, financial literacy remains weak for both individuals and businesses in most of Finora's markets. We consider financial literacy to be the cornerstone of personal freedom, a prerequisite for unlimited social activity, and a drastically underutilized source of market power for most entrepreneurs. Finora promotes and teaches financial literacy to strengthen civil society, enabling responsible growth, and to foster an even stronger entrepreneurial culture in our markets, thereby directly benefiting Finora's core operations.

Focus on Process Improvement. During the new bank inspection by the Bank of Lithuania, which began at the end of 2024, we received initial recommendations aimed at improving the bank's compliance with regulatory requirements and enhancing internal processes. Finora is thoroughly analyzing all the recommendations to identify the key areas where implementation would provide immediate added value. For those recommendations with which Finora agrees, clear action plans and timelines will be developed for their implementation. Based on the identified development areas, internal procedures, risk management principles, and supervisory frameworks will be updated to ensure even higher service quality, transparency, and compliance with regulatory requirements.

Additional Capital Raising and Sustainable Growth. Finora Group has entered into agreements with a key investor, enabling the raising of additional capital to support strategic expansion and strengthen the financial foundation of both the bank and the group. With the capital raised, there are plans to develop new products and services, expand market share, and invest in technological solutions that enhance the client experience. The additional capital will allow Finora to increase its loan portfolio, further develop risk management, and improve financial performance. This creates the foundation for sustainable and successful growth.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

(in euros)

	31.12.2024	31.12.2023	Note
Assets			
Cash	9 311 844	3 008 151	
Investments into bonds	0	246 054	
Loan receivables	28 450 481	23 154 507	7
Other receivables and prepayments	1 951 208	1 670 715	8;24
Financial investments	529 565	529 565	9
Property, plant and equipment	111 649	90 913	12
Intangible assets	570 967	565 927	13
Total assets	**40 925 714**	**29 265 833**	
Liabilities			
Deposits	27 714 094	18 371 353	15;16
Loan liabilities	6 892 700	5 009 391	16
Other payables and prepayments	1 627 696	1 196 770	10;17
Subordinated loans	2 290 000	2 290 000	11
Total Liabilities	**38 524 490**	**26 867 514**	
Equity			
Share capital	639 815	551 673	18
Unregistered share capital	0	151 050	18
Share premium	9 708 005	7 208 263	
Other reserves	319 698	176 590	
Retained earnings (loss)	-5 689 257	-2 584 384	
Net profit (loss) for the financial year	-2 577 037	-3 104 873	
Total equity	**2 401 224**	**2 398 318**	
Total liabilities and equity	**40 925 714**	**29 265 833**	

Consolidated statement of profit and loss and comprehensive income

(in euros)

	2024	2023	Note
Interest income	2 546 918	2 096 556	19
Interest expense	-1 422 132	-1 256 910	20
Net interest income	**1 124 786**	**839 647**	
Net fee income	186 252	218 633	
Other income	3 745 029	341 604	21
Total revenue	**5 056 067**	**1 399 884**	
Operating expenses	-2 364 128	-1 676 192	22
Labor expenses	-3 237 935	-2 148 688	23
Other expenses	0	-290 921	22
Total expenses	**-5 602 063**	**-4 115 801**	
Profit before impairment losses	**-545 996**	**-2 715 917**	
Depreciation and amortisation	-132 855	-109 133	12; 13
Changes in loan impairment reserve	-1 898 186	-279 824	
Net profit (loss) for the financial year before taxes	**-2 577 037**	**-3 104 873**	
Net profit (loss) and Comprehensive income (loss) for the financial year	**-2 577 037**	**-3 104 873**	

Consolidated statement of cash flows
(in euros)

	2024	2023	Note
Cash flows from operating activities			
Net profit (loss)	-2 577 037	-3 104 873	
Adjustments			
Depreciation and amortisation	132 855	109 133	12;13
Interest expense	1 422 132	1 256 910	20
Interest income	-2 546 919	-2 096 556	19
Other adjustments: Provisions and options reserve	2 041 294	594 866	
Other adjustments: AT1 Write-down	-3 450 000	0	
Total adjustments	**-2 400 637**	**-135 649**	
Total change in receivables and prepayments related to operating activities	-7 492 041	-8 288 219	7;8
Total change in payables and prepayments related to operating activities	430 928	454 574	17
Deposits received	9 342 741	15 124 919	15
Repayments of loans received	-1 118 402	-8 039 952	
Interest received	2 481 915	1 717 299	
Interest paid	-1 339 199	-877 652	
Other proceeds from operating activities (bonds)	0	10 000	16
Other payments from operating activities (bonds)	0	-2 085 000	
Total cash flows from operating activities	**-2 671 732**	**-5 224 552**	
Cash flows from investing activities			
Payments for the acquisition of tangible and intangible assets	-187 674	-102 440	12;13
Proceeds from the sale of tangible and intangible assets	29 043	0	
Payments for bond investments	-202 197	-286 758	
Proceeds from bond investments	449 419	318 361	
Total cash flows from investing activities	**88 591**	**-70 837**	
Cash flows from financing activities			
Subordinated loans received	0	15 000	11
Proceeds from issue of shares	2 436 834	2 111 679	
Capital lease paid	0	-4 711	
Proceeds from AT1 Bonds	6 450 000	0	
Total cash flows from financing activities	**8 886 834**	**2 121 968**	
Total cash flows	**6 303 693**	**-3 173 421**	
Cash and cash equivalents at beginning of period	3 008 151	6 181 572	
Change in cash and cash equivalents	**6 303 693**	**-3 173 421**	
Cash and cash equivalents at end of period	9 311 844	3 008 151	

Consolidated statement of changes in equity

(in euros)

	Share capital	Unregis-tered share capital	Share premium	Other reserves	Retained earnings (loss)	Total
31.12.2022	**517 276**	**0**	**5 282 031**	**14 921**	**-2 584 384**	**3 229 844**
Net profit (loss) for the financial year	0	0	0	0	-3 104 873	-3 104 873
Stock options	0	0	0	161 669	0	161 669
Issue of share capital	34 397	151 050	1 926 232	0	0	2 111 679
31.12.2023	**551 673**	**151 050**	**7 208 263**	**176 590**	**-5 689 257**	**2 398 318**
Net profit (loss) for the financial year	0	0	0	0	-2 577 037	-2 577 037
Stock options	0	0	0	143 108	0	143 108
Issue of share capital	88 142	-151 050	2 499 742	0	0	2 436 834
31.12.2024	**639 815**	**0**	**9 708 005**	**319 698**	**-8 266 294**	**2 401 224**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

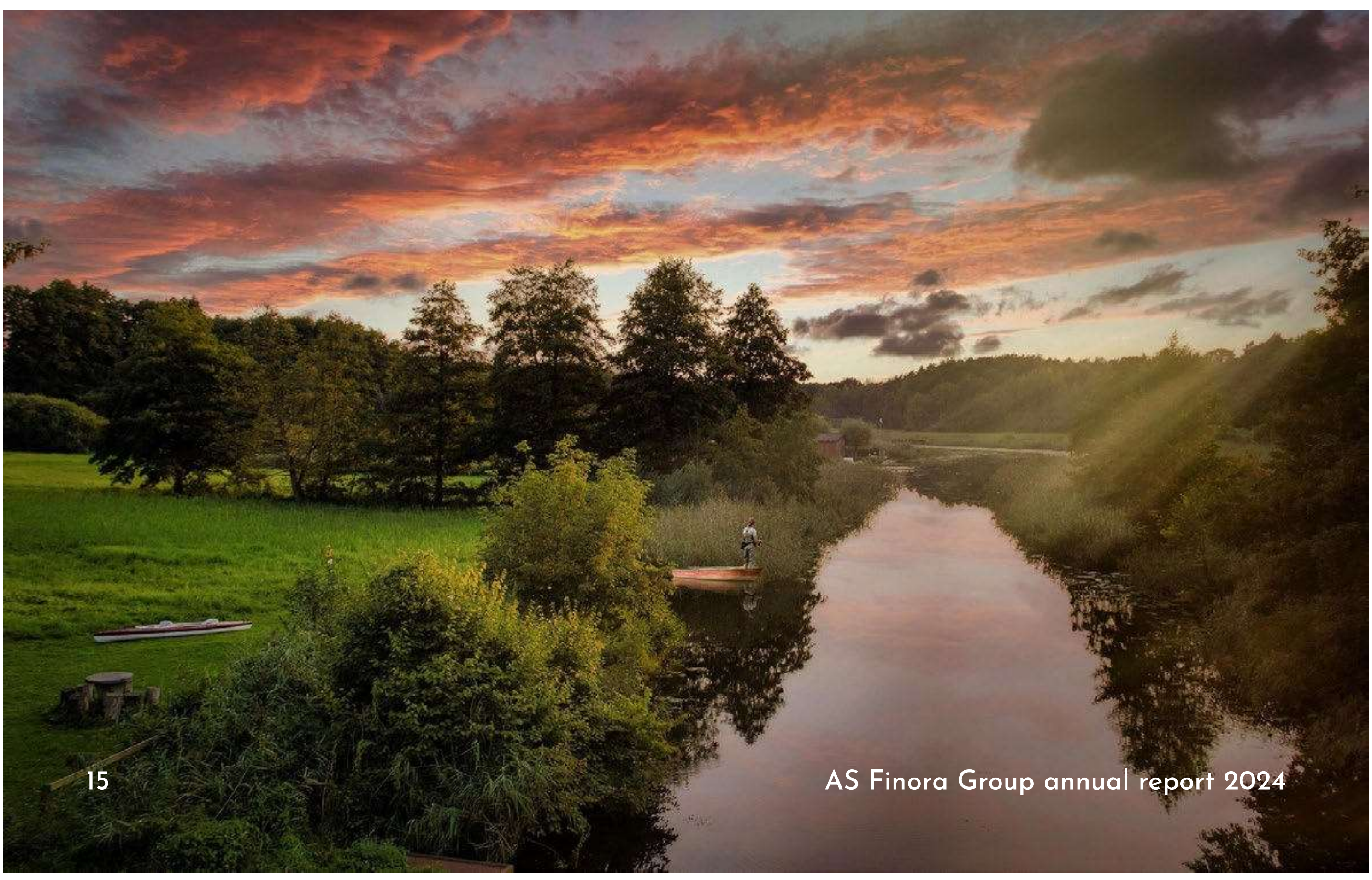
Note 1 General information

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.

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 2024 and ended on 31 December 2024. The figures in the consolidated financial statements are presented in euros unless otherwise stated.

The consolidated financial statements of the Group for the year ended 31 December 2024 were approved by the management on 8 April 2025. The supervisory board of the Group has the right to approve or reject them and request that new statements be prepared in accordance with the law.

