FINORA BANK UAB ANNUAL REPORT 2024

Building future together

finora bank

finorabank.eu

CONTENTS

INFORMATION ABOUT THE BANK

Accounting period covered by the financial statements

1 of January 2024 to 31 December 2024.

Reporting company and its contact details

Name	**Finora Bank UAB**
Address	**Žalgirio g. 90-100, LT-09303 Vilnius**
Company's registration code	**305156796**
Licence	**Licence issued 29 April 2022, number 9**
Telephone	**+370 695 37797**
E-mail address	**info.lt@finorabank.eu**
Website address	**finorabank.eu**
Auditor	**Grant Thornton Baltic, UAB**
Members of the Supervisory Board	**Veikko Maripuu** **Vahur Kraft** **Ieva Dosinaitė** **Rein Ojavere** **Oleg Shvaikovsky**
Members of the Management Board	**Šarunas Ruzgys** **Kristi Hõrrak** **Mangirdas Kireilis** **Sarunas Gerasimavicius** **Michail Leontjev**

Principal activity

Finora Bank UAB is a credit institution which holds the specialized banking license issued by the Bank of Lithuania.

GRANT THORNTON BALTIC UAB
Reg. Code 300056169 | VAT Code LT100001220914 | Register of Legal Entities of the Republic of Lithuania
www.grantthornton.lt

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF FINORA BANK UAB

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements Finora Bank UAB (the Bank) which comprise the statement of financial position as at December 31, 2024, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Lithuania on accounting and financial reporting, and International financial reporting Standards, adopted by European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 2014 April 16 the European Parliament and of the Council Regulation (EU) No 537/2014 on specific statutory audit requirements for public interest entities (Regulation (EU) No 537/2014 of the European Parliament and of the Council). 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 Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements and Other Assurance Services of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements and Other Assurance Services of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter

Expected credit losses of Loans to customers

See of the explanatory note to financial statements, section 2 "Material accounting policies", section "Impairment of financial assets", section 5 "Risk management", section "Credit risk" and note 3 "Loan receivables", respectively pages 33-36 pages 44-51 and pages 56-57.

We focused on this area because application of the expected credit loss (ECL) model to loan impairment losses under IFRS 9 "Financial instruments" requires complex and subjective judgements over both the timing of recognition of impairment and the size of any such impairment.

The key features of the ECL model include classification of loans to three stages, assessment of credit risk parameters and application of forward-looking information. The amount of impairment provision for the Bank's loans is based on the model calculations, taking into consideration the exposure at default, probability of default, loss given default, changes in customer credit rating, other known risk factors impacting stage of each exposure, and taking into account estimated future cash flows from the loan repayments or sale of collateral (loss given default), and the ECL adjustments by expected impact of future macroeconomic scenarios.

As at 31 December 2024, the expected credit losses amounted to EUR 907 thousand at the Bank (refer to note 3).

Credit impairments charged to statement of profit and loss and other comprehensive income for the expected credit losses for the year ended 31 December 2024 amounted to EUR 378 thousand for the Bank (refer to note 3).

How our audit addressed the key audit matter

We assessed whether the Bank's accounting policies in relation to the ECL for loans to customers are in compliance with IFRS 9 by assessing each significant model component: exposure at default, probability of default and loss given default, definitions of default and significant increase in credit risk, use of macroeconomic scenarios.

We assessed the design and operating effectiveness of the controls over relevant loan data and the ECL calculations. Those controls included controls over recording of loans data in the system, credit analysis and approval before issuing loans, loans credit file periodic review, risk score/rating assessment, a timely review and update of collateral values and overdue days.

We determined that we could rely on those controls for the purpose of our audit.

Futher, we performed detailed recalculations of selected loans and the results provided by the models to ensure that the ECL are calculated and assigned to stages correctly and meet our expectations. These recalculations were carried out within the most significant and high-risk loan portfolio to obtain sufficient and appropriate evidence about the Bank.

Other Information

The other information comprises the information included in the Bank's management report of 2024 year, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Bank's management report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Bank's management report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Bank's management report has been prepared in accordance with the requirements of the Law on Reporting by Undertakings and Groups of Undertakings of the Republic of Lithuania.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Law of the Republic of Lithuania on accounting and financial reporting, and International financial reporting Standards, adopted by European Union, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Bank'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 Bank'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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We shall 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Other requirements for the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In accordance with the decision made by shareholders on 4 November 2024 we have been chosen to carry out the audit of the Bank's 2024 year and 2025 year financial statements. Our appointment to carry out the audit of Bank's financial statements in accordance with the decision made by shareholders has have been renewed every 2 years and the period of total uninterrupted term of appointment is 3 years.

We confirm that our opinion in the section 'Opinion' is consistent with the additional audit report which we have submitted to the Bank and its Audit Committee.

We confirm that in light of our knowledge and belief, services provided to the Bank are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In addition to financial statement audit services, we provided financial statement translation services.

The engagement partner on the audit resulting in this independent auditor's report is Darius Gliaubicas.

Grant Thornton Baltic UAB
Audit company's certification No. 001513
Upės str. 21-1, Vilnius

Certified auditor
Darius Gliaubicas[1]
Auditor's certification No. 000594
4 April, 2025

[1] An electronic document is signed with an electronic signature, has the same legal force as a signed written document and is a permissible means of proof. Only the independent auditor's report is signed with the electronic signature of the auditor.

Dear Shareholders,

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

2024 was a year of creating solutions and laying a strong foundation for a new growth stage, taking care of many development steps to reach a higher speed of operations. As a result, in 2024 Finora Bank's gross interest income rose by 41%, its gross loan portfolio grew by 36%, reaching €27 830 thousand, while total assets increased by 59% to €36 602 thousand.

One of the most significant milestones in 2024 was securing €8 300 thousand in additional capital investments from parent company Finora Group who onboarded new long-term investors. This strengthened our capital base and allowed us to finance larger loans, leasing, and factoring projects, contributing to our record-breaking sales in Q4 and thus leading to higher revenues in the following periods.

Our active sales teams did more than just provide financing to SME segment companies; they also helped shape Finora Bank into a stronger, more recognized player in the market. By delivering tailored financial solutions to SMEs, we built trust, strengthened our brand, and turned first-time clients into long-term partners.

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

At the same time, we took strategic steps to ensure stability and efficiency of activities. We improved functional lines of IT, operations, AML, and risk management to better align with regulatory and industry best practices. Recognizing the need for a scalable infrastructure and improvement of efficiency, we committed to upgrading our core banking system in 2025.

While we have made significant progress, challenges remain. Finora Bank continues to increase the portfolio and upgrade the processes and technology to meet the highest standards our customers expect.

One of our main objectives for 2025 is to improve operational efficiency, strengthen our capital base, balance risk appetite with business expansion, and ensure continued alignment with regulatory requirements. We are confident that with the right team, a clear strategy, and strong financial backing, we can achieve these goals.

But beyond the numbers, what truly matters is the impact we make. At Finora Bank, we prioritize a customer-first approach and maintain a strong human touch. Every business has unique needs, so we offer tailored and flexible financial solutions instead of one-size-fits-all services.

Even in an era of increasing automation, SMEs still need a financial partner who truly understands the challenges and can offer personalized, flexible solutions. Unlike many lenders that depend entirely on AI, automation, or data algorithms, Finora Bank values that as well but prioritizes real conversations, tailored solutions, and a deep understanding of business needs. So, our approach is built on close collaboration with people, business owners and decision-makers. We listen, adapt to their needs, and support their growth in a way that no automated or standardized system can. This is where we take a leadership role. Because banking should be about more than just transactions, it should enable real progress.

2025 will be a defining year for Finora Bank to reach new financial targets. More considerable challenges lie ahead, but we are prepared. With strong momentum, solid financial backing, and a dedicated team, we are ready to take bold steps forward with confidence.

Sincerely,
Šarūnas Ruzgys
CEO and Chairman of the Management Board

DECEMBER 31, 2024 MANAGEMENT REPORT

The analysis of the year 2024 financial statements and operating activities

1. Review of the Bank situation, business and development, and analysis of financial performance

Finora Bank UAB (hereinafter referred to as "the Bank") is a credit institution in the form of a public limited liability company (UAB) domiciled in Lithuania.

Economic outlook

After a short-lived slowdown in 2023, Lithuanian economy grew notably in 2024. According to Lietuvos bankas estimates, GDP in Lithuania increased by 2.4% in real terms during the previous year. Economic expansion was broad and included all major sectors of the economy. Inflation-adjusted turnover of service enterprises and retail trade increased by 7.9 and 4.3 per cent, respectively. The volume of industrial output and construction grew by 2.9 and 5.6 per cent, respectively. Consumption growth was supported by a strong increase in consumers' purchasing power. Real income grew by 9.5 per cent due to a strong increase in salaries (10.3 %) and subdued inflation as prices increased just 0.8 per cent during the year. Industrial output growth was fueled by 2.2 per cent increase in exports while construction expansion was supported by ongoing investments into energy, defense and road infrastructure. A significant decline in Euribor helped real estate market stabilize and return to growth as affordability improved and financing costs shrank.

Unlike in Lithuania, Estonian economy still endured a recession in 2024, although in the end of the year it started to ease. According to Eesti Pank, Real GDP in Estonia contracted by 0.7 percent, led by decrease in business investments and exports (by 4.0 and 0.8 % over the year, respectively). Although real income in Estonia grew by 4.0 per cent, dampened household expectations prevented them from increasing consumption. Nevertheless, service sector in Estonia was the only major sector that grew in 2024 (by 2.0 %), mostly due to increased purchasing power and in expense of goods consumption. Moreover, in the last quarter of the year exports and manufacturing came back to growth after a deep slump, indicating recovering foreign demand for Estonian goods and likely recovery of economic growth in 2025.