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



Note 2 Basis of preparation

2.1 Accounting principles

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

2.2. Basis of measurement

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

2.3. Significant accounting estimates and assumptions

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

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

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

Note 3 Summary of significant accounting policies

3.1 New Standards, Interpretations and Amendments

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

Amendments effective for annual periods beginning on or after 1 January 2024

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

The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognize 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.

The Group does not engage in sale-and-leaseback transactions, therefore this is not applicable to the group.

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.

Since Finora Group, as the parent company, is a lender and its main subsidiary, Finora Bank, is a credit institution, the structure of liabilities includes certain obligations that require special treatment. In the context of IFRS amendments, we have applied additional analyses for classifying each liability as short-term or long-term. Nevertheless, these amendments have not had a significant quantitative impact on the financial statements, as both the classification principles and supporting processes already comply with the updated IFRS requirements

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

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

The Group has no financial agreements with suppliers, therefore this change did not have an impact on the group's financial statements.

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

Amendments to IAS 21 Lack of Exchangeability

In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not

provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or the reserve for cumulative translation differences.

These changes do not affect Group, as Finora primarily uses the euro in its transactions and operations, and there are no foreign currencies whose convertibility would need to be assessed separately. Therefore, the changes do not result in any amendments to Finora's accounting practices or financial statements.

Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to:

a. clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
b. clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
c. add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets);
d. update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

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

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and applies to comparative information.

Finora Group has already applied accounting practices that are largely in line with the objectives of IFRS 18, therefore the standard is not expected to have a significant impact on the structure of Finora Group's financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

The International Accounting Standard Board (IASB) has issued a new IFRS Accounting Standard for subsidiaries. IFRS 19 permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. Applying IFRS 19 will reduce the costs of preparing subsidiaries' financial statements while maintaining the usefulness of the information for users of their financial statements. Subsidiaries using IFRS Accounting Standards for their own financial statements provide disclosures that may be disproportionate to the information needs of their users. IFRS 19 will resolve these challenges by:

- enabling subsidiaries to keep only one set of accounting records – to meet the needs of both their parent company and the users of their financial statements;
- reducing disclosure requirements – IFRS 19 permits reduced disclosure better suited to the needs of the users of their financial statements.

Finora Group currently has no non-publicly accountable subsidiaries that would be eligible to apply the reduced disclosure requirements under IFRS 19. Therefore, the standard has no significant impact on the Group's consolidated financial statements, as the main reliefs offered by IFRS 19 are not applicable to the Group's existing reporting entities. Should the composition of the Group change, the impact of this standard will be reassessed.

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

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

Finora Group currently has no associates or joint ventures, therefore these changes do not currently affect our financial statements. If the situation changes in the future and relevant investments and transactions arise, we will reassess the application of the corresponding requirements.

IFRS 14, Regulatory Deferral Accounts

IFRS 14 permits first-time adopters to continue to recognize 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 to IFRS and do not recognize 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, therefore it does not apply to Finora Bank.

Since Finora Group already prepares IFRS financial statements, it is not eligible to apply the standard.

3.2 Consolidation

Subsidiaries

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

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

Business combinations

Business combinations are accounted for using the acquisition method, whereby all identifiable assets, liabilities and contingent liabilities of the acquired subsidiary are recognised at their fair values at the

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

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

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

3.5 Cash and cash equivalents

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

3.6 Financial assets

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

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

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

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

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

3.7 Debt instruments

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

3.8 Factoring

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

buyer either has the right to sell the receivable back to the seller during a prespecified term (recourse factoring) or there is no right of resale and all the risks and rewards associated with the receivable substantially transfer from the seller to the buyer (non-recourse factoring). The receivable of the Group against the buyer is recognised as of the moment of factoring the purchase-sale agreement, i.e. as of acquiring the receivable. A transaction is treated as financing (e.g. loan secured by the receivable) in case the Group does not acquire all the risks and rewards associated with the receivable, and the receivable is recognised in the balance sheet until it has been collected or the recourse has expired. If there is no repurchase obligation and control over the receivable and the associated risks and rewards transfers from the customer to the Group at the moment of transfer of the receivable, the transaction is recognised as acquisition of the receivable. Receivables acquired are initially recorded at fair value and subsequently measured at amortised cost.

3.9 Property, plant and equipment

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

Recognition and measurement

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

Subsequent costs

Parts of some items of property, plant and equipment require replacement or renovation at certain intervals. Such costs are recognised in the carrying amount of an item of property, plant and equipment when it is probable that future economic benefits associated with the parts of the item will f low to the Group and the cost of the part of the item can be measured reliably. The carrying amount of any part that is replaced is derecognised. Under the recognition principle provided in the previous paragraph, the costs of the day-to-day servicing of an item are not recognised in the carrying amount of the item. Instead, such costs are expensed as incurred.

Depreciation

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

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

Useful life by non-current assets groups (years)

Name of non-current asset group	Useful life
Computers and computer systems	2-5 years
Other property, plant and equipment	2-5 years
Intangible assets	2-10 years

3.10 Intangible assets

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

Development expenditure

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

Other intangible assets

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

3.11 Impairment of assets

Financial assets

Financial assets are tested for impairment according to the models established by IFRS 9. The impairment requirements are based on a three-stage expected credit loss (ECL) model, which considers changes in credit quality since initial recognition. The Group uses internally developed models.

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

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

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

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

Expected loan losses are measured on a collective basis. Receivables measured on a collective basis are deemed to be all the receivables of the same type, whose risk level, guarantee or other common features are similar and which are not subject to measurement on an individual basis. 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 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 arising from default on an unsecured loan is determined based on the European Central Bank rates. 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 agreement based LGD. If the collateral is encumbered with a mortgage whose ranking is higher than that of the Group's receivable, the market value of the collateral is reduced by the amount of the higher-ranking mortgage.

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

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

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

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

According to the number of days in default, nonperforming loans are classified as performing or increased-risk loans if:
- The last three scheduled amounts under a loan agreement have been received and the circumstances that led to the reduction in the creditworthiness have been eliminated.
- The borrower's situation has improved to such an extent that the loan will probably be repaid in full
- At the moment of measurement, the borrower has no overdue amounts whose due date of payment has been exceeded for more than 30 days.

Sensitivity analysis
The group uses the change in the unemployment rate among macroeconomic indicators when conducting sensitivity analysis. The baseline scenario is based on the Ministry of Finance's forecast, while the positive scenario assumes an interest rate 2% lower than in the baseline scenario. In the negative scenario, an interest rate 2% higher than in the baseline scenario is assumed.

The change in ECL is determined by assessing the impact of these macroeconomic indicator changes on the probability of default. In the positive scenario, the effect on the loan portfolio as of 31.12.2024 is 148 thousand (31.12.2023: 82 thousand) euros, and in the negative scenario, it is -148 thousand (31.12.2023: -82 thousand) euros.

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

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

The Group revises the lease term if there is a change in the non-cancellable period of a lease. The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is measured at cost, which comprises the amount of the initial measurement of the lease liability. The amount of the initial measurement of the lease liability is adjusted for any advance lease payments, any direct costs incurred and any restoration costs. Any lease incentives received are deducted from this amount. Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease until the end of the lease term unless the ownership of the underlying asset transfers to the Group at the end of the

lease term or the residual value of the right-of-use asset indicates that the Group plans to exercise the purchase option. In that case, the underlying asset is depreciated over its entire estimated useful life, which is determined using an approach consistent with that for similar items of property, plant and equipment owned by the Group. Right-of-use assets are also adjusted for impairment losses, if any. In addition, right-of use assets are adjusted to reflect certain remeasurements of the lease liabilities.

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

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

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

3.13 Financial liabilities

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

Loans, including subordinated loans and borrowings

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

Recognition of temporary write-down bonds (Additional Tier 1, AT1 instruments).

Additional Tier 1 (AT1) temporary write-down bonds issued by the group are classified as liabilities in financial reporting in accordance with International Financial Reporting Standards (IFRS EU). The classification of the instruments is based on their economic substance rather than just their legal form, assessing their characteristics on the spectrum between liabilities and equity.

AT1 instruments represent perpetual, subordinated debt obligations, where interest payments may be canceled at the issuer's discretion, but such cancellation does not give investors the right to redeem the instrument or seek any other compensation. As the terms of the instruments do not provide the issuer with an unconditional right to avoid a financial obligation, they do not meet the definition of equity. The instruments have a fixed interest rate or a defined mechanism for determining the interest rate, indicating a contractual obligation to make financial payments. Additionally, AT1 instruments are subordinated to other liabilities, but they do not have the full characteristics of equity instruments, as they do not grant participation in the residual assets of the entity or voting rights.

For accounting purposes, AT1 instruments are initially recognized at fair value, with less transaction costs, and subsequently measured using the amortized cost method. Interest expense is recognized in the income statement as a financial cost, not as a dividend payment, because the classification of the instruments as liabilities means that payments are treated as interest expenses rather than distributions to owners.

Under the terms of the AT1 temporary write-down (Temporary Write-Down) bonds, the issuer is required, upon the occurrence of a predefined event ("Trigger Event"), to reduce the nominal value of the bonds (Outstanding Nominal Value) either partially or in full. Typically, the "Trigger Event" is associated with a decline in the bank or group's capital ratio (CET1 Ratio) below a contractual threshold (e.g., 5.125%), with the aim of preserving or restoring regulatory capital. Once this condition is met, the issuer has the contractual obligation to issue a "Write Down Notice" and reduce the carrying amount of the bonds, reflecting the corresponding changes in the securities register. From an IFRS perspective, this is classified as a liability, as the instrument does not meet equity criteria (the issuer does not have an "unconditional right" to avoid financial payments). The write-down is considered an accounting reduction of the issuer's liability, which is recorded as a positive impact in the income statement (under "other business income"), as it ultimately reduces the amount payable. The write-down does not constitute a typical breach of contract nor justify filing for bankruptcy but rather is a regulated part of the AT1 instrument's terms and complies with IFRS principles for the recognition of liabilities.

The terms of the AT1 instrument provide for the possibility that previously written-down nominal value (Outstanding Nominal Value) may later be reinstated (Write-Up or Reinstatement), if the group's capital ratio (CET1 Ratio) rises above the predetermined level. The contract specifies the procedure for issuing a "Reinstatement Notice," restrictions on the use of positive net profit (such as Maximum Distributable Amount), and other regulatory conditions that allow the instrument's nominal value to be increased again. Since the decision to reinstate is at the issuer's discretion (i.e., voluntary) and IFRS does not require the implementation of this measure, reinstatement depends primarily on the management's decision and compliance with regulatory requirements. In accounting, each reinstatement is recognized as an increase in the liability, in accordance with IFRS requirements for financial instrument measurement. This means that if the bank's financial performance has improved sufficiently for the reinstatement threshold to be met, the liability value is increased, which may result in a corresponding adjustment in the income statement (e.g., reducing or reversing previously recognized gains from the write-down). Amounts and conditions related to reinstatement are adequately disclosed in the notes to the financial statements to provide stakeholders with a transparent view of the group's financial position, risks, and regulatory capital.

The write-down of AT1 instruments does not create an obligation to reinstate the nominal value of the instruments, except where the issuer decides, at its sole discretion, to reinstate the nominal value (write-up), provided the group achieves positive net profit and meets other regulatory requirements. However, such reinstatement is voluntary, and the issuer is under no obligation to restore the reduced amounts. Under the IFRS framework, financial instruments must be measured according to their contractual terms. Since the terms of this instrument do not require automatic reinstatement (write-up), but only define it as a discretionary option for the issuer, subject to clearly defined regulatory conditions, the gain from the temporary write-down of AT1 bonds does not meet the definition of a financial liability under IFRS 9, as it does not involve a definite obligation to make future cash payments or reinstate value.

AT1 instruments, according to their terms, are perpetual bonds, with interest calculated at a specific rate and paid out at intervals specified in the contract. Under IFRS treatment, these instruments are classified as liabilities, meaning that interest payments are recognized as interest expense, not as dividends. At the same time, the terms of the AT1 instruments provide the issuer with the right to cancel interest payments, in whole or in part, if required for regulatory or business reasons (including applicable banking requirements, CET1 or distributable funds restrictions). Cancelled interest is not treated as a deferred tax liability or accumulated debt, but is considered permanently unpaid. Similarly, under the IFRS framework, there is no obligation to "capitalize" or accumulate interest if it is cancelled in accordance with the AT1 contract terms and the issuer's business decision. Therefore, only the portion of the interest that has not been cancelled (either directly or indirectly) under the contract is recognized as interest expense, ensuring compliance with both the AT1 agreement and IFRS requirements.

Deposits

Deposits from customers are initially recorded on their settlement date at their fair value less transaction costs and are subsequently measured at amortised cost using the effective interest method in the statement of financial position line „Deposits". Accrued interest liabilities are included in other liabilities. Interest expenses recognised in the statement of profit or loss line „Interest expense".

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.

3.15 Income tax and deferred tax

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

Corporate income tax in Estonia

According to the Income Tax Act that entered into force in Estonia on 1 January 2000, it is not the Company's profits that are taxed but net dividends paid. Thus, in the case of the Group companies located in Estonia there are no differences between the tax bases and carrying values of assets and liabilities and no deferred tax payables or receivables arise. As of 1 January 2015, the tax rate applicable to profit distributed as dividends is 20/80 of the net amount to be paid out. Since January 1, 2025, the tax rate on profit distributed as dividends is 22/78 of the net amount 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 in 2019, it is possible to apply a more favorable tax rate on dividend payments (14/86). This more favorable 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. Starting from 2025, dividend taxation has been standardized, and all dividends are subject to a tax rate of 22/78. Provisions in respect of future income tax payable on dividends are not formed before the declaration of dividends, but the relevant information is disclosed in the notes.

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

Corporate income tax in other countries

The net profit of the Group's Lithuanian subsidiary is subject to income tax, thus its income tax assets and liabilities, and income tax expenses and income include current (payable) and deferred tax. The income tax rate in Lithuania is 15%. For banks, an additional 5% is added, which depends on certain criteria. 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 realization 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 realized 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 canceled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Parent Company's equity holders.

3.17 Capital reserve

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

3.18 Revenue recognition

Interest income

The Group's main revenue stream is interest in income from lending activities. Interest income is received from mortgage loans, leasing, small loans, hire purchase contracts, overdraft and factoring contracts.

The effective interest method is applied to recognise interest income and interest expenses in profit or loss for financial assets and financial liabilities measured at amortised cost. The effective interest method is a method of calculating the gross carrying amount of a financial asset or the amortised cost of a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the carrying amount of the financial instrument. When calculating future payments, all payments included in the terms and conditions of the contracts, such as advance payments, are taken into consideration.

The calculation of the effective interest rate includes fees that are an integral part of the effective interest rate. However, expected credit losses are not taken into account. If a financial asset subsequently has become credit impaired the interest income is recognised applying the effective interest rate to the amortised cost, i.e. gross carrying amount adjusted for the loss allowance. In case a financial asset is credit impaired at initial recognition, the expected credit losses are included in the estimated cash flows to calculate a credit adjusted effective interest rate which then is applied to recognise the interest income.

Fee and commission income

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

The recognition of revenue from contracts with customers is reported as fee and commission income. This does not apply to 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 income is recognized based on how the service is provided and how the customer benefits from it, in an amount that reflects the consideration the company is entitled to in exchange for providing the service. If the service is provided over time, the fee income is recognized on a straight-line basis over the entire service period, provided that the customer simultaneously receives and consumes the benefits of the service. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur. Other fees and commission income are recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations.

3.19 Interest expenses

Interest expenses are recorded on an accrual basis each month.

3.20 Dividend income

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

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

3.21 Share-Based Payments

AS Finora Group has established a share-based payment option program, under which the Group issues options to employees and owners to buy shares of AS Finora Group in return for their services. The difference between the grant price of issued options and their fair value at the grant date is recognized as personnel expense over the vesting period of the option program and as an increase in equity (other reserves) within the Group. 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 corresponding adjustment to equity. When the options are exercised, AS Finora Group will issue new shares. According to the terms and conditions of the share options, there are no social tax expenses when exercising options after 3 years.

3.22 Related parties

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

- owners that have a 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 people 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

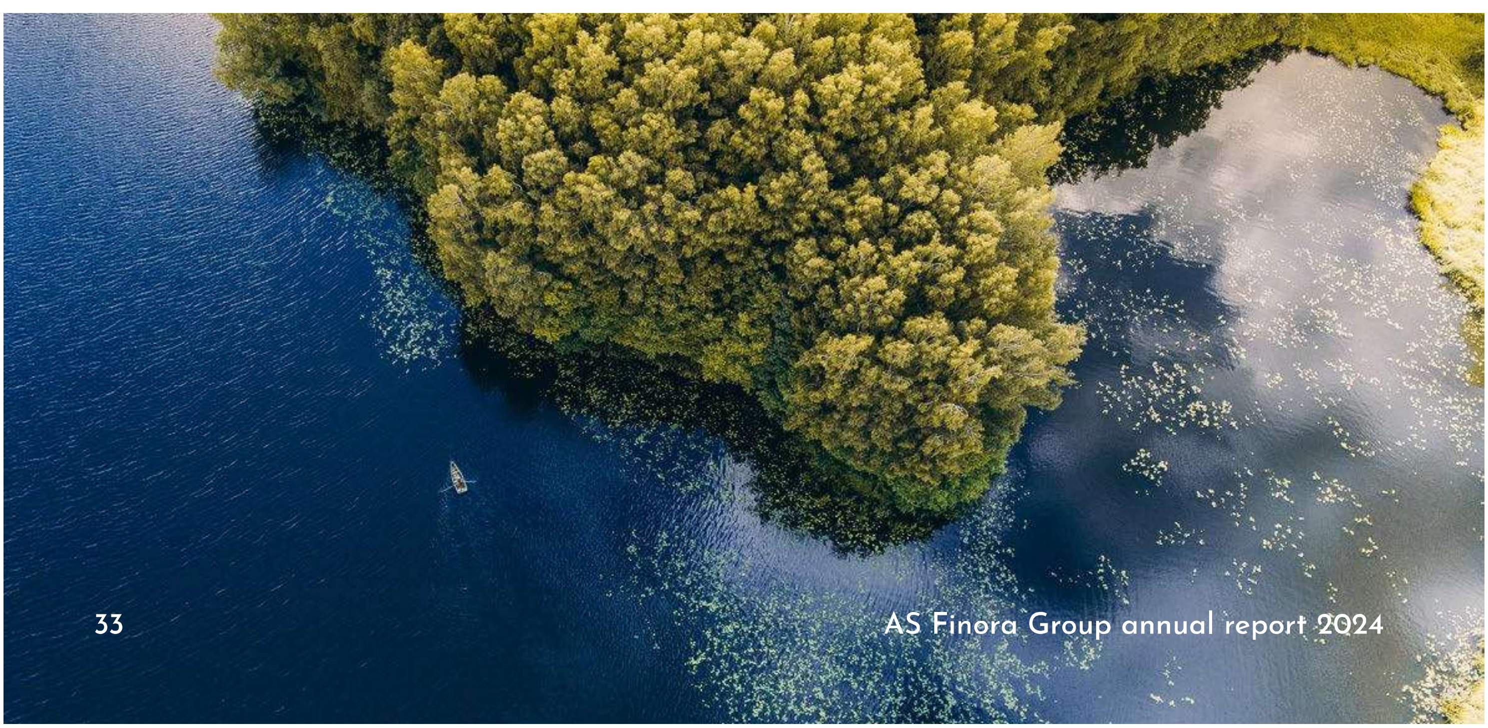
According to the Accounting Act of the Republic of Estonia, the separate unconsolidated primary statements of the consolidating entity (parent company) are disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the Parent Company, the same accounting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

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, if market participants act in their economic best interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The value of short-term liquid financial instruments, such as cash and cash equivalents, and receivables with a maximum maturity of one month are deemed equal to their carrying amount in the balance sheet. The value of trade and other payables with credit risk adjustment is also approximately equal to their carrying amount.
Based on the general principles, financial assets are broken down into three levels:

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

Amortized 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 out at fair value has been determined in accordance with Level 3 principles - based on the values of similar transactions.