Economy is forecast to grow in both Lithuania and Estonia in 2025. According to the national central banks, GDP will increase by 3.1 and 1.6 per cent, respectively. The main drivers of growth will be investments and consumption while additionally in Estonia exports will also recover from a two year of declines. Consumption will be supported by increase in purchasing power as real income of households in Lithuania and Estonia will increase by 6.4 and 1.4 per cent, respectively. Moreover, falling Euribor rates will support an increase in investments into fixed capital as it is expected to increase by 6.1 and 4.2 per cent, respectively.

Strategic direction

Finora Bank's vision is to empower its customers, facilitating the growth of their businesses through access to credit solutions and ongoing support. The bank 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.

The mission of Finora Bank is to inspire and equip today's SMEs to evolve into tomorrow's corporate leaders by fostering financial literacy and delivering comprehensive financial services to micro, small, and medium enterprises. With a commitment to excellence, the bank strives to distinguish itself as the premier local institution by enhancing customer experience and tailoring financial solutions to meet the unique needs of its clientele.

Finora Bank business model

We focus on sustainable value creation for our stakeholders and therefore aim for competitive return on invested capital and market, leading cost efficiency with sound risk management and an excellent customer experience, in combination with a strong commitment to sustainability.

The main activity of the Bank has been the financing of small and medium-sized enterprises (SME-s) and it is planned to pursue with main focus on financing services of the business segment.

Determined service. Finora puts considerable effort into maintaining our culture of resourceful solution design and proactive troubleshooting on behalf of and in the interests of our clients. We do not merely offer a list of products - we solve our clients' problems.

Humble honesty. Finora bank represents a commitment to transparency, integrity and a customer-first mindset. Finora openly acknowledges both strengths and limitations, providing clear and straightforward communication, delivering solutions that genuinely 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 works constantly to keep the service cycle as fast as possible. Short response times - saving our clients' time and giving them freedom of decision-making in growing their businesses - are a goal in themselves.

Activities and Financial performance overview

On September 9, 2022, Finora Bank obtained its banking license and began operating as a bank. In 2023, there was a strong emphasis on restructuring the bank's structure to ensure its growth. In 2024, Finora Bank built on the strong foundation laid in previous years and made significant progress in expanding its operations and services. A key milestone was the launch of its Estonian branch, officially registered in January 2024, at Narva Road 5, Tallinn, Estonia (registry code 16905996). This marked an important step toward strengthening the Bank's presence in the Baltic region.

Whilst operating as a bank, Finora continued to render financing services to customers. The total amount of newly issued financing was 40 534 TEUR during 2024 (2023: 41 995 thousand EUR). The Bank's interest revenue increased **41%** compared to 2023 (2023: 174%). Net interest income increased by **39%** to **1 466 thousand EUR** (2023: 1,058 thousand EUR). The improvement was largely driven by growth in secured loan volumes. Subordinated loans and new deposits prompted higher interest expenses, which reached **991 thousand EUR** (2023: 682 thousand EUR, an increase of 309 thousand EUR from 2023).

Labor and other operating expenses in total increased by **1 970 thousand EUR** and stood at **5 043 thousand EUR** (2023: 3,073 thousand EUR). Labor expenses grew due to an expanded workforce, while other operating expenses included considerable amounts allocated to marketing campaigns, the launch of new services, IT developments, recruitment, and other initiatives in order to support the growth of tha bank..

The Bank's credit loss allowances amounted to **377 thousand EUR** (2023: 285 thousand EUR, an increase of 92 thousand EUR from 2023), mainly in relation to the growing portfolio. Despite these factors, the Bank's credit quality remained strong thanks to a appropriate risk appetite and high credit underwriting standards.

The structure of the loan portfolio continued to shift toward more loans with collateral. The main focus in 2024 was on growing the secured loan portfolio, which was successfully achieved. The secured loan portfolio increased by over 8 328 thousand EUR, representing an annual growth rate of approximately 60%. Additionally, the leasing portfolio grew by nearly 200 thousand EUR during the year. The factoring claims portfolio remained at the similar level as of last year (2023: 2 279 thousand euros). Finora Bank successfully increased its total loan portfolio by 7 403 TEUR, reaching 27 830 TEUR by the end of the year.

The Bank's deposit base also grew, with deposits amounting to 28 527 TEUR as of December 31, 2024. While RAISIN remained the primary funding source, the Bank continued to demonstrate its capability to attract domestic deposits.

	2024	**2023**
Return on equity, %	-92.6	-98.5
Return on assets, %	-13.0	-13.1
Cost to income ratio	3.1	3.0
Loan to deposit ratio, %	98	108

Key financial ratios

Return on equity = net profit (loss) / average equity * 100

Return on assets = net profit (loss) / average total assets * 100

Cost to income ratio = operating expenses (labor expenses + operating expenses + depreciation) / net income

Loan to deposit ratio = Net loan portfolio / Deposits * 100

Average equity = (equity at the end of the reporting period + equity at the end of previous reporting period) / 2

Average assets = (assets at the end of the reporting period + assets at the end of previous reporting period) / 2

Net income = net interest income + net commission fees +other income

2. Risk management

Description of the main types of risks and uncertainties

A risk in the Bank's activity is defined as an uncertain event or set of events that, if they occur, will have a potential negative outcome from the expected positive economic result and it shall be recognized in its business operations. The Bank faces several different risks. The main of them, considering the Bank's business model, are: Credit risk, AML risk, Concentration risk, Liquidity risk, Interest rate risk, ESG risk, Operational risk. The Bank protects itself from all risks, including above mentioned, through a range of sophisticated risk assessments and control mechanisms. The current economy has significant instability, with various risks existing over global markets. Inflation, fluctuating energy prices, and geopolitical tensions contribute to an unpredictable financial landscape. Additionally, changing consumer behavior adds complexity to the economic outlook. The combination of these factors creates uncertainty for the Bank. Detailed information about key risks, activities to manage these risks is included in the Notes of Financial statements.

The assessment of the bank's internal capital adequacy

The Bank's capital fully corresponds to the prudential requirements. The Bank's capital adequacy ratios are calculated considering not only the riskiness of the loan portfolio but also assessing operational risk. The lead regulator's approach to the measurement of capital adequacy is primarily based on monitoring the relationship of the capital resources requirement to available capital resources.

Internal capital adequacy assessment process shall be performed every year to assess additional capital requirement if needed. Since the Bank started its activity in September, Y2022, the first internal capital adequacy assessment process was started in Y2023 and presented to regulator in Y2024. Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements

Prudential ratios

The Bank is in line with all prudential requirements as of 31-12-2024.

2024-12-31 Ratio	Prudential requirement, %	Actual Data, %
CET1	8	26.34
TIER1	9.5	26.34
TOTAL CAPITAL RATIO	11.5	32.25
LEVERAGE RATIO	3	10.76
LCR	>100	>100
NSFR	>100	>100
LARGE EXPOSURE	<25 % CET1	Complies

Main aspects of the bank's operational risk management strategies

Operational risk is defined as the risk of loss, business process disruption, negative reputational impact, resulting from inadequate or failed internal processes, people, and systems, or from external events.

The Bank mitigates operational risks defining, documenting, and updating the relevant business processes, following strict rules for the assignment of duties and responsibilities and developing and upgrading information and communication systems.

The main principles for organizing operational risk management are: 1) to follow the "four-eyes principle" and 2) to segregate the business-generating functions from the recording and monitoring functions.

Information on the encumbered assets

The Bank does not have any asset, which is restricted or prevented from liquidating, selling, transferring, or assigning due to legal, regulatory, contractual, or other limitations.

3. Plans and forecasts for the Bank

Finora Bank's scope of services is ever broader, and we consider it our responsibility to take part in critical, solution-oriented discussions regarding the economic environment. Yet in long-term proactive communication, we have picked key focus areas where our leadership of thought can have the most profound and productive impact.

We see the main points requiring our input in our home markets to be attitudes towards small and medium-sized enterprises, the practical execution of the shift to an environmentally sustainable economy and the sharply uneven level of financial literacy. These are the issues Finora aims to solve through our core business. In our communication we consider it our mission to advocate for these groups and topics.

Focus on small and medium enterprises

Thriving SMEs - and their founders and owners, the wide class of resourceful, largely self-made entrepreneurs - are the foundation of any innovative economy. A society with a vibrant sector of SMEs, especially newly founded ones, is an entrepreneurial, evolving and antifragile society. It is vital that both established and new entrepreneurs have good access to the resources they need.

Focus on the environment

The transition from a fossil-fuel economy to an ecologically sustainable economy is the biggest challenge of our time. An endeavour of this scale and complexity certainly poses a risk of friction. By combining its professional expertise and specially tailored financing instruments, the Bank will do its utmost to contribute to its implementation.

Focus on customer value creation

Our operations centers around understanding and addressing the unique needs of small and medium-sized businesses. This means going beyond traditional banking services to provide tailored financial solutions and expert advice that empower businesses to grow and succeed. By prioritizing value creation, we want to become a trusted partner, offering flexible products, streamlined processes, and proactive support designed to solve real-world challenges.

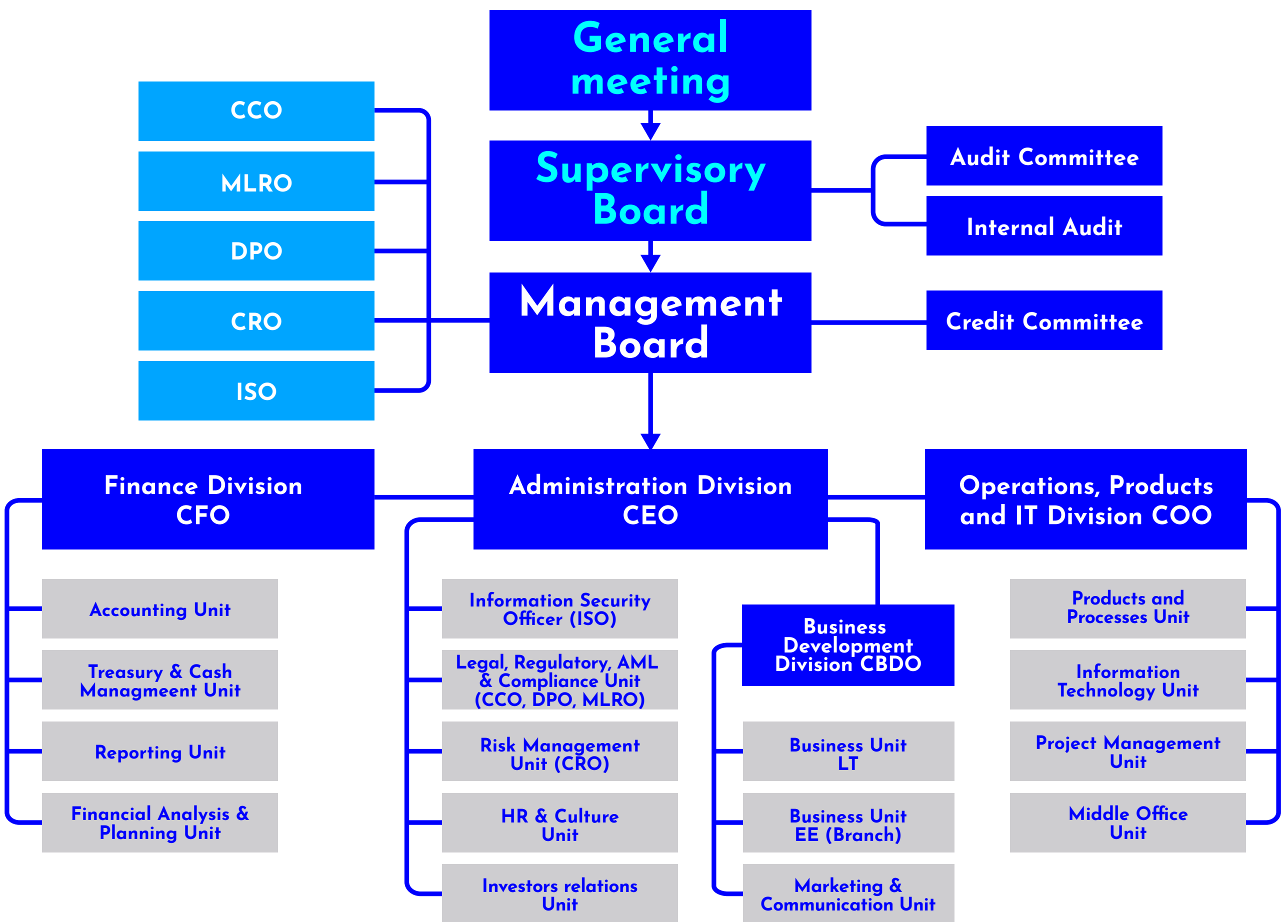
Focus on financial literacy

Despite recent promising advances, financial literacy remains a weakness for most individuals as well as enterprises in most of Finora's markets. We consider financial literacy to be a cornerstone of personal freedom, a prerequisite for unfettered social agency, and a drastically underused source of market power for most entrepreneurs. Finora promotes and trains financial literacy to strengthen the civil society that allows for responsible growth and foster an even more robust culture of entrepreneurship in our markets, thus directly benefiting Finora's core business.

4. Organisational structure

The Management Board approved the current Bank's organizational structure on September 16, 2024. While revising the business strategy, development, and plans associated with the new investor, the Bank will review and plan to change its organizational structure in 2025, aiming to ensure proper risk management, compliance with legal regulations, and harmonious development of the Bank.

Finora Bank UAB Organizational Structure



5. Overview of Bank committees

The Bank's management bodies are the Bank's General Meeting of Shareholders, the Bank's Supervisory Board, the Bank's Management Board and the Bank's Head of Administration.

The Bank's management bodies deal with the issues entrusted to them by the Bank's Articles of Association, other internal documents, the Law on Banks of the Republic of Lithuania, the Law on Financial Institutions of the Republic of Lithuania, the Law on Companies,, and other legislation. The decisions of the Bank's management bodies are binding on all managers and employees of the Bank.

Committees of the Bank

The Bank has established two committees - the Audit Committee and the Credit Committee.

The Audit Committee is established by the Supervisory Board to assist the fulfilment of the supervisory function of the Bank. The Audit Committee consists of three members.

Main functions of the Audit Committee, tier alia, are:

- on annual basis review and evaluate the Bank's Supervisory Board's instructions for Internal Audit;
- to ensure that such instructions are appropriate, relevant and up to date;
- assist the Supervisory board in connection with the process for the appointment of the external auditor (audit firm)

The Credit Committee is established by the Management Board of the Bank to support the management of the credit risk as one of the key risks in the Bank.

Main functions of the Credit Committee, inter alia, are:

- establishment of the principal conditions of crediting activities of the Bank and adoption of decisions on granting of the credit products (loans, guarantees, leasing and factoring products);
- identify the key principles and processes for making decisions related to the lending activities of the Bank and its subsidiaries.

Management board at the signing date of 2024 Annual report

Šarūnas Ruzgys
CEO

Kristi Hõrrak
CFO

Members approved in 2025

Šarūnas Gerasimavičius
Chief Operating Officer

Mangirdas Kireilis
Head of Sales

Michail Leontjev
Deputy CEO

In January 2025 new management board members were approved by Bank of Lithuania - Mangirdas Kireilis, Head of Sales and the Head of Finora Bank UAB Estonian branch, and Sarunas Gerasimavicius, Chief Operating Officer. Approval from Bank of Lithuania was received on 14th of January and registered in Business Registry on 17th of January 2025. In March 2025 new management board member was approved by Bank of Lithuania – Michail Leontjev, Deputy CEO. Approval from Bank of Lithuania was received on 18th of March and registered in Business Registry on 27th of March 2025.

Supervisory board

- **Veikko Maripuu** Chairman of the Supervisory Board
- **Vahur Kraft** Member of the Supervisory Board
- **Rein Ojavere** Member of the Supervisory Board
- **Oleg Shvaikovsky** Member of the Supervisory Board
- **Ieva Dosinaite** Member of the Supervisory Board

6. Information on the positions held by Board and Supervisory Board members

Members of the management board

Management board members of Finora Bank UAB hold the following positions in addition to Finora Bank UAB

- Šarūnas Ruzgys, Head of Administration: Chairman of the Management Board of AS Finora Group, legal entity code 12324050, registered address Harjumaa, Tallinn, Narva road 5, 10117, Estonia, Chairman of the Management Board of Finora Factoring OÜ, legal entity code 14439107, registered address Harjumaa, Tallinn, Narva road 5, 10117, Estonia.
- Sarunas Gerasimavicius, Chief Operating Officer: Member of the Supervisory Board of Bankish AS, legal entity code 14251833, registered address Harjumaa, Tallinn, Narva road 5, 10117, Estonia; Deputy Chairmen of Association of apartment building owners "Žirmūnų str. 67A", legal entity code 302311348, registered address Žirmūnų str. 67A, Vilnius, Lithuania.
- Michail Leontjev, Owner and Head of Management Board of UAB Baltic Financial Intelligence, legal entity code 305273707, registered address Konstitucijos pr. 15-156, Vilnius, Lithuania.
- Other members of the management board Kristi Hõrrak and Mangirdas Kireilis do not hold other positions than in Finora Bank UAB (except Mangirdas Kireilis' position as the Head of Finora Bank UAB Estonian branch).

Members of the Supervisory Board

Head of Supervisory Board of Finora Bank UAB, Veikko Maripuu is member of the Management Board in OÜ Caron Capital, legal entity code 10865178, registered address: Tartu road 25, 10117, Tallinn, Estonia; Head Capital OÜ, legal entity code 14010999, registered address Tartu road 25, 10117, Tallinn, Estonia; Head Investments OÜ, legal entity code 14009401, registered address Tartu road 25, 10117, Tallinn, Estonia; Head Management Services OÜ, entity code 14026078, registered address Tartu road 25, 10117, Tallinn, Estonia; Nebbiolo Capital OÜ, entity code 11918037, registered address Tartu road 25, 10117, Tallinn, Estonia; Tartu Print Holding OÜ, legal entity code 11982733, registered address Tartu road 25, 10117, Tallinn, Estonia;

Veikko Maripuu is the Chairman of the Supervisory Board of AS Finora Group, entity code 12324050, registered address Narva road 5, 10117, Tallinn, Estonia

Veikko Maripuu is the Member of the Supervisory Board of AS Bankish, entity code 14251833, registered address Narva road, 10117, Tallinn, Estonia; ; Head Solutions Group OÜ, entity code 10407435, registered address Priisle road 10, 13914, Tallinn, Estonia

Other members of the Supervisory Board of Finora Bank UAB:

Vahur Kraft is Chairman of the Management Board in PT Altum Llc, legal entity code 14839114, registered address: Jakobi 38-13,51005 Tartu, Estonia and Member of the Supervisory Board of AS Finora Group, legal entity code 12324050, registered address Tartu road 25-21, 10117, Tallinn, Estonia. Vahur Kraft is the Chief Executive Officer at Jôuvärk OÜ, legal entity code code 14324692, registered address Valguse 18,11618, Tallinn, Estonia. Vahur Kraft is also the Chief Executive Officer and employed at PT Altum OÜ, entity code 14839114, registered address Jakobi 38-13, Tartu 51005, Estonia.