(in euros)

31.12.2024	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets at fair value					
Financial investments	0	0	529 565	529 565	529 565
Total financial assets at fair value	**0**	**0**	**529 565**	**529 565**	**529 565**
Financial assets at amortized cost					
Cash	9 311 844	0	0	9 311 844	9 311 844
Loan receivables	0	0	28 450 481	28 450 481	28 450 481
Other receivables and prepayments	0	0	1 951 208	1 951 208	1 951 208
Total financial assets at amortized cost	**9 311 844**	**0**	**30 401 690**	**39 713 534**	**39 713 534**
Financial liabilities at amortized cost					
Deposits from clients	0	0	27 714 094	27 714 094	27 714 094
Loan liabilities	0	0	6 892 700	6 892 700	6 892 700
Bonds	*0*	*0*	*4 673 000*	*4 673 000*	*4 673 000*
Other loan liabilities	*0*	*0*	*2 219 700*	*2 219 700*	*2 219 700*
Payables and prepayments	0	0	1 627 698	1 627 698	1 627 698
Subordinated loans	0	0	2 290 000	2 290 000	2 290 000
Total financial liabilities at amortized cost	**0**	**0**	**38 524 492**	**38 524 492**	**38 524 492**

(in euros)

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

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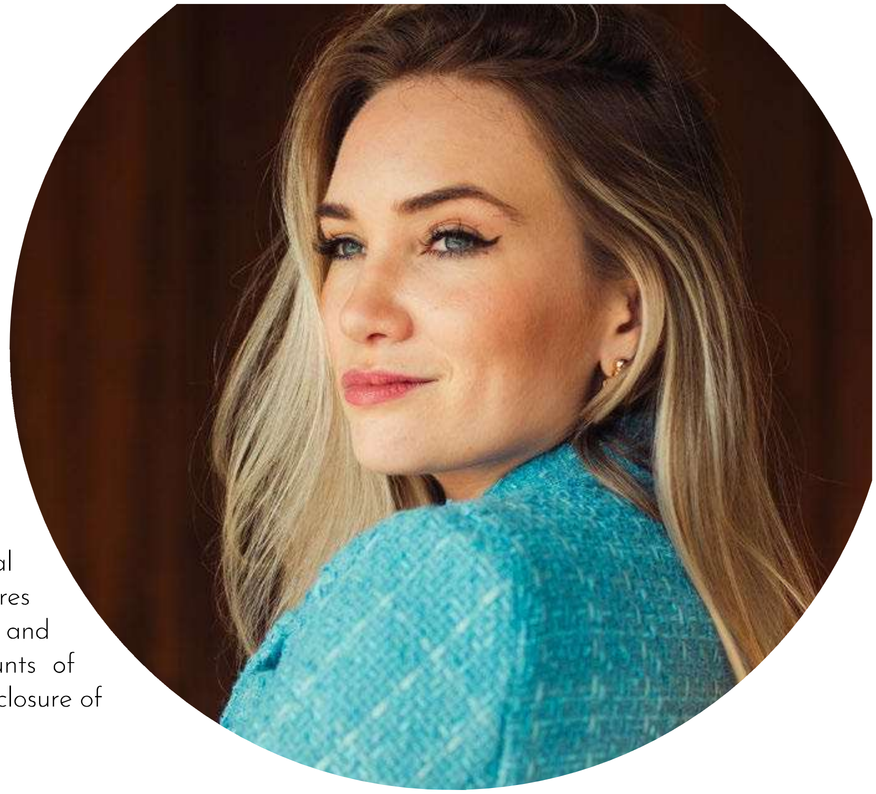

Note 5 Use of significant accounting judgements and estimates

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

Significant accounting judgements

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

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

Significant accounting estimates

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

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

Note 6 Risk management

General principles for risk management
Risk is defined as a potential negative deviation from the expected financial result and the Group has taken into consideration that in its business activities, it is exposed to several risks. The object of risk management is to

recognise, measure and manage these risks adequately. On a wider scale, the purpose of risk management is to minimize 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 materialization 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 minimizing the probability of materialization of the risks and the adverse consequences arising from their possible materialization.

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.

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

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

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

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

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

The cash and cash equivalents of the Group are held with commercial banks that are rated at least Baa2 based on Moody's Credit ratings. As of December 31, 2024, the Group's money in a commercial bank had a rating of Aa3 for 4 953 730 EUR and Baa2 for 35 591 EUR. 4 322 524 EUR was held in the Bank of Lithuania. Target-2 is the European Central Bank system through which euro transactions are settled in real-time and on a gross basis. The funds held in the TARGET2 account at the Bank of Lithuania are used for managing the Group's daily liquidity and meeting financial obligations, ensuring quick and secure access to European payment systems. The account is subject to the reliable supervisory and security framework of the euro area central banks. Additionally, funds held in the central bank generate short-term interest income according to the European Central Bank's monetary policy rates, providing the Group with a risk-free return on its free liquidity.

As of December 31, 2023, the Group's money in a commercial bank had a rating of Aa3 for 1 550 308 EUR and Baa3 for 237 843 EUR. 1 220 000 EUR was held in the Bank of Lithuania.

Concentration risk within the meaning of 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 subject to impairment:

(in euros)

31.12.2024	Total	Stage 1	Stage 2	Stage 3
Mortgage loans to clients	**22 576 936**	20 769 552	1 226 751	580 633
Mortgage loans	**22 969 512**	20 937 278	1 240 130	792 105
Allowance for doubtful accounts	**-392 576**	-167 725	-13 379	-211 472
Other loans to clients	**6 209 003**	5 443 670	308 469	456 864
Factoring and other business loans	**8 230 140**	5 539 538	320 124	2 370 478
Allowance for doubtful accounts	**-2 021 136**	-95 869	-11 654	-1 913 614
Consumer loans	**44**	44	0	0
Consumer loans	**664 423**	10 908	0	653 516
Allowance for doubtful accounts	**-664 379**	-10 864	0	-653 516
Prepaid future income	**-408 420**	**-408 420**	**0**	**0**
Prepaid future expenses	**66 518**	**66 518**	**0**	**0**
Other assets	**6 400**	**6 400**	**0**	**0**
Total loan receivables to clients	**28 450 481**	**25 877 764**	**1 535 220**	**1 037 497**

(in euros)

31.12.2023	Total	Stage 1	Stage 2	Stage 3
Mortgage loans to clients	**14 420 051**	13 175 403	999 174	245 474
Mortgage loans	**14 472 087**	13 213 929	1 003 882	254 277
Allowance for doubtful accounts	**-52 036**	-38 526	-4 708	-8 803
Other loans to clients	**8 444 227**	6 254 446	1 195 578	994 203
Factoring and other business loans	**9 240 784**	6 337 926	1 228 702	1 674 156
Allowance for doubtful accounts	**-796 557**	-83 480	-33 124	-679 953
Consumer loans	**290 229**	12 408	0	277 821
Consumer loans	**627 555**	15 786	0	611 769
Allowance for doubtful accounts	**-337 326**	-3 378	0	-333 948
Total loan receivables to clients	**23 154 507**	**19 442 257**	**2 194 752**	**1 517 498**

In 2023, prepaid income and expenses for future periods were recorded under other liabilities and other receivables, respectively.

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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 liquidity risk are payment risk and financing risk. Payment risk is the risk that the Group cannot meet its obligations without major related costs. Financing risk is the risk that the Group cannot raise sufficient resources without an adverse impact on the everyday activities or financial position of the Group. The overall purpose of liquidity risk management is to ensure that the Group has sufficient cash and liquid assets in order to perform its financial obligations as they fall due and to increase its loan portfolio. Upon managing the liquidity risk, the Group takes into consideration that a sufficient liquidity buffer must be maintained at any time for issuing loans and covering other possible obligations. Financing is performed mostly through equity, loans, and bonds, and the Group forecasts cash flows in order to have a sufficient buffer of financial resources on the due dates of repayment of financial obligations and a sufficient time frame for preparing refinancing upon expiry of the terms.

The overview of the Group's financial assets and financial liabilities by residual maturity (undiscounted cash flows) is provided in the table below:

in euros	31.12.2024	within 12 months	1-5 years	over 5 years
Financial assets				
Cash	9 311 844	9 311 844	0	0
Loan receivables	28 450 481	5 275 300	20 494 308	2 680 873
Other receivables and prepayments	2 480 774	2 480 774	0	0
Total financial assets	**40 243 099**	**17 067 918**	**20 494 308**	**2 680 873**
Liabilities and equity				
Deposits from clients	27 714 094	14 081 805	13 632 289	0
Loan liabilities	6 892 700	3 892 700	0	3 000 000
Bonds	4 673 000	1 673 000	0	3 000 000*
Other loan liabilities	2 219 700	2 219 700	0	0
Payables and prepayments	851 865	851 865	0	0
Subordinated loans	2 290 000	0	1 000 000	1 290 000
Total financial liabilities	**37 748 659**	**18 826 370**	**14 632 289**	**4 290 000**
Duration gap of financial assets and financial liabilities	**2 494 440**	**-1 758 452**	**5 862 019**	**-1 609 127**

in euros	31.12.2023	within 12 months	1-5 years	over 5 years
Financial assets				
Cash	3 008 151	3 008 151	0	0
Investments into bonds	246 054	246 055	0	0
Loan receivables	23 154 507	6 945 423	14 334 505	1 874 579
Other receivables and prepayments	2 200 280	2 200 280	0	0
Total financial assets	**28 608 993**	**12 399 909**	**14 334 505**	**1 874 579**
Liabilities and equity				
Deposits from clients	18 371 353	6 498 363	11 872 990	0
Loan liabilities	5 009 391	3 338 102	1 671 288	0
Bonds	1 671 288	0	1 671 288	0
Other loan liabilities	3 338 102	3 338 102	0	0
Payables and prepayments	562 371	562 371	0	0
Subordinated loans	2 290 000	0	0	2 290 000
Total financial liabilities	**26 233 115**	**10 398 837**	**13 544 278**	**2 290 000**
Duration gap of financial assets and financial liabilities	**2 375 878**	**2 001 072**	**790 227**	**-415 421**

*Perpetual. See note 16 for details.

Interest rate risk

Interest rate risk reflects the mismatch in the balance sheet items and the off-balance sheet items due to changes in interest rates as well as the possible negative change in the fair value of financial instruments due to a decline in the present value of future cash flows arising from a change in interest rates. The purpose of monitoring and managing interest rate risk is to assess the profitability of the Group's interest-bearing products, forecast profits of future periods and prevent a significant decline in profitability arising from a change in interest rates. To this end, the Group monitors interest rate risk exposures in order for them to be exactly defined, observed and controlled. Loans issued by the Group have both a fixed and variable 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 risks, which are assessed separately. Legal risk is the risk of an entitled party not being able to exercise its rights or expect the performance of obligations because of the failure of the obligated party to perform the obligations assumed by it. Reputation risk means the potential that negative publicity regarding the Group and its business activities, whether true or not, will cause a decline in the customer base or in revenue, and increase in the expenses relating to legal assistance.

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

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

Market risk

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

Business and strategic risk

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

Anti-money laundering

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

Capital Management

The Group's capital management objective is to ensure the availability of sufficient capital reserves to support business operations, cover significant risks, and meet regulatory requirements in both normal and stressful situations. According to the management principles, the Group considers as capital all components that contribute to ensuring regulatory capital ratios, including equity, subordinated loans, and Additional Tier 1 (AT1) and Tier 2 instruments. For accounting purposes, these are recognized under IFRS EU principles either as liabilities or equity, but from a capital management perspective, they are assessed as a unified whole, considering the applicable banking supervision framework.

The Group's capital management includes:

- Regular monitoring and assessment of capital calculations and ratios (e.g., CET1, Tier 1, and total capital ratios), including the calculation of risk-weighted assets (RWA) and comparison of results to established minimum requirements.
- Conducting stress tests to assess the adequacy of capital buffers in the event of adverse market or economic conditions.
- Preparing capital forecasts and plans, considering business strategy, risk appetite, and potential changes in the financial and regulatory environment.
- Applying buffers designated for risk coverage (e.g., systemic or countercyclical capital buffers) according to supervisory authority requirements or internal risk policies.
- Decision-making processes regarding potential capital-raising measures (such as issuing additional AT1 or Tier 2 instruments, profit distribution, or imposing restrictions on payouts) to ensure that the bank maintains a sufficient capital position in the long term.

The Finora Group's consolidated regulatory ratios are presented in the table below:

31.12.2024		
Ratio	**Prudential requirement, %**	**Actual Data, %**
Common Equity Tier 1 (CET1) capital requirement	8	8.98
Tier 1 capital requirement	9.5	23.71
Total capital ratio, also known as the capital adequacy ratio (CAR)	11.5	31.61
Leverage ratio	3	11.48
Liquidity Coverage Ratio (LCR)	>100	>100
Net Stable Funding Ratio (NSFR)	>100	>100
Large Exposure	<25 % CET1	Complies

31.12.2023		
Ratio	**Prudential requirement, %**	**Actual Data, %**
Common Equity Tier 1 (CET1) capital requirement	8	8.85
Tier 1 capital requirement	9.5	8.85
Total capital ratio, also known as the capital adequacy ratio (CAR)	11.5	11.81
Leverage ratio	3	5.86
Liquidity Coverage Ratio (LCR)	>100	>100
Net Stable Funding Ratio (NSFR)	>100	>100
Large Exposure	<25 % CET1	Complies

Note 7 Loan receivables

in euros		Allocation by remaining maturity		
	31.12.2024	within 12 months	1-5 years	over 5 years
Mortgage loans to clients	**22 576 936**	**2 905 912**	**17 008 521**	**2 662 503**
Mortgage loans	22 969 512	3 082 738	17 200 789	2 685 985
Allowance for doubtful accounts	-392 576	-176 826	-192 269	-23 482
Other loans to clients	**6 209 003**	**2 704 846**	**3 485 787**	**18 370**
Factoring and other business loans	8 230 140	4 203 964	4 007 249	18 928
Allowance for doubtful accounts	-2 021 136	-1 499 118	-521 461	-557
Consumer loans	**44**	**44**	**0**	**0**
Consumer loans	664 423	590 123	74 300	0
Allowance for doubtful accounts	-664 379	-590 079	-74 300	0
Prepaid future income	**-408 420**	**-408 420**	**0**	**0**
Prepaid future expenses	**66 517**	**66 517**	**0**	**0**
Other	**6 400**	**6 400**	**0**	**0**
Total loan receivables to clients	**28 450 481**	**5 275 299**	**20 494 308**	**2 680 874**

in euros		Allocation by remaining maturity		
	31.12.2023	within 12 months	1-5 years	over 5 years
Mortgage loans to clients	**14 420 051**	**2 655 247**	**10 349 699**	**1 415 104**
Mortgage loans	14 472 087	2 660 963	10 394 448	1 416 676
Allowance for doubtful accounts	-52 036	-5 716	-44 749	-1 572
Other loans to clients	**8 444 227**	**4 000 042**	**3 984 711**	**459 474**
Factoring and other business loans	9 240 784	4 760 034	4 010 257	470 493
Allowance for doubtful accounts	-796 557	-759 993	-25 545	-11 018
Consumer loans	**290 229**	**290 135**	**95**	**0**
Consumer loans	627 555	627 450	105	0
Allowance for doubtful accounts	-337 326	-337 315	-11	0
Total loan receivables to clients	**23 154 507**	**6 945 423**	**14 334 505**	**1 874 579**

in euros Loan type	31.12.2024 Net loan portfolio	31.12.2023 Net loan portfolio	Collateral
Mortgage loans	22 576 936	14 420 051	Mortgage
Business loans	377 021	1 930 798	Surety
Factoring	2 333 541	2 546 466	Factoring invoices
Leasing	3 498 442	3 966 963	Leased assets
Consumer loans	44	290 229	Unsecured
Prepaid future income	-408 420	0	Unsecured
Prepaid future expenses	66 517	0	Unsecured
Other assets	6 400	0	Unsecured
Total	**28 450 481**	**23 154 507**	

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

Note 8 Receivables and prepayments

in euros	31.12.2024	Allocation by remaining maturity: within 12 months	1-5 years	Note
Other receivables				
Other receivables	1 617 474	757 974	859 500	
Tax prepayments	92 966	92 966	0	10
Prepaid expenses	240 768	240 768	0	
Total receivables and prepayments	**1 951 208**	**1 091 708**	**859 500**	

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

As of 31 December 2022, the amount of EUR 290 921 included in other receivables represented a claim against Inbank. In January 2020, a 100% subsidiary of Inbank offering full-service leasing was acquired and subsequently renamed AS Finora Finance. As a result of the transaction, Finora Group's consolidated loan portfolio grew to EUR 10 million by the end of January 2020. In May 2020, the leasing company was transferred back to Inbank's ownership, as Inbank and Finora Group were unable to agree on the final fulfillment of the purchase agreement terms. Inbank returned part of the received funds, but not in full. Finora initiated legal proceedings in 2020, and after going through all court instances, the Supreme Court issued its final decision in January 2024, rejecting Finora's claim. As this was an adjusting post-balance sheet event, the remaining claim of EUR 290 921 was expensed in 2023. As there was no clarity regarding the amount and payment deadline of the counterparty's legal costs at the time of preparing the annual reports for both 2023 and 2024, these costs have not been recognized as expenses but have been treated as contingent liability (see Note 26).

As at 31 December 2024, other receivables include a loan receivable from AS Bankish in the amount of EUR 859 500 (31 December 2023: EUR 864 500) and accrued interest receivables of EUR 187 523 (31 December 2023: EUR 122 519). The final repayment date is on 31 December 2027 and it carries an annual interest rate of 8%.

In addition, other receivables include a claim related to the sale of modules to AS Bankish amounting to EUR 330 631, recognised both as of 31 December 2024 and 31 December 2023. As at 31 December 2024, there is also an interest receivable related to AT1 bonds in the amount of EUR 206 560.

Note 9 Financial investments

in euros	31.12.2024	31.12.2023
Financial investments	529 565	529 565
Total Financial investments	**529 565**	**529 565**

AS Finora Group holds a financial investment in AS Bankish, which is measured at fair value. The fair value measurement in 2024 was based on a discounted cash flow (DCF) model, where the revenue for 2025 was based on real projects and volumes currently under negotiation. For the following periods, it was assumed that a similar trend would continue. A very conservative discount rate of 25% and a conservative terminal growth rate of 2% were applied in the analysis. The DCF model confirmed that the estimated value of the investment is at least equal to the carrying amount in the balance sheet, multiplied by the ownership interest.

The fair value measurement in 2023 was based on actual transactions involving the company's shares. Transactions took place in 2023, 2022, 2021, and 2020, with a significant portion occurring between independent parties.

Note 10 Tax prepayments and tax payables

in euros	31.12.2024 Tax prepayments	31.12.2024 Tax payables	31.12.2023 Tax prepayments	31.12.2023 Tax payables	Note
Corporate income tax	0	479	0	0	
Value-added tax	0	8 840	0	84 586	
Personal income tax	0	45 277	0	48 580	
Social security tax	0	70 042	0	34 146	
Contributions to mandatory funded pension	0	380	0	312	
Unemployment insurance premium	0	1 103	0	563	
Net of prepayment account	92 966	0	48 122	0	8
Total tax prepayments and liabilities	**92 966**	**126 121**	**48 122**	**168 187**	

The company does not have any overdue tax payables.

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

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

Note 11 Subordinated Loans

As of 31 December 2024, and 31 December 2023, the balance of subordinated loan liabilities was EUR 2 290 000, with an interest rate of 11–12% and a maturity date in 2029–2030.

There were no changes in the subordinated loan balance in 2024. In 2023, subordinated loans in the total amount of EUR 1 290 000 were received. Of the subordinated loans received in 2023, EUR 15 000 was paid in cash, while the remainder was a non-cash transaction through the conversion of long-term bonds. The subordinated loans were issued in euros.

Interest expenses related to subordinated loans for the reporting period, as well as accrued interest liabilities as at the end of the reporting period, are presented in the table below.

Interest liabilities have been recognised in the statement of financial position using the internal rate of return. The nominal interest rate of the subordinated loans is equal to their internal rate, as no additional fees were paid.

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

in euros	Total
Accrued interest on subordinated loans as at 01.01.2024	**21 825**
Interest calculated for 2024	261 900
Interest paid during 2024	261 900
Accrued interest on subordinated loans as at 31.12.2024	**21 825**

Note 12 Tangible assets

in euros	Computers and IT systems	Other property, plant and equipment	Total
31.12.2022			
Cost	50 309	72 494	122 805
Accumulated depreciation	-27 436	-29 284	-56 720
Carrying amount	**22 873**	**43 211**	**66 086**
Additions and improvements	25 050	20 733	45 783
Sale	-642	0	-642
Depreciation	-11 228	-9 084	-20 312
31.12.2023			
Cost	74 717	93 227	167 944
Accumulated depreciation	-38 664	-38 367	-77 031
Carrying amount	**36 053**	**54 860**	**90 913**
Additions and improvements	25 054	64 990	90 044
Sale	0	-29 043	-29 043
Depreciation	-16 889	-23 376	-40 265
31.12.2024			
Cost	99 771	129 174	228 945
Accumulated depreciation	-55 553	-61 743	-117 296
Carrying amount	**44 218**	**67 431**	**111 649**

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

Note 13 Intangible assets

in euros	Software	Other intangible assets	Total
31.12.2022			
Cost	797 933	422 395	1 220 328
Accumulated depreciation	-146 486	-54 790	-201 276
Carrying amount	**651 448**	**367 605**	**1 019 053**
Additions and improvements	75 875	4 480	80 355
Write-offs	-428 898	0	-428 898
Depreciation costs	-58 597	-45 985	-104 582
31.12.2023			
Cost	444 911	426 875	871 785
Accumulated depreciation	-205 083	-100 775	-305 858
Carrying amount	**239 828**	**326 099**	**565 927**
Additions and improvements	97 630	0	97 630
Depreciation costs	-55 366	-37 224	-92 590
31.12.2024			
Cost	542 541	426 875	969 415
Accumulated depreciation	-260 449	-138 000	-398 448
Carrying amount	**282 092**	**288 875**	**570 967**

No asset impairments occurred during the reporting period. In 2023, the core banking software previously recognised as an intangible asset and used for recording banking transactions was expensed.