Board member of management board in UU OÜ, legal entity code 14813617, registered address Näituse tn 7-9, 50409, Tartu. PTU OÜ, legal entity code 14836682 address Jakobi tn 38-13, 51005, Tartu; Saare Rannarahva Selts, legal entity code 80619618 address Sõrve mnt 32, 93201, Salme, Saaremaa vald.

Supervisiory Board member in TARTU ÜLIKOOLI SA, legal entity code 90001138, registered address Ülikooli tn 18, 50090, Tartu, UNITARTU VENTURES OÜ, legal entity code 16124187, address Narva mnt 18, 51009, Tartu.

Rein Ojavere is a CEO of OÜ Front Consulting, registry code 10812992, address Kotzebue 9-52, 10412, Tallinn, Estonia.

Ieva Dosinaitė is Partner and Head of Head of Banking and Finance Practice in Law firm „Ellex Valiūnas ir partneriai" Jogailos st 9, Vilnius.

Oleg Švaikovsky is is a Board Member of the management board in OÜ Bankish, legal entity code 14251833, address Narva mnt 5, 10117, Tallinn; WISERCAT ESTONIA OÜ, legal entity code 14133207, address Tartu mnt 80f, 10112, Tallinn; LUQ ACADEMY OÜ, code 16840825, address Tammiku tee 7, 41004, Remniku, Alutaguse vald, Ida-Viru; EDTECH ESTONIA MTÜ, code 80589716, address Tina tn 26-5, 10126, Tallinn; WHITE BRIDGE OÜ, code 12531783, address Harusambla tn 18, 76401, Laagri, Saue vald; R&P COURSES OÜ, reg code 16052832, address Ehitajate tee 88-43, 12915, Tallinn; METSAARENDUSKESKUS OÜ, code 14737477, address Ilvese tee 10, 74001, Haabneeme, Viimsi vald; TERVIKLIKU HARIDUSE FOND SA, code 90014313, address Kivimäe tn 25, 10919, Tallinn; PÜHA JOHANNESE KOOLIKODA OÜ, code 14158986, address Kivimäe tn 25, 10919, Tallinn; TALLINNA TÕNISMÄE REAALKOOLI SÕPRADE SELTS MTÜ, code 80187129, address Pärnu mnt 50, 10119, Tallinn; PÜHA JOHANNESE KOOLI SA, code 90010947, address Kivimäe tn 25, 10919, Tallinn; ARISTOTLE OÜ, code 11141554, address Harusambla tn 18, 76401, Laagri, Saue vald.

Oleg is member of the Supervisory Board in FINORA GROUP AS, code 12324050, address Narva mnt 5, 10117, Tallinn

7. The goals, structure and organization of the internal control system

The Bank's comprehensive internal control framework comprises monitoring, reporting, and follow-up processes covering all business lines and internal units, outsourced activities and distribution channels, and management bodies. The Bank does not offer products, which entail a material risk of contributing to unethical conduct, infringement of human or labour rights, corruption, or serious environmental harm.

The internal control framework aims to ensure effective and efficient operations, adequate risk management, compliance with external and internal requirements, as well as sound accounting procedures and reliable reporting of information.

The Bank's internal control framework is organised across three lines of defence. The first line consists of all business and supporting divisions, who are responsible for managing their risks according to our policies, procedures, and controls. The second line is a control function, comprising Chief Compliance Officer, who verifies that the first line is operating in line its risk policies, procedures, and control, and is independent of the divisions whose activities they are responsible for monitoring and controlling. The

Internal Auditor serves as the third line and provides independent assessments of the risk management and controls in the first and second lines.

The Chief Compliance Officer identifies, assesses, controls, monitors, and reports on compliance risks, including, compliance with our internal framework and all applicable laws and regulations.

The Risk division defines risk policies and the risk management framework, ensures that effective risk management processes are in place, and is involved in all material risk management decisions.

The Internal Auditor provides reliable, independent and objective assurance to the management bodies about the effectiveness of our governance, risk management and internal control processes.

8. Share capital and own shares

The Bank does not hold own shares and did not purchase or sell them during the accounting period. As of December 31, 2024, the Bank's authorized capital was equal to 10 870 000 EUR and in December 2024 parent company Finora Group invested additional 2 000 000 EUR, that is recognized as unregistered share capital as 31 December 2024. The authorized capital is divided into 10 870 000 ordinary registered shares with EUR 1 par value each. AS Finora Group, a company incorporated and operating under the laws of the Republic of Estonia, registration number 12324050, registered office address Narva mnt 5, Tallinn 10117, the Republic of Estonia is the sole shareholder of the Bank.

9. Information on research and development activities

The Bank did not carry out any research or development activities in 2024.

10. Employees

In 2024, the average number of employees was 48 starting from 38 at the beginning of the year to 52 people at the end of the year.

11. Information about the bank's branches and representative offices

Finora Bank UAB opened branch in Estonia in January 2024. With the opening of branch in Estonia all activities towards Estonian market are performed directly through the branch.

12. Sustainability disclosure

ESG risks include those related to climate change impacts mitigation and adaptation, environmental management practices and duty of care, working and safety condition, respect for human rights, anti-bribery and corruption practices, and compliance to relevant laws and regulations. The amendments of Resolution No 149, September 25, 2008, of the Board of the Bank of Lithuania on Internal Control and Risk Assessment (Management) Organization came into force on 2023 July 1. The changes brought new requirements for the banks in ESG. The Bank understands the impact of climate-related and environmental risks on the business environment in which the Bank operates, in the short, medium, and long term, and gradually implements ESG principles in order to be able to make informed strategic and daily business decisions. The Bank effectively identifies and monitors the ESG risks to which it is exposed in the short, medium and long run and implement adequate measures to address them by a) monitoring the changing business environment and evaluating long-term resilience, b) setting ESG risk-related strategic objectives and/or limits or key risk indicators c) engaging with counterparties and other relevant stakeholders, d) considering the development of sustainable products, e) establishing sectoral principles for sectors subject to increase transition risk, f) developing scenario analyses to assess the impact of climate change on the Bank's portfolio or specifying exclusion criteria. The Bank will actively engage with the customers and other relevant stakeholders where needed to assess ESG risks, and the Bank aims, by way of such engagement, to increase overall customer awareness in relation to ESG-related matters. Also, the Bank shall refrain from activities that may threaten its reputation and brand (including greenwashing, and investing in business which may be prone to ESG-related controversies). The Management Board ensures that an effective ESG risk management system is created in the Bank, including ESG risk acceptance, assessment, monitoring, control and risk mitigation processes and measures.

13. Remuneration policy

At Finora Bank, our remuneration policy is designed to ensure fair and transparent compensation practices, fostering stability, security, and a thriving work environment for our employees. The policy prioritizes fixed remuneration as the primary component, providing employees with adequate compensation for their responsibilities and contributions.

Fixed Remuneration

Fixed remuneration constitutes the core of our total remuneration structure. It is stable, predictable, and determined based on:

- Professional experience
- Level of responsibility within the Bank
- Educational background
- Rank
- Competencies and skills
- Relevant business operations
- Prevailing market remuneration rates

Review Process

Fixed remuneration is subject to regular reviews to maintain alignment with market standards and internal equity. Reviews occur:

- **After the trial period**, within the first year of employment
- **Annually**, in conjunction with performance evaluations

It is important to note that a review does not automatically result in an increase in fixed remuneration.

Variable Remuneration

- **Sales employees**: Variable remuneration (bonuses) is awarded to sales employees when they exceed their targets. These bonuses recognize exceptional performance in achieving and surpassing predefined goals.
- **Other employees**: One-time payoffs or additional remuneration may be provided to other employees only in cases of extraordinary workloads.

Key Features

Fixed Remuneration at Finora Bank is characterized by:

- Predetermined criteria: It is based on objective, non-discretionary factors aligned with individual experience and seniority.
- Transparency: Employees are clearly informed about their fixed remuneration.
- Stability: Fixed remuneration remains consistent over the period corresponding to the individual's role and responsibilities.
- Non-revocability: Fixed remuneration is not subject to reduction, suspension, or cancellation except in cases of collective bargaining or renegotiation under national wage-setting criteria.
- Risk-neutrality: It does not incentivize employees to undertake undue risks.
- Performance independence: Fixed remuneration is not linked to individual performance metrics or outcomes.

Conclusion

Finora Bank's fixed remuneration policy reflects our commitment to equitable and transparent compensation practices. By ensuring stability and security, we empower our employees to focus on delivering their best, driving the Bank's growth and success.

14. Events after the year end of 2024

In December 2024 Finora Group AS, parent company of Finora Bank invested additional 2 million euros to Finora Bank. As at signing date of current annual report the share capital was waiting for approval from Bank of Lithuania.

In January 2025 new management board members were approved by Bank of Lithuania and registered in Business Registry – Mangirdas Kireilis, Head of Sales and Head of Finora Bank UAB Estonian Branch and Sarunas Gerasimavicius, Chief Operating Officer.

In March 2025 new management board member was approved by Bank of Lithuania – Michail Leontjev, Deputy CEO. Approval from Bank of Lithuania was received on 18th of March and registered in Business Registry on 27th of March 2025.

In November 2024, Finora Bank 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 early 2025. As of the date of signing these financial statements, the Bank of Lithuania has provided its initial summary of findings. Finora Bank is currently in the process of preparing its official response, where it has the opportunity to provide clarifications, express any well-grounded disagreements, or confirm observations and outline improvement actions. The management views this process as a constructive dialogue with the regulator, aimed at further strengthening the bank's operations and compliance framework.

There were no other significant events in the Bank after the year end of 2024.

Šarunas Ruzgys CEO

/signed digitally/

STATEMENT OF FINANCIAL POSITION 31 DECEMBER 2024

in EUR	Note	31 Dec 2024	31 Dec 2023
Assets			
Cash in commercial banks	1	7 935 898	1 739 041
Bonds	2	0	246 054
Loan receivables	3	27 829 774	20 427 197
Receivables from group companies	16	39 714	0
Intangible assets	4	419 162	369 968
Tangible assets	5	96 818	34 865
Other assets	6	111 108	8 998
Prepaid expenses and accrued income	6	169 486	166 932
Total assets		**36 601 960**	**22 993 055**
Liabilities			
Deposits from the public	9	28 526 913	18 844 743
Other loan liabilities	8	0	705 026
Payables to group companies	16	17 480	18 870
Other liabilities	7	607 693	347 550
Accrued expenses and prepaid income	7	54 682	110 526
Subordinated liabilities	10	1 010 000	1 010 000
Total liabilities		**30 216 768**	**21 036 715**
Equity			
Share capital	19	10 870 000	4 600 000
Paid unregistered share capital	19	2 000 000	0
Other reserves	19	65 483	43 510
Retained earnings	20	(6 550 291)	(2 687 170)
Total equity		**6 385 192**	**1 956 340**
Total liabilities and equity		**36 601 960**	**22 993 055**

The notes on pages 27 to 67 are an integral part of the financial statements.

These financial statements were prepared on 4 April 2025 by:

Šarunas Ruzgys CEO
/signed digitally/

Egle Martuseviciene Chief Accountant
/signed digitally/

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME 31 DECEMBER 2024

in EUR	Note	2024	2023
Interest income at effective interest rate	11	2 457 041	1 739 886
Interest expense	12	(991 010)	(681 556)
Net interest income		**1 466 031**	**1 058 330**
Commission income		166 338	144 458
Labour expenses	13	(3 099 308)	(1 786 986)
General administrative expenses	14	(1 943 585)	(1 286 155)
Amortisation and depreciation costs	4,5	(76 039)	(49 511)
Net impairment losses on financial assets	3	(376 558)	(284 639)
Profit (loss) for the year		**(3 863 121)**	**(2 204 503)**
Total comprehensive income (loss)		**(3 863 121)**	**(2 204 503)**

The notes on pages 27 to 67 are an integral part of the financial statements.

These financial statements were prepared on 4 April 2025 by:

Šarunas Ruzgys CEO
/signed digitally/

Egle Martuseviciene Chief Accountant
/signed digitally/

STATEMENT OF CHANGES IN EQUITY 31 DECEMBER 2024

in EUR	Share capital	Paid unregistered share capital	Other reserves	Retained earnings (loss)	Total
31 Dec 2022	**3 000 000**	**0**	**2 974**	**(482 667)**	**2 520 307**
Issuance of share capital	1 600 000	0	0	0	1 600 000
Share options	0	0	40 536	0	40 536
Net profit (loss) and comprehensive income (loss) for the financial year	0	0	0	(2 204 503)	(2 204 503)
31 Dec 2023	**4 600 000**	**0**	**43 510**	**(2 687 170)**	**1 956 340**
Issuance of share capital	6 270 000	0	0	0	6 270 000
Issuance of unregistered share capital	0	2 000 000	0	0	2 000 000
Share options	0	0	21 973	0	21 973
Net profit (loss) and comprehensive income (loss) for the financial year	0	0	0	(3 863 121)	(3 863 121)
31 Dec 2024	**10 870 000**	**2 000 000**	**65 483**	**(6 550 291)**	**6 385 192**

The notes on pages 27 to 67 are an integral part of the financial statements.

These financial statements were prepared on 4 April 2025 by:

Šarunas Ruzgys CEO /signed digitally/

Egle Martuseviciene Chief Accountant /signed digitally/

STATEMENT OF CASH FLOWS 31 DECEMBER 2024

in EUR	Note	31 Dec 2024	31 Dec 2023
Cash flow from operating activities			
Net profit (loss)		(3 863 121)	(2 204 503)
Adjustments			
Interest revenue		(2 457 041)	(1 739 886)
Interest expenses		991 010	681 556
Depreciation and amortisation	4,5	76 040	49 510
Credit recoveries/Credit loss allowances		376 558	284 128
Other non - monetary transactions	17	74 136	256 403
Total adjustments		**(4 802 418)**	**(2 672 792)**
Total change in receivables and prepayments related to operating activities	17	(7 566 877)	(13 850 404)
Total change in other liabilities, accrued expenses and prepaid income		150 746	70 854
Deposits from public received and accrued interest	9	9 326 203	15 132 772
Interest received		2 100 405	1 653 028
Interest paid		(510 754)	(70 956)
Cash flow from operating activities		**(1 302 695)**	**262 502**
Cash flow from investing activities			
Acquisition of tangible and intangible assets	4,5	(187 187)	(61 393)
Investments into bonds, net	2	246 054	(87 064)
Cash flow from investing activities		**58 867**	**(148 457)**
Cash flow from financing activities			
Paid in Share capital	19	8 270 000	1 600 000
Paid financial debts	8	(705 026)	(2 884 489)
Interest paid		(124 289)	(147 348)
Cash flow from financing activities		**7 440 685**	**(1 431 837)**
Cash flow for the year		**6 196 857**	**(1 317 792)**
Cash and cash equivalents at the beginning of the year		**1 739 041**	**3 056 833**
Cash and cash equivalents at the end of the period		**7 935 898**	**1 739 041**

The notes on pages 27 to 67 are an integral part of the financial statements.

These financial statements were prepared on 4 April 2025 by:

Šarunas Ruzgys CEO
/signed digitally/

Egle Martuseviciene Chief Accountant
/signed digitally/

EXPLANATORY NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2024

1. GENERAL INFORMATION

Finora Bank UAB (hereinafter – the Bank or Company) is the joint stock company registered on 10th of May 2019 in the Republic of Lithuania. The Banks's registry code is 305156796. The Bank's registration address is Žalgirio g. 90-100, LT-09303, Vilnius, Lithuania.

The main activity of the Bank is financial services. In 2022 Bank of Lithuania granted to the Bank specialized banking license. Licence was issued 29 April 2022, licence number 9.

The financial year of the Bank coincides with the calendar year. Annual report is presented in EUR. The level of rounding is 1 EUR.

The sole shareholder of the company as for 31 December 2024 was AS Finora Group company code 12324050, Narva road 5, Tallinn, Estonia. The Company had no investments in subsidiaries, associates.

The activities of the company are supervised by the Bank of Lithuania.

The authorized capital of the company was EUR 10 870 000 as of 31 December 2024 which consisted of 10 870 000 ordinary registered shares with a nominal value of EUR 1 each. In December 2024 the sole shareholder AS Finora Group invested additional EUR 2 000 000 into Finora Bank UAB. At signing date of this annual report the increase is waiting for Bank of Lithuania approval.

Finora Bank UAB achieved the permission to open a branch in Estonia in November 2023, it was registered in January 2024, address Narva road 5, Tallinn, Estonia, registry code 16905996.

The company employed 52 employees as at 31st of December 2024 (31st of December 2023 : 38).

The company's management approved these financial statements for 2024 year at 4 of April 2025. The company's shareholders have the right to approve these financial statements or not to approve them and to require the management to prepare new financial statements.

2. MATERIAL ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of assumptions and estimates that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the reporting date, as well as the amounts of income and expenses recognized during the period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

An important area of estimates in preparing the report relates to the assessment of impairment losses for financial assets. The Company regularly monitors and analyses the impairment of loans and receivables. IFRS 9 Financial Instruments is used to measure the increase in credit risk. At each balance sheet date, the Company assesses whether credit risk has increased significantly since initial recognition, taking into account changes in the probability of default of the financial instrument over its useful life, applying significant risk measures used in the Company's risk management processes. Potential problems are identified immediately as loans are constantly monitored and analysed. Impairment losses are calculated separately for each type of loan, taking into account the expected future cash flows, including those arising from the realization of collateral. The Company uses estimates based on its experience to determine impairment losses, taking into account factors such as future economic conditions and consequent changes in the behaviour of borrowers, as well as the value of collateral that cannot be realized immediately. For more details see section for Significant management estimates and assumptions.

Summary of material accounting policies

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

Amendments effective for annual periods beginning on or after 1 January 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 recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate. This amendment did not have impact on Banks financial statements.

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. This amendment did not have impact on Banks financial statements.

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 finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. This amendment did not have impact on Banks financial statements.

Amendments with 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 to the reserve for cumulative translation differences. The management is assessing the impact of these amendments when they will be adopted by EU and become effective.

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); and

(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 will be adopted by EU and become effective.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB has 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 also applies to comparative information.

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

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 maybe 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.

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

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

These amendments address an inconsistency between the requirements in IFRS 10 and those in

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

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

IFRS 14, Regulatory Deferral Accounts

IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard, therefore it does not apply to Finora Bank.

Foreign currency translation

The functional and presentation currency of the Company is the Euro (EUR).

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions or from the translation at fair value through profit or loss are recognized in profit or loss. Foreign currency translation differences on financial assets or liabilities at fair value through profit or loss are recognized as a change in the fair value of these items.

Financial assets

Financial assets are classified as measured at either amortised cost or fair value through profit or loss, based on the business model for managing the assets and the asset's contractual terms. The Bank does not have any financial assets classified as fair value through other comprehensive income (managed under a hold to collect and sell business model).

Business model evaluation

The Bank sets its business model at a level that best reflects how it manages groups of financial assets in order to achieve its business goals. The Bank's business model is not evaluated according to individual instruments, and at a higher level, i.e. at the aggregate portfolio level and is based on factors such as:

a) how the results of the business management model are evaluated and the financial assets held according to it, how they are reported to management;

(b) risks affecting the performance of the business model (and the financial assets held under that business model), in particular how those risks are managed; and

c) how the business managers are remunerated (for example, what is the remuneration based on - the fair value of the assets under management or the collected contractual cash flows);

(d) the expected frequency, value and timing of sales are also important aspects of valuation.