Note 14 Subsidiaries

Shares in subsidiary	31.12.2024	31.12.2023
Name of subsidiary	Finora Bank UAB	Finora Bank UAB
Registration number	305156796	305156796
Country of residency	Lithuania	Lithuania
Ownership share	100%	100%
Share nominal value	1 EUR	1 EUR
Ownership nominal value	12 870 000* EUR	4 600 000 EUR
Expenses related to establishment	10 473 EUR	10 473 EUR
Total	**12 880 473 EUR**	**4 610 473 EUR**

Shares in subsidiary	31.12.2024	31.12.2023
Name of subsidiary	Finora Factoring OÜ	Finora Factoring OÜ
Registration number	14439107	14439107
Country of residency	Estonia	Estonia
Ownership share	100%	100%
Share nominal value	1 EUR	1 EUR
Ownership nominal value	10 000 EUR	10 000 EUR
Expenses related to establishment	190 EUR	190 EUR
Total	**10 190 EUR**	**10 190 EUR**

*Including EUR 2 million of share capital paid in by AS Finora Group in 2024, which was recorded in the subsidiary's annual report as unregistered share capital as it is pending approval by the Bank of Lithuania and subsequent registration with the Commercial Register.

Note 15 Deposits

As of December 31, 2024, and December 31, 2023, all deposits were term deposits and consisted primarily of deposits from private individuals. The nominal interest rates on most customer deposits are equal to their effective interest rates, as no significant additional fees have been paid. All customer deposits are in euros and primarily originated via the Raisin platform from Germany. The average interest rate in 2024 was 3.47% (3.55% in 2023). The breakdown of customer deposits by remaining maturity is as follows:

(in euros)

Term (residual maturity) without interest	31.12.2024	31.12.2023
1 year	14 081 805	6 498 363
2 years	9 458 166	8 466 107
3 years	2 150 640	1 611 480
4 years	283 602	218 602
5 years	1 846 801	1 576 801
Transaction costs	-106 920	0
Total	**27 714 094**	**18 371 353**

In 2023, prepaid transaction costs were recorded under other receivables.

Note 16 Loan liabilities and deposits

in euros		Allocation by remaining maturity					
	31.12.2024	within 12 months	1-5 years	over 5 years	Due date	Interest	Currency
Deposits from clients							
Deposits from clients	27 714 094	14 081 805	13 632 289	0	2025-2029	3.47% (average)	EUR
Other loans							
Legal entities	2 219 700	2 219 700	0	0	2025-2027	Eurobor + 5.5%	EUR
Bonds							
Bonds	1 673 000	1 673 000	0	0	2025	9%	EUR
AT1 Bonds	3 000 000	0	0	3 000 000	perpetual	15%	EUR
Total bonds	**4 673 000**	**1 673 000**	**0**	**3 000 000**			
Subordinated loans							
Subordinated loans	2 290 000	0	1 000 000	1 290 000	2029-2030	11-12%	EUR
Total loan liabilities	**36 896 794**	**17 974 505**	**14 632 289**	**4 290 000**			

in euros		Allocation by remaining maturity					
	31.12.2023	within 12 months	1-5 years	over 5 years	Due date	Interest	Currency
Deposits from clients							
Deposits from clients	18 371 353	6 498 363	11 872 990	0	2024-2028	3.55% (average)	EUR
Other loans							
Legal entities	3 338 102	3 338 102	0	0	2024-2027	1% - Eurobor + 5.5%	EUR
Bonds							
Bonds	1 671 288	0	1 671 288	0	2025	9%	EUR
Subordinated loans							
Subordinated loans	2 290 000	0	0	2 290 000	2029-2030	11-12%	EUR
Total loan liabilities	**25 670 744**	**9 836 465**	**13 544 278**	**2 290 000**			

Loans from legal entities

As at December 31, 2024, loans received from legal entities included EUR 2 210 000, and as at December 31, 2023, EUR 2 600 000 in loans from the European Investment Fund (EIF). These loans are subject to certain loan agreement financial covenants in the form of ratio requirements applicable to the Group.. As of 31 December 2024, the Group did not comply with the EIF's requirements regarding these ratios (Leverage Ratio, Current Ratio, and Cost-Income Ratio). As of 31 December 2023, the same ratios were not met, in addition to the Non-performing Loans Ratio. According to the agreement, the EIF has the right to demand early repayment of the loan. Consequently, as of 31 December 2024 and 31 December 2023, the loan has been classified as a short-term liability. Despite the non-compliance with some of the financial ratios as of 31 December 2023, the early repayment right was not exercised by EIF. According to management's assessment, this is not expected to occur during the current year either. This assessment is based on the experience from the previous year and management's readiness to cooperate with the EIF to find solutions to the situation by reviewing the continued relevance of the stipulated ratios and outlining future plans.

As of 31 December 2023, a second loan of EUR 0.7 million received from Invega was secured by both the Lithuanian subsidiary's bank account related to this loan and by the loans issued under this measure. As of 31 December 2024, the loan has been fully repaid.

Bonds

As of 31 December 2024, the amount of bonds outstanding was EUR 1 673 000 (31 December 2023: EUR 1 671 288). The original maturity date of the bonds was April 2022. In February 2022, with the consent of the bondholders, the maturity was extended to February 2024. In November 2023, the maturity was further extended, again with the bondholders' consent, until September 2025. The bonds are secured by mortgages, pledges of claims arising from loan agreements, and bank account pledges, which must cover at least 105% of the liabilities arising from the bonds. As of both 31 December 2024 and 31 December 2023, the total value of the pledged assets exceeded the required level. As of the end of the reporting period, the largest portion of the collateral consisted of the account pledge (31 December 2023: mortgages and pledges of claims from loan agreements).

AT1 Bonds

In 2024, Finora Group issued a total of EUR 6.45 million worth of perpetual and subordinated Additional Tier 1 (AT1) temporary write-down bonds in two tranches. These instruments form part of the Group's Additional Tier 1 capital (but not CET1) under the EU banking regulations and are intended to strengthen the capital base. AT1 bonds are perpetual, meaning they do not have a fixed maturity date, and the issuer is not obliged to repay them. The interest rate is fixed at 15% per annum, and interest payments are entirely at the issuer's discretion, subject to regulatory restrictions and profit distribution capacity. The instruments include a loss absorption mechanism under which temporary or full write-down may occur if the Group's CET1 ratio falls below 5.125%. The nominal value of the bonds may be restored if the Group's capital position improves and such restoration is permitted under applicable regulations. Early redemption of the bonds is only possible after five years and solely with regulatory approval and under certain conditions, including the replacement of the capital with instruments of equal or higher quality. As the Group's consolidated Common Equity Tier 1 (CET1) capital ratio fell below the threshold specified in the agreement, the loss absorption mechanism outlined in the terms of the AT1 bonds was triggered. As a result, the nominal value of the instruments was partially written down as of 31 December 2024. This transaction was reflected in the balance sheet as a reduction in bond liabilities and in the income statement under other income in the amount of EUR 3 450 000.

Information about subordinated loans is provided in Note 11, and deposit details can be found in Note 15.

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

See also Note 6: Risk Management.

Note 17 Other payables and prepayments

in euros	31.12.2024	within 12 months	1-5 years	31.12.2023	within 12 months	1-5 years	Note
Trade payables	78 353	78 353	-	46 119	46 119	0	
Payables to employees	336 615	336 615	-	178 887	178 887	0	
Tax liabilities	171 467	171 467	-	168 187	168 187	0	10
Other liabilities	**1 012 235**	**1 012 235**	**-**	**665 009**	**665 009**	**0**	
Interest liabilities	851 865	851 865	-	562 371	562 371	0	
Other accrued expenses	160 370	160 370	-	102 637	102 637	0	
Prepayments received	29 029	29 029	0	138 569	128 592	9 977	
Total payables and prepayments	**1 627 698**	**1 627 698**	**0**	**1 196 770**	**1 186 793**	**9 977**	

Note 18 Share capital, share premium and other reserves

in euros	31.12.2024	31.12.2023
Share capital	639 815	551 673
Number of shares (pcs)	6 398 150	5 516 730
Nominal value of shares, EUR	0.1	0.1
Unregistered share capital, EUR	0	151 050
Share premium, EUR	9 708 005	7 208 263
Other reserves, EUR	319 698	176 590

In 2024, share capital increased by EUR 88 142, with all contributions made in cash. Share premium increased by EUR 2 499 742 in 2024, also fully paid in cash.

In 2023, share capital increased by a total of EUR 34 397, with all contributions made in cash. Share premium increased by a total of EUR 1 926 232 in 2023, also fully paid in cash. In addition, in 2023, a cash contribution of EUR 151 050 was received in the company's bank account (including EUR 2 650 as share capital and EUR 148 400 as share premium). This contribution was registered by the Commercial Register in January 2024 and is therefore reported as unregistered share capital as of 31 December 2023.

In 2023, a stock split was carried out, changing the nominal value of shares from EUR 1 to EUR 0.10, while simultaneously increasing the number of shares tenfold. This change did not affect the total share capital of the company in euros. The group has issued share options. To calculate the current values of the originally issued options (after the stock split), the number of options must be multiplied by 10, and the share value at the grant date must be divided by 10. The total value in euros remains unaffected.

Since 2022, the group has been issuing stock options to owners, board members, department heads, and key employees. The exercise period for the options is three years, and the issuance of shares underlying the options takes place at the shareholders' annual general meeting or a special meeting close to the exercise deadline. As of 31 December 2024, the reserve for issued options amounted to EUR 319 698 (31 December 2023: EUR 176 590). The corresponding expense recognised in the income statement was EUR 143 109 in 2024 (EUR 161 669 in 2023). The fair value of the options is calculated using the Black-Scholes model, which takes into account the share price, volatility, and risk-free interest rate. Employees do not have the right to cash out the option amount. The options cannot be exchanged, sold, pledged, or encumbered in any way. However, the options are inheritable. The option agreement expires if the employee leaves the company before the vesting date unless the supervisory board decides otherwise. Information about option grants and cancellations is provided below. No options were exercised during the reporting year or the previous year.

Issuance of options (grant) has taken place on two occasions – in December 2022 and May 2023. The table below provides an overview of both instances. It includes information both before and after the split. The cancellations listed in the table are due to the departure of management board members and employees from the company.

Changes in options prior to the share split

Grant Date Exercise Date	December 2022- December 2025	May 2023- May 2026	Total
Share Value at Grant Date	32.6	57	
Number of Options Granted	28 600	2 200	30 800
Cancelled in 2023	-6 450	0	-6 450
Outstanding as of 31.12.2023	**22 150**	**2 200**	**24 350**
Cancelled in 2024	-4 600	0	-4 600
Outstanding as of 31.12.2024	**17 550**	**2 200**	**19 750**

Changes in options after the share split

Grant Date Exercise Date	December 2022- December 2025	May 2023- May 2026	Total
Share Value at Grant Date	3.26	5.7	
Number of Options Granted	286 000	22 000	308 000
Cancelled in 2023	-64 500	0	-64 500
Outstanding as of 31.12.2023	**221 500**	**22 000**	**243 500**
Cancelled in 2024	-46 000	0	-46 000
Outstanding as of 31.12.2024	**175 500**	**22 000**	**197 500**

The company has no contingent liabilities (related to dividends) as of 31.12.2024 and 31.12 2023. Since retained earnings from previous periods are negative, there is no contingent amount of dividend income tax.

Note 19 Interest income

in euros	2024	2023
Geographical breakdown of interest income		
Interest income from EU countries		
Estonia	1 020 719	325 783
Lithuania	1 526 199	1 770 773
Interest income from EU countries, total	2 546 918	2 096 556
Interest income total	**2 546 918**	**2 096 556**
Breakdown by category of interest income		
Interests from mortgage loans	1 466 366	869 507
Other interests	1 080 552	1 227 049
Interest income total	**2 546 918**	**2 096 556**

The company's main income is interest income from lending activities. Interest income is generated from mortgage loans, consumer loans, microloans, hire-purchase agreements, leasing, and factoring agreements.

Note 20 Interest expenses

in euros	2024	2023
Bonds	150 570	240 117
Legal entities	224 326	271 502
Deposits	785 336	491 356
Subordinated loans	261 900	253 936
Total interest expense	**1 422 132**	**1 256 910**

Note 21 Other income

in euros	2024	2023
Penalty interest	121 624	124 839
Other fee income	94 261	113 527
Other operating income	3 529 144	103 238
Total other income	**3 745 029**	**341 604**

Other operating income in 2024 is mainly related to the write-off of AT1 bonds – see Note 16 for more details. In 2023, other operating income largely originated from the sale of intangible assets.

Note 22 Operating expenses

in euros	2024	2023
Office expenses	256 635	121 281
State and local taxes	139 769	76 783
IT services costs	720 648	562 743
Legal costs	377 599	126 623
Advertising and marketing costs	171 375	227 030
Accounting services (incl. audit costs)	49 667	43 449
Subscription fees	102 110	90 033
Seminars and other employee expenses	99 179	77 151
Financing fees	118 355	65 070
Consultation fees	114 515	66 254
Recruitment fees	67 886	76 927
Management and brokerage fees	30 248	30 887
Other expenses	116 142	402 882
Total operating expenses	**2 364 128**	**1 967 113**

In 2023, other expenses mainly comprised costs related to the write-off of the receivable from Inbank. In both 2024 and 2023, this category also primarily included expenses for database inquiries and debt management.

Note 23 Labour expenses

in euros	2024	2023
Wages and salaries	2 807 766	1 770 819
Labour taxes	287 062	216 199
Options	143 107	161 669
Total labour expense	**3 237 935**	**2 148 688**
Average number of employees in full time equivalent units	**55**	**45**
Person working under an employment contract	48	37
Member of the management or control body of a legal person	7	8

Note 24 Related parties

Name of accounting entity's parent company: Nebbiolo Capital OÜ
Country, where the parent company is registered: Estonia

(in euros)

Related party balances according to groups	Receivables 31.12.2024	Liabilities 31.12.2024	Receivables 31.12.2023	Liabilities 31.12.2023
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	**1 377 654**	**2 117 264**	**1 363 180**	**2 099 964**

Loan receivables 2024	Loans given	Repayments of loans given	Calculated interest for the period
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	**0**	**5 000**	**65 004**

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

Loans received 2024	Loans received	Repayments of loans received	Calculated interest for the period
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	0	0	201 408

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

2024	Sales	Purchases
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	2 418	580 351

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

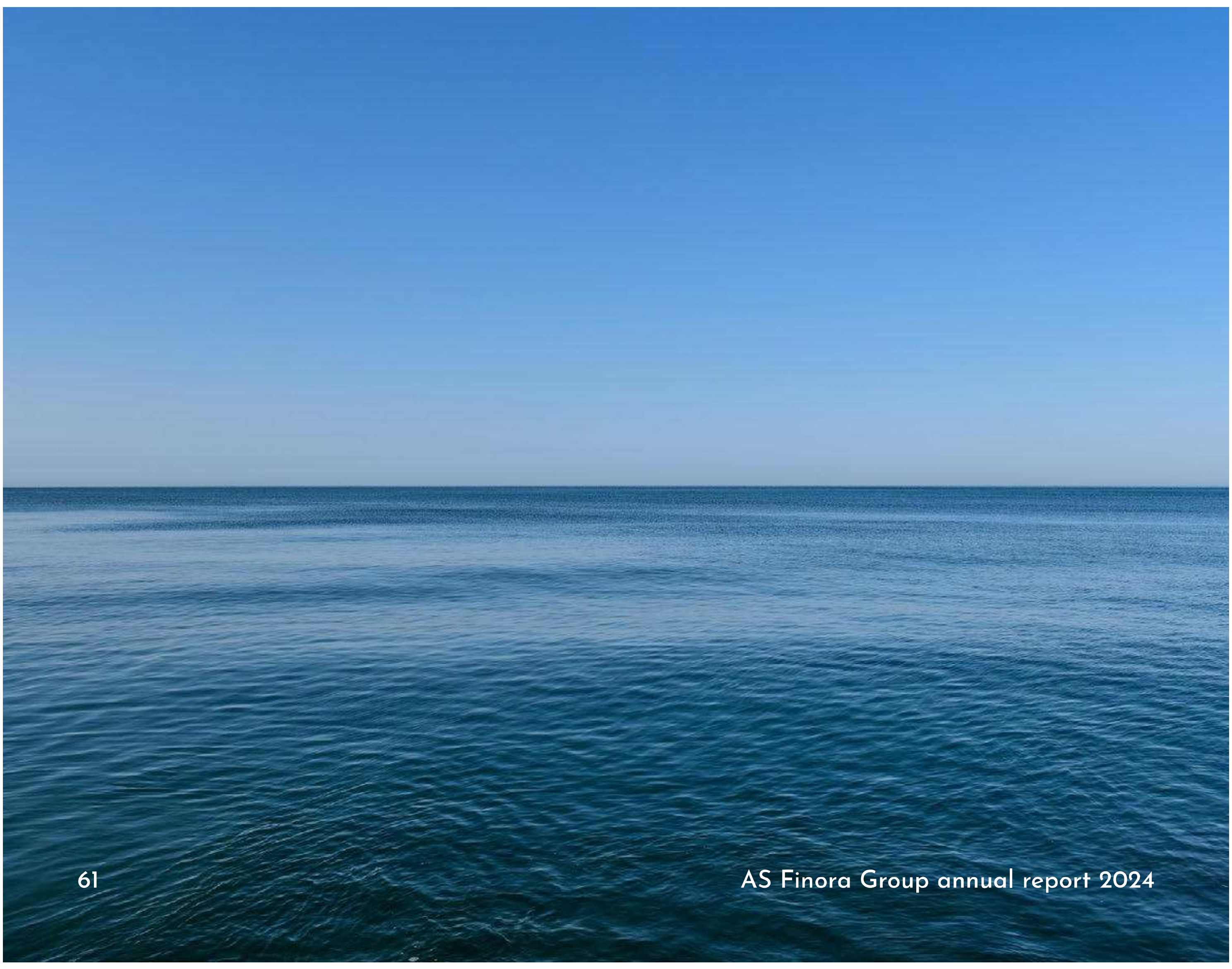
Remuneration and other significant benefits calculated for members of management and highest supervisory body	2024	2023
Remuneration	422 601	395 994

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 parties are management and supervisory board members and their close relatives and corporates controlled by them. There have been no write-downs of related party assets during the reporting period. Management received management fees and did not receive any other significant benefits.

In 2024, a total of 1 600 management board member options (equivalent to 16 000 options after the share split) were cancelled due to the departure of one management board member. Additionally, the total number of options granted to management board members decreased by another 1 600 options (equivalent to 16 000 options after the share split) due to the termination of board member status of a former management board member. In 2023, a total of 2 200 options (equivalent to 22 000 options after the share split) were granted to a management board member In the same year, 4 200 options (equivalent to 42 000 options after the share split) granted to a management board member were cancelled. No share options were exercised in either year.

Changes in Options – Management Board, Supervisory Board, and Shareholders	Before Share Split	After Share Split
Outstanding options as at 31.12.2022	21 100	211 000
Granted in 2023	2 200	22 000
Cancelled in 2023	-4 200	-42 000
Outstanding as at 31.12.2023	19 100	191 000
Cancelled in 2024	-1 600	-16 000
Termination of Management Board membership in 2024	-1 600	-16 000
Outstanding as at 31.12.2024	15 900	159 000



Note 25 Contingent liabilities

Guarantees

in euros	31.12.2024	31.12.2023
Issued guarantees	1 458 273	1 554 915
Total contingent liabilities	**1 458 273**	**1 554 915**

AT1 Bonds
In 2024, Finora Group issued a total of EUR 6 450 000 in Additional Tier 1 capital bonds (AT1 Temporary Write-Down Notes). For further details, see Note 16. These are subordinated, perpetual, and unsecured financial instruments with a 15% interest rate, and under their terms, a write-down of the nominal value may occur if the Group's CET1 ratio falls below 5.125%. During the reporting period, this threshold was breached, and in accordance with the contractual terms, EUR 3 450 000 of AT1 bonds were written down. As at year-end, the remaining AT1 liabilities amount to EUR 3 000 000, which is recognised as a liability on the balance sheet. Finora Group accounts for AT1 bonds as liabilities. The written-down portion of EUR 3 450 000 is not recognised on the balance sheet; however, its recovery is possible under certain conditions – namely, if the Group generates consolidated net profit and meets the regulatory requirements for reinstatement. Since this portion may become a liability again, either partially or fully, it is disclosed as a contingent liability in accordance with IFRS requirements. It should also be noted that if capital adequacy once again falls below the specified threshold, further write-downs of the remaining AT1 liabilities may occur.