The assessment of the business management model is based on reasonably likely scenarios without regard to "worst case" or "stress case" scenarios. If cash flows after initial recognition are realized differently than the Bank's initial expectations, the Bank does not change the classification of the remaining financial assets in that business model, but takes such information into account

when evaluating newly granted or newly acquired financial assets.

SPPI (solely payments of principal and interest) test

In the second stage of its grouping, the Bank evaluates the contractual terms of the financial assets to determine whether they meet the SPPI test. For a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, the cash flows arising from the financial asset must be solely payments of principal and interest (SPPI) on the outstanding principal amount. This assessment is called the SPPI test and is carried out for each financial instrument.

The principal amount is the fair value of the financial asset at the time of initial recognition. Interest is a reward for the time value of money, the credit risk associated with the outstanding principal amount over a period of time, and other principal lending risks and costs, as well as a profit margin.

For contractual terms that assume greater than de minimis risk or that result in contractual cash flows unrelated to interest payments on principal and outstanding principal, the financial asset must be measured at fair value through profit or loss.

Financial assets are recognized when the entity becomes a party to the contractual obligations of the financial instrument and are measured at fair value on initial recognition. Transaction costs are recognized at fair value on initial recognition, except for financial assets that are carried at fair value through profit or loss. The transaction costs of such assets are included in profit or loss immediately.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets without a significant financing component are measured on initial recognition at the transaction price.

Financial instruments

Subsequent measurement of debt instruments depends on the Bank's business model for managing financial assets and on the cash flow characteristics of the asset. All the Bank's financial instruments are classified in amortised cost measurement category. Interest income from these financial assets is included in financial income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income and other operating expenses. Foreign exchange gains and losses and credit losses are recognised in profit or loss.

Factoring

Factoring transactions are considered to be financing transactions where the Bank provides the financial resources to its selling partners through transfer of the rights to the receivables from these sales transactions. The Bank 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 Bank 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 Bank 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 Bank 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.

Impairment of financial assets

Impairment of financial assets is assessed in accordance with the requirements of IFRS 9 "Financial Instruments". Impairment claims are based on the expected credit loss method. The main principle of the expected credit loss model is to show a trend of deterioration or improvement in the credit quality of financial instruments. The expected credit loss model is applied to all financial assets carried at amortized cost, lease receivables and loan commitments. Expected credit losses (ECL) on financial assets carried at amortized cost and lease receivables are recognized in the expected credit loss accounts and form an integral part of the carrying amount of those assets in the statement of financial position. ECL reduces the total carrying amount of the asset. Expected credit losses on loan commitments and financial guarantees are presented as provisions, i. y. liabilities in the statement of financial position. The expected credit loss model includes a three-step approach, taking into account changes in credit risk.

Stage 1. Applies to all loans (positions) for which no significant increase in credit risk has been observed since initial recognition.

Stage 2. If there is a significant increase in credit risk.

Stage 3. Credit losses for the validity period apply. In the case of defaults, there are objective indications that they are impaired, such as delays in payment of 90 days or more, termination of the contract or other signs of insolvency (bankruptcy and liquidation, reorganization proceedings, death of the customer, etc.).

ECLs are calculated according to the formula:

PD x LGD x EAD = ECL

Where:

PD - probability of default - means the probability that a debtor will default on its financial obligation;

LGD - loss given default - means the proportion of losses that the Bank would incur in the event of a debtor's insolvency;

EAD - exposure at default - means the expected exposure amount in the event of default.

Loan losses over a 12-month period are losses that occur during the 12-month period after the reporting date, and life-long loan losses including losses that occur during the remaining term of the loan.

Expected credit losses losses are discounted at the effective interest rate on the loan separately or by type of exposure.

Rating of customers and relationship with PD and rating of other credit positions

Before any loan is approved, the rating and PD of the customer is being assessed. The rating consists of a systematic evaluation of the creditworthiness by the analysis of risk drivers for the respective customer. The purpose of the creditworthiness assessment is to evaluate the possibilities for the customer to perform the financial obligations assumed throughout the entire term of the agreement along with the other financial obligations already in place.

The Bank's assessment about a customer is based on sufficient and reliable information. The Bank assesses all objectively implied significant factors, considering the information and documents provided by the customer and available to the Bank from official registers and/or information systems used for creditworthiness assessment, as well as other information available to the Bank that may affect the creditworthiness of the customer, in particular credit history, potential changes (increase and decrease) in income. The Bank classifies customer's credit risk in the following risk classes – from low risk to defaulted.

Estimation of expected credit losses - PD estimation, LGD estimation, EAD estimation

Calculation of provisions for expected credit losses (ECL) takes due account of existing factors and forward-looking information that may have effect on the recovery of the remaining cash flows:

- initial recognition (and Stage 1) a loss allowance (provisions) is made for ECL resulting from default events that are possible within the next 12 months (12-month ECL) or the maturity period (for loans with the maturity period shorter than 12 months);
- in the event of a significant increase in a credit risk (Stage 2) an allowance (provisions) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL);
- for credit-impaired exposures (Stage 3) the Bank continues to recognize the lifetime ECL.

The lifetime ECL is estimated based on the probability-weighted present value of the difference between the contractual cash flows that are due under the contract and the cash flows that the Bank expects to receive. The Bank uses "going concern" vs. "gone concern" scenario to estimate the cash flows it is expected to collect. If the Bank has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that significant increase in a credit risk is no longer met, the Bank measures the loss allowance at an amount equal to 12-month ECL at the current reporting date. The assessment of a credit risk and the estimation of ECL are designed to be unbiased and incorporates all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. ECL is being discounted to the reporting date, not to the expected default or some other date, using the effective interest rate determined at initial recognition or an approximation thereof. If a financial instrument has a variable interest rate, expected credit losses is being discounted using the current effective interest rate. The loan book is assessed for impairment on at least a quarterly basis. Credit impairment losses are reported as a deduction from the carrying value of the loan and recognized in the profit and loss. The Bank recognizes in profit or loss, as an impairment gain or loss, the amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with the Bank's regulation and IFRS 9. The Bank uses an individual approach to its customers: when exposure of the customer or exposures related to the group of connected customers exceeds material benchmark and when exposure is being accounted in Stage 3. Loans' ECL calculations are based on their delinquency status, general economic situation of the customer/counterparty within the framework of current macroeconomic environment and anticipated future conditions. The Bank's models track impairment events on an ongoing basis. Impairment events include violation of the loan agreement, start of bankruptcy proceedings and other financial difficulties of the customer that have not materialized in missed payments yet. The Bank uses collectively assessed method to its customers which all exposures are not material and accounted in Stage 1 and Stage 2. For the purposes of measuring ECL, the estimate of expected cash shortfalls also reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognized separately by the Bank. The estimate of expected cash shortfalls on a collateralized financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, irrespective of whether foreclosure is probable. Consequently, any cash flows that are expected from the realization of the collateral beyond the contractual maturity of the contract is being included in this analysis. Any collateral obtained as a result of foreclosure is not recognized as an asset that is separate from the collateralized financial instrument unless it meets the relevant recognition criteria for an asset.

Determination of significant increase in credit risk; loss events

The Bank considers that performing exposures could be with a significant increase in a credit risk when:

- exposures which are more than 30 days but not exceed 90 days past due;
- absolut PD level: 12-month PD of the exposure on the reporting date exceeds
- 20%;
- probability of default (PD) has increased more than some benchmark in percentage points (pp) from the moment of loan origination;
- same instrument is being forborne one time, e. g. there was forbearance measures applied;
- Increase a credit risk in certain sectors/industry;;
- Any other qualitative or quantitative criteria that shows deterioration of the customers business – financial status.

Reversal of impairment

If the cause of the impairment disappears, the previously recognized impairment loss is reversed. Impairment losses are reversed and the value of the asset is increased to the maximum carrying amount that would have been determined had the asset not been written down, including interim depreciation. The reversal of an impairment loss is recognized in the income statement on the same line as the previous impairment loss. Impairment of goodwill is not reversed. If the fair value of a debt instrument classified as available for sale increases and the increase may be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, and the reversal is recognized in profit or loss.

Tangible assets

Tangible assets are assets used for 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 labour, an appropriate proportion of production overheads, and borrowing costs related to the acquisition, construction or production of qualifying assets. Where an item of property, plant, and equipment consists of significant parts that have different useful lives, the parts are accounted for as separate items of property, plant, and equipment and are assigned depreciation rates that correspond to their useful lives.

Subsequent costs

Parts of some items of property, plant, and equipment require replacement or renovation at certain intervals. Such costs are recognised in the carrying amount of an item of property, plant, and equipment when it is probable that future economic benefits associated with the parts of the item will flow to the Bank 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 time of an item of property, plant, and equipment and its identifiable components. Land and construction in progress are not depreciated. 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.

Useful life by non-current asset groups (years):

- Computers and computer systems 3-5 years,
- Other property, plant, and equipment 4-6 years.

Intangible assets

Intangible assets are recognized in accordance with IAS 38 when they are identifiable, it is probable that the expected future economic benefits attributable to the asset will flow to the Bank, the Bank has control over the asset, and the cost of the asset can be measured reliably.

The Bank's intangible assets consist primarily of capitalized costs related to the implementation and customization of specialized IT solutions supporting regulatory reporting and accounting processes. The Bank has also incurred costs related to obtaining its banking license. These costs have been capitalized as intangible assets, as they meet the recognition criteria under IAS 38. Intangible assets are initially recognized at cost, which includes all directly attributable costs necessary to prepare the asset for its intended use. Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets. The useful life is reviewed at each reporting date and adjusted if necessary. Intangible assets are tested for impairment whenever there is an indication that the carrying amount of the asset may not be recoverable.

Financial liabilities

All financial liabilities of the Company are classified as "other financial liabilities at amortised cost".

Deposits

Deposits from customers are initially recorded on their settlement date at their fair value less transaction costs and are subsequently measured at amortised cost using effective interest method in the statement of financial position line Deposits from public and accrued interests. Accrued interest liabilities are included in the same line. Interest expense is recognised in the statement of profit or loss line Interest expense on the accrual basis. Cost of acquisition of deposits is included into other operating expenses line in income statement.

Loans and borrowings

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

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.

Leases

In accordance with IFRS 16 "Leases," our company is permitted to apply the short-term lease exception for leases with a term of less than one year. We apply this exception to the accounting of our leased premises, which have lease terms of less than one year. Consequently, these leases are not recognized in the balance sheet as right-of-use assets or liabilities. The expenses related to short-term leases are recognized in the income statement as they occur over the period, ensuring clarity and transparency in our financial reporting.

Corporate income tax and deferred tax

Lithuania

Income tax comprises current and deferred income tax. Income tax for the reporting period is calculated based on the taxable results for that period. Deferred income tax arises from temporary differences between the tax bases of assets and liabilities and their carrying amounts. Current income tax and deferred income tax are generally recognized in the income statement. However, income taxes relating to items that are recognized in other comprehensive income are recognized in other comprehensive income. Deferred income tax assets are recognized in the statement of financial position to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized.

Deferred tax assets are recognized in the statement of financial position to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. If it is probable that part of the deferred income tax will not be realized, this part of the deferred tax is not recognized in the financial statements.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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 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 (20% for gross amount). From 1 of January the tax rate will rise to 22% on gross amount and 22/78 on net amount. The income tax payable on dividends is recognised as a liability and an expense when the dividends are declared irrespective of the period for which they are declared or when they are distributed. Starting from 2019, it was possible to apply a more favorable tax rate on dividend payments (14/86). This more favorable tax rate could 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. This exemption will be cancelled from 2025.

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 of annual reports of Estonian companies.

Contingent liabilities

Significant commitments and other obligations which may transform into a liability subject to the occurrence of certain future events are disclosed in the notes to the financial statements as contingent liabilities.

Share capital

The amount of the authorized capital is equal to the sum of the nominal values of all the company's subscribed shares. Only the nominal value of shares is recorded in the authorized capital account. Share capital is recorded in the statement of financial position at its subscribed value.

Capital reserve

According to the laws of the Republic of Lithuania, the statutory reserve is a mandatory reserve. At least 5 per cent of the net profit must be transferred to the statutory reserve each year until the statutory reserve reaches 10 per cent of the share capital. In order to transfer the part of net profit to statutory reserve, the retained earnings must be in total positive. This reserve cannot be distributed and can only be used to cover accumulated losses.

Income recognition

Net interest income

The Company's principal income is interest income from lending activities.

Interest income and interest expense are recognized in the income statement for financial assets and liabilities carried at amortized cost using the effective interest method.

The effective interest method is a method of calculating the total carrying amount of a financial asset or the amortized 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 payments or receipts through the expected life of the financial instrument to the carrying amount of the financial instrument. In calculating future payments, all cash flows are estimated on the basis of the terms of the contract (for example, prepayments).

The calculation of the effective interest rate includes taxes that are an integral part of the effective interest rate. However, future credit losses are not considered.

If a financial asset subsequently shows signs of impairment, interest income is recognized by applying the effective interest rate to the adjusted acquisition cost, i.e. the gross residual value is reduced. If a financial asset shows signs of impairment on initial recognition, expected credit losses are included in the estimated cash flows to calculate the adjusted effective interest rate that is subsequently applied to the recognition of interest income.

Net commission income

Commission income includes sales revenue from contracts with customers. This does not apply to rental income and financial instruments or other contractual obligations that are within the scope

of IFRS 9 Financial Instruments. Fees that are considered in calculating the effective interest rate of a financial instrument carried at amortized cost, such as loan fees, are allocated over the expected life of the instrument using the effective interest method and are recognized in 'Net interest income'. Revenue from fees and commissions is recognized based on the manner in which the services are provided to customers and the amount that reflects the consideration that the enterprise expects to receive for those services. Fee and commission income is recognized on a straight-line basis over the term of the contract if the customer receives and uses the company's services at that time. Other tax revenue is recognized when the Company has settled its obligation. The fee received or receivable reflects the transaction price for specific service obligation services.

Fee expenses include costs related to services for which the bank pays fees and commissions, such as advisory services, brokerage fees, and other service-related fees that are directly attributable to the delivery of services to customers. Fee expenses are recognized in the period in which the revenue related to these services flow to the bank and is measured based on the amount of consideration paid or payable for these services.

Related parties

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

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

Share-Based Payments

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

Unregistred share capital

In accordance with IAS 32 *Financial Instruments: Presentation*, an equity instrument is recognized when it evidences a residual interest in the assets of the entity after deducting all of its liabilities, and the entity has received the contribution without an obligation to return it. When the Bank receives contributions from shareholders based on duly approved shareholder decisions, and the funds are transferred to the Bank's account prior to formal registration with the Bank of Lithuania or the relevant authorities, such amounts are recognized in equity as unregistered share capital and its essence is that it is subscribed but not yet registered share capital.

This presentation is based on the substance-over-form principle in accordance with the *Conceptual Framework for Financial Reporting* and IAS 1 *Presentation of Financial Statements*, paragraphs 15 and 17, which require that financial statements represent faithfully the substance of transactions and provide relevant and reliable information. Management assesses that when all legal and procedural steps have been taken, and the registration process is pending solely as a formality without material uncertainty, these contributions meet the definition of equity and should be presented as part of equity.

These amounts remain presented as a separate line for share capital and a separate item within equity until the final registration is confirmed by the competent authority.

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 Bank 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. Significant management estimates and assumptions

Consistent with IFRS, management makes estimates and assumptions which affect the amounts reported in the financial statements. Although the estimates are based on management's best knowledge and judgement, actual outcomes may differ from these estimates. Management's estimates have been applied in the valuation of loans (please see Risk Management section) and the determination of the useful lives of tangible and intangible assets and impairment (Notes 4,5).

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Changes in management's estimates are recognised prospectively. The most significant estimates and assumptions are related to IFRS 9, namely the criteria for a significant increase in credit risk (SICR), the calculation of probability of default (PD) and loss given default (LGD), the business model and solely payments of principal and interest (SPPI) assessment for the classification of financial assets. Please see more information in the 'Risk management' section. When calculating expected credit losses (ECLs) there are a number of key concepts that require a high level of judgement. Estimation of ECLs is, by nature, uncertain and the accuracy of the estimates depend on many factors, e.g., market forecasts. The assessment of SICR is a concept under IFRS 9 and requires significant judgement. At the end of each reporting period the Bank performs an assessment of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument, using key risk indicators that are used in the Bank's existing risk management processes.

Another area requiring significant judgement is the incorporation of forward-looking information and macroeconomic scenarios. IFRS 9 requires an unbiased and probability-weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Bank uses both models and judgements based on the input of experts to determine ECLs. The objective of making judgements based on the input of experts is to incorporate the estimated impact of factors not captured in the modelled ECL. The degree of judgement that is required to estimate ECLs depends on the outcome of the calculations, materiality, and the availability of detailed information. The models, assessments and assumptions are regularly reviewed by the risk organisation.

Useful lives of tangible and intangible assets is determined based on the actual period of using the asset as estimated by the management. Management reviews the useful lives of tangible and intangible assets on yearly basis at minimum. For further details refer to Note and accounting principles for tangible and intangible assets.

At each balance sheet date, the Bank'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.

In 2024, the Bank partially modified the expected credit losses calculation model. Specifically, the probability of default (PD) determination mechanism was adjusted for customers operating under the jurisdiction of the Republic of Lithuania. Additionally, new criteria were introduced for transferring the customers to the second and third stages. The overall loan portfolio assessment was further segmented into more detailed homogeneous groups based on product type, geographic market, and type of collateral. Following this change, the calculated ECL increased by 49 kEur, not including PD effect.

4. Fair value disclosure

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

On the basis of the general principles, financial assets are broken down into three levels:

Level 1 – quoted prices in an active and liquid market.

Level 2 – valuation based on market observables (values and interest levels of arm's length transactions);

Level 3 – other methods (e.g. discounted cash flow method) with estimations as input.

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

in EUR 31 Dec 2024	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets at amortized cost					
Investments into bonds	0	0	0	0	0
Cash in bank	7 935 898	0	0	7 935 898	7 935 898
Loan receivables	0	0	27 829 774	27 829 774	27 829 774
Other receivables and prepayments	0	0	320 308	320 308	320 308
Total financial assets at amortized cost	**7 935 898**	**0**	**28 150 082**	**36 085 980**	**36 085 980**
Financial liabilities at amortized cost					
Deposits from public and accrued interest	0	0	28 526 913	28 526 913	28 526 913
Payables and prepayments	0	0	679 855	679 855	679 855
Subordinated loans	0	0	1 010 000	1 010 000	1 010 000
Total financial liabilities at amortized cost	**0**	**0**	**30 216 768**	**30 216 768**	**30 216 768**

in EUR 31 Dec 2023	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets at amortized cost					
Investments into bonds	246 054	0	0	246 054	246 054
Cash in bank	1 739 041	0	0	1 739 041	1 739 041
Loan receivables	0	0	20 427 197	20 427 197	20 427 197
Other receivables and prepayments	0	0	175 930	175 930	175 930
Total financial assets at amortized cost	**1 985 095**	**0**	**20 603 127**	**22 588 222**	**22 588 222**
Financial liabilities at amortized cost					
Deposits from public and accrued interest	0	0	18 844 743	18 844 743	18 844 743
Loan liabilities	0	0	705 026	705 026	705 026
Payables and prepayments	0	0	476 946	476 946	476 946
Subordinated loans	0	0	1 010 000	1 010 000	1 010 000
Total financial liabilities at amortized cost	**0**	**0**	**21 036 715**	**21 036 715**	**21 036 715**

For the term structure of financial assets and financial liabilities, please refer to the 'Risk management' section.