Central Bank Inspection
In November 2024, the Bank of Lithuania initiated a supervisory review of Finora as a newly established bank, and a preliminary assessment was issued in March 2025. Finora submitted its response to the Central Bank on 2 April 2025, outlining its views, dissenting opinions, and, where necessary, proposed measures. Management believes that both Finora Bank and Finora Group remain ongoing concerns and does not expect the Bank of Lithuania to impose the most severe sanctions, considering that Finora Bank only commenced operations at the end of 2022 and remains the smallest bank in Lithuania, where the improvement of internal systems is a natural stage of development. This is also the first inspection, and Finora is preparing detailed explanations regarding the findings. The report is in draft status, and a final decision will be made based on the report and Finora's responses. Management disagrees with some aspects of the report, several findings have already been addressed, and Finora has taken steps to strengthen its governance and financial position, including additional capital raising and intentions of a new strategic investor. Considering the above, Finora has not recognised any provisions or disclosed any contingent liabilities in relation to this inspection. Overall, management views this process as a constructive dialogue with the regulator aimed at further strengthening Finora's operations and compliance framework.

Inbank Dispute
For contingent liabilities, refer also to the Inbank legal case described in Note 8, where the principal claim balance was expensed in 2023. As for the preparation of the 2023 annual report—and also as of the preparation of this report – the proceedings regarding the reimbursement of the opposing party's legal costs are still ongoing, and there is no clarity regarding the amount or due date of these costs. Therefore, these expenses were not recognised as of 31 December 2023 or 31 December 2024 but were disclosed as contingent liabilities.

Note 26 Unconsolidated financial statements of the parent company

According 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	31.12.2024	31.12.2023
Assets		
Cash	1 324 980	1 209 646
Loan receivables	608 208	2 444 265
Mortgage loans	308 430	444 259
Other loans	299 778	2 000 005
Other receivables and prepayments	1 670 614	1 513 654
Financial investments	529 565	529 565
Investments into subsidiaries and affiliates	12 956 148	4 664 173
Property, plant and equipment	14 832	56 048
Intangible assets	151 805	195 959
Total assets	**17 256 152**	**10 613 310**
Liabilities and equity		
Loan liabilities	7 142 700	4 280 988
Bonds	4 673 000	1 671 288
Other loan liabilities	2 469 700	2 609 700
Payables and prepayments	178 128	477 373
Subordinated loans	1 290 000	1 290 000
Total Liabilities	**8 610 828**	**6 048 361**
Equity		
Share capital	639 815	551 673
Unregistered share capital	0	151 050
Share premium	9 708 005	7 208 263
Other reserves	319 698	176 590
Retained earnings (loss)	-3 522 626	-2 568 720
Net profit (loss) for the financial year	1 500 432	-953 907
Total equity	**8 645 324**	**4 564 949**
Total Liabilities and equity	**17 256 152**	**10 613 310**

Income statement

in euros	2024	2023
Interest income	242 581	488 642
Interest expense	-523 945	-596 441
Net interest income	**-281 364**	**-107 799**
Other income	3 611 855	190 654
Total revenue	**3 330 491**	**82 855**
Operating expenses	-336 228	-284 309
Labor expenses	-138 627	-361 702
Other expense	0	-290 921
Total expenses	**-474 856**	**-936 932**
Profit before impairment losses	**2 855 635**	**-854 077**
Depreciation and amortisation	-56 815	-75 385
Changes in loan impairment reserve	-1 298 388	-24 445
Net profit (loss) for the financial year	**1 500 432**	**-953 907**

Statement of Cash Flow

in euros	2024	2023
Cash flows from operating activities		
Net profit (loss)	1 500 432	-953 907
Adjustments		
Depreciation and amortisation	56 815	75 385
Interest expense	523 945	596 441
Interest income	-242 581	-488 642
Other adjustments: provisions and options reserve	1 441 496	186 114
Other adjustments: AT1 write-down	-3 450 000	0
Total adjustments	**-1 670 325**	**369 298**
Total change in receivables and prepayments related to operating activities	821 397	3 345 081
Total change in payables and prepayments related to operating activities	-299 245	82 458
Interest received	177 577	468 188
Interest paid	-719 891	-641 955
Other proceeds from operating activities (bonds)	0	10 000
Other payments from operating activities (bonds)	0	-2 085 000
Total cash flows from operating activities	**-190 055**	**594 163**
Cash flows from investing activities		
Proceeds from bond investments	202 197	318 361
Investments into bonds	-202 197	-199 182
Purchase of property, plant and equipment and intangible assets	-488	-64 744
Proceeds from property, plant and equipment and intangible assets	29 043	644
Investments into subsidiaries	-8 270 000	-1 600 000
Total cash flows from investing activities	**-8 241 445**	**-1 544 921**
Cash flows from financing activities		
Loans received	**50 000**	**215 000**
Repayments of loans received	-390 000	-1 080 000
Proceeds from issue of shares	2 436 834	2 111 679
Received from AT1 bonds	6 450 000	0
Total cash flows from financing activities	**8 546 834**	**1 246 679**
Total cash flows	**115 333**	**295 922**
Cash and cash equivalents at beginning of period	1 209 646	913 724
Change in cash and cash equivalents	**115 334**	**295 922**
Cash and cash equivalents at end of period	1 324 980	1 209 646

Statement of changes in equity

in euros	Share capital	Unregis-tered share capital	Share premium	Other reserves	Retained earnings (loss)	Total
31.12.2022	**517 276**	**0**	**5 282 031**	**14 921**	**-2 568 720**	**3 245 508**
Net profit (loss) for the financial year	0	0	0	0	-953 907	-953 907
Issue of share capital	34 397	151 050	1 926 232	0	0	2 111 679
Stock options	0	0	0	161 669	0	161 669
31.12.2023	**551 673**	**151 050**	**7 208 263**	**176 590**	**-3 522 626**	**4 564 949**
Net profit (loss) for the financial year	0	0	0	0	1 500 432	1 500 432
Issue of share capital	88 142	-151 050	2 499 742	0	0	2 436 834
Stock options	0	0	0	143 108	0	143 108
31.12.2024	**639 815**	**0**	**9 708 005**	**319 698**	**-2 022 194**	**8 645 325**

Adjusted unconsolidated equity	31.12.2024	31.12.2023
Unconsolidated equity	**8 645 325**	**4 565 949**
Investments into subsidiaries	-12 959 148	-4 664 173
Investments into subsidiaries, based on equity method	6 723 500	2 841 806
Adjusted unconsolidated equity	**2 409 677**	**2 742 582**

Note 27 Post-Balance Sheet Events

In November 2024, Finora was subject to a regular inspection by the Bank of Lithuania as part of its ongoing supervisory activities for newly established banks.. The inspection continued into the beginning of 2025. As of the date of signing these financial statements, the Bank of Lithuania has provided a preliminary summary of its findings. On April 2, 2025, Finora submitted its response, providing clarifications, expressing well-founded disagreements, or confirming the observations, and presented an overview of the corrective actions already taken or planned. The management views this process as a constructive dialogue with the regulator, aimed at further strengthening the bank's operations and compliance framework. For more information, refer to the note on contingent liabilities.

Note 28 Continuation of Operations

In the opinion of the management of Finora Group, the company remains a going concern and possesses significant growth potential.. In 2024, a strategic investor was brought on board, investing over 8 million euros in various financial instruments within Finora Group. This strengthened the company's financial structure and secured a foundation for its continued development. This strategic partnership has not only improved Finora Group's capital position but also laid a strong foundation for expanding the company's operations and enhancing its competitiveness.

In line with the agreement made, investments with this strategic partner will continue, supporting Finora Group's strategic objectives, including portfolio growth and the strengthening of its market position. At the same time, the company remains committed to the continuous improvement of its internal processes and strategies to better adapt to changing market conditions and ensure sustainable development. According to management, these steps, along with the supportive financial structure, provide a strong foundation for Finora Group to continue its successful operations in the future.

Signatures of the report

Signing of the report: 8. April 2025
The correctness of the annual report AS Finora Group (registry code: 12324050) for the period 01.01.2024 – 31.12.2024 has been approved:

Name:	Position:	Date and signature:
Šarūnas Ruzgys	**Member of the Management Board**	**08.04.2025**

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

To the Shareholders of AS Finora Group

Grant Thornton Baltic OÜ

Pärnu road 22
10141 Tallinn, Eesti

T +372 626 0500
E info@ee.gt.com

Reg-nr 10384467
KMKR nr EE100086678

Qualified Opinion

We have audited the consolidated financial statements of AS Finora Group (the Company), which comprise the consolidated balance sheet as at December 31, 2024, and the consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the financial statements comprising material accounting policy information and other explanatory information.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024, 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 European Union.

Basis for Qualified Opinion

The consolidated balance sheet includes a financial investment in AS Bankish at fair value in the amount of 530 thousand euros. The determination of fair value is described in Note 9 of the consolidated financial statements. During the audit, we were unable to obtain sufficient evidence regarding the reasonableness of the assumptions used in determining fair value, and therefore we have no assurance that the fair value of the financial investment is not lower than its carrying amount. If there is an impairment, the loss for the reporting period would increase and equity would decrease.

Based on the expected credit loss model used, the receivables from AS Bankish described in Note 8 of the annual report should be written down by 203 thousand euros. The loss for the reporting period should be increased and equity should be decreased by this write-down.

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 Financial Statements* section of our report. We are independent of the Company 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 qualified 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 other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described above in the section 'Basis for Qualified Opinion,' the statements may contain significant errors. Therefore, we are unable to conclude whether the equity and asset ratios presented in the management report are materially misstated in relation to these circumstances or not.

The information presented in the management report is, in significant part, consistent with the consolidated financial statements and the requirements set forth in applicable laws."

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 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 nr. 486

Grant Thornton Baltic OÜ

License number 3

Pärnu mnt 22, 10141 Tallinn

April 8, 2025

Proposal for loss coverage

in euros	31.12.2024	31.12.2023
Profit (loss) of previous periods	-5 689 257	-2 584 384
Annual period profit (loss)	-2 577 037	-3 104 873
Total	**-8 266 294**	**-5 689 257**
Coverage		
Profit (loss) of previous periods after distribution	-8 266 294	-5 689 257
Total	**-8 266 294**	**-5 689 257**

Decision on loss coverage

in euros	31.12.2024	31.12.2023
Profit (loss) of previous periods	-5 689 257	-2 584 384
Annual period profit (loss)	-2 577 037	-3 104 873
Total	**-8 266 294**	**-5 689 257**
Coverage		
Profit (loss) of previous periods after distribution	-8 266 294	-5 689 257
Total	**-8 266 294**	**-5 689 257**

Declaration of the Supervisory Board

The Management Board has prepared the management report and financial statements of AS Finora Group for the financial year 2024. 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 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

Oleg Shvaikovsky
Member of the Supervisory Board

Distribution of revenue by business segments

Field of activity	EMTAK code	Sales revenue (EUR)	Sales revenue %	Main field of activity
Other credit products, excl pawnshops	64929	2 546 919	100.00%	Yes

Shareholders

Name	Registry code	Location	Size of ownership and currency
Nebbiolo Capital OÜ	11918037	Estonia	226 000 EUR
Others			413 815 EUR

Contact details

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

finora group