5. Risk management

The Bank faces with various risks. There is being provided information about each of the Bank's major risks, risk assessment objectives, policies and risk assessment and management processes.

Credit risk

Credit risk is the risk of financial loss if the Bank's customers fail to meet their contractual obligations to the Bank. Credit risk rises primarily from loans to customers, including outstanding loans, leasing, factoring and guarantees issued. Credit risk is one of the most important risks, so management thoroughly assesses exposures that are subject to credit risk. The Bank aims to maintain a well-diversified portfolio of loans, factoring, leasing and guarantees with acceptable risk.

The purpose of credit risk management is to limit the impact of credit risk on the Bank's income to an acceptable level and to try to optimize the risk-return ratio. This maximizes risk-adjusted profitability while maintaining acceptable credit risk parameters. The credit risk management process consists of the initial identification of a particular risk, risk assessment, risk management and subsequent monitoring and reporting.

The determination of credit risk is based on the sources of this risk, i.e. various loans, leasing and real estate loans, each of which has its own level of risk and the factors influencing it, which are linked and quantified at this stage.

Credit risk assessment includes the assessment of solvency and willingness to pay for a loan or other financial product, collateral and loan terms. In the assessment, customers are divided into different risk categories from low to defaulted.

The principles of lending, decision-making and loan analysis, as well as the overall quality of the loan process, are important in credit risk management. The Bank uses loan customer rating model in making credit decisions for selected customers. The Bank manages the credit risk of the entire loan portfolio and individual loans. Credit risk management also takes into account the relationship between this risk and other significant risks.

Maximum credit risk exposure

The following table presents the Bank´s maximum credit risk exposure before taking account of any collateral held. For financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount.

in EUR	31 Dec 2024	31 Dec 2023
Cash in bank	7 935 898	1 739 041
Investments into bonds	0	246 054
Loan receivables	27 829 774	20 427 197
Other receivables and prepayments	320 308	175 930
Total financial assets	**36 085 980**	**22 588 222**

Distribution by internal credit risk rating

The table below shows the credit quality of loans. The amounts of loan principal balance and debt are distributed by internal credit risk rating and stage.

in EUR 31.12.2024 Internal risk grade	PD,%	Stage 1	Stage 2	Stage 3	Total
Low	<0,56	765 500	0	0	765 500
Medium	>0,56-1,43	9 076 282	1 123 265	0	10 199 548
Increased	>1,43-3,7	8 547 182	1 239 035	0	9 786 217
High	>3,77-99,99	2 285 983	4 305 781	0	6 591 764
Default	100	0	0	822 247	822 247
Prepaid brokerage fee		66 518	0	0	66 518
Prepaid future income		(408 420)	0	0	(408 420)
Total		**20 339 445**	**6 668 082**	**822 247**	**27 829 774**

in EUR 31.12.2023 Internal risk grade	PD,%	Stage 1	Stage 2	Stage 3	Total
Low	<0,56	2 070 200	0	0	2 070 200
Medium	>0,56-1,43	9 127 890	0	0	9 127 890
Increased	>1,43-3,7	4 104 117	0	0	4 104 117
High	>3,7-99,99	3 329 660	1 423 298	283 007	5 035 965
Default	100	0	0	89 025	89 025
Total		**18 631 867**	**1 423 298**	**372 032**	**20 427 197**

Prepaid brokerage fee 29 524 EUR was included into "Prepaid expenses and accrued income" and Prepaid future income 87 647 EUR into line "Accrued expenses and prepaid income" lines of Statement of Financial Position in 2023.

Total capital requirement for credit risk at year end 2024 amounted to 1 203 thousand EUR, 2023 – 1 035 thousand EUR.

Concentration risk

Concentration risk is defined as an increase in the level of risk of exposures to counterparties in the same economic sector or to counterparties located in the same geographical area, as well as exposure concentration to the same counterparty. The Bank assesses and manages concentration risk by setting limits and monitoring the current situation.

Breakdown of loans geographically and by industry sectors

Geographically: As at 31 December 2024 40% of loans are to Estonian customers and 60% to Lithuanian customers. As at 31 December 2023 29% of loans are to Estonian customers and 71% to Lithuanian customers.

By industry sectors as at 31 December 2024:

in EUR 31.12.2024	Gross carrying amount	Expected credit losses	Amortized cost
Wholesale and retail trade; repair of motor vehicles and motorcycles	6 234 264	-149 202	6 085 062
Construction	5 120 222	-287 119	4 833 103
Manufacturing	4 905 414	-91 846	4 813 568
Information and communication	3 193 632	-81 867	3 111 765
Transporting and storage	2 212 525	-73 281	2 139 244
Arts entertainment and recreation	1 716 919	-25 687	1 691 232
Administrative and support service activities	1 663 767	-59 583	1 604 184
Real estate activities	1 108 864	-16 248	1 092 616
Agriculture forestry and fishing	982 911	-11 453	971 458
Financial and insurance activities	557 824	-496	557 327
Professional scientific and technical activities	382 125	-16 682	365 443
Mining and quarrying	312 352	-5 680	306 673
Other services activities	280 953	-77 336	203 618
Accommodation and food service activities	191 453	-7 057	184 396
Human health and social work activities	116 559	-2 007	114 552
Education	71 175	-530	70 645
Activities of households as employers; undifferentiated goods - and services - producing activities of households for own use	27 369	-577	26 791
Prepaid brokerage fee	66 518		66 518
Prepaid future income	-408 420		-408 420
LOAN REICEIVABLES TOTAL	**28 736 425**	**-906 651**	**27 829 774**

in EUR 31.12.2023	Gross carrying amount	Expected credit losses	Amortized cost
Construction	4 229 000	-212 000	4 017 000
Wholesale and retail trade	3 753 000	-118 000	3 635 000
Transport and storage	3 209 000	-48 000	3 161 000
Manufacturing	2 843 000	-42 000	2 801 000
Administrative and support service activities	1 462 000	-49 000	1 413 000
Real estate activities	1 165 000	-13 000	1 152 000
Mining and quarrying	771 000	-3 000	768 000
Professional scientific and technical activities	729 000	-16 000	713 000
Households	559 121	-3 924	555 197
Arts entertainment and recreation	493 000	-10 000	483 000
Financial and insurance activities	394 000	0	394 000
Financial institutions	382 000	-2 000	380 000
Agriculture forestry and fishing	253 000	-3 000	250 000
Accommodation and food service activities	233 000	-5 000	228 000
Human health services and social work activities	214 000	-1 000	213 000
Information and communication	165 000	-2 000	163 000
Other services	97 000	-1 000	96 000
Education	5 000	0	5 000
LOAN RECEIVABLES TOTAL	**20 956 122**	**-528 925**	**20 427 197**

in EUR 2024	Stage 1			Stage 2			Stage 3			Total
	Gross carrying amount	Expected credit losses	Net	Gross carrying amount	Expected credit losses	Net	Gross carrying amount	Expected credit losses	Net	
Wholesale and retail trade; repair of motor vehicles and motorcycles	5 119 185	(21 637)	5 097 548	892 478	(14 886)	877 593	216 201	(112 679)	103 521	**6 078 662**
Construction	2 989 988	(29 081)	2 960 906	1 825 322	(42 388)	1 782 935	304 912	(215 650)	89 261	**4 833 103**
Manufacturing	2 834 322	(12 426)	2 821 896	1 961 647	(28 613)	1 933 034	82 078	(50 806)	31 272	**4 786 201**
Information and communication	2 508 771	(25 296)	2 483 475	538 351	(12 633)	525 718	146 511	(43 938)	102 572	**3 111 765**
Transporting and storage	1 716 300	(9 030)	1 707 270	248 647	(1 937)	246 710	252 120	(62 314)	189 806	**2 143 786**
Arts, enter-tainment and recreation	1 446 620	(16 783)	1 429 837	208 877	(804)	208 073	61 423	(8 100)	53 323	**1 691 232**
Administrative and support service activities	1 229 370	(9 385)	1 219 985	388 877	(4 679)	384 198	45 519	(45 519)	0	**1 604 184**
Real estate activities	1 030 780	(1 645)	1 029 135	0	0	0	78 084	(14 603)	63 481	**1 092 616**
Agriculture, for-estry and fishing	597 469	(2 412)	595 058	364 442	(1 470)	362 971	21 000	(7 572)	13 428	**971 458**
Financial and in-surance activities	557 824	(496)	557 327	0	0	0	0	0	0	**557 327**
Professional, sci-entific and tech-nical activities	367 833	(2 389)	365 443	0	0	0	14 293	(14 293)	0	**365 443**
Mining and quarrying	140 784	(533)	140 252	0	0	0	171 568	(5 147)	166 421	**306 673**
Other services activities	4 374	(92)	4 282	205 232	(2 293)	202 939	4 672	(4 672)	0	**207 221**
Accommodation and food service activities	109 084	(1 099)	107 986	97 569	(1 937)	95 632	74 300	(74 300)	0	**203 618**
Human health and social work activities	85 373	(1 470)	83 903	31 186	(537)	30 649	0	0	0	**114 552**
Education	71 175	(530)	70 645	0	0	0	0	0	0	**70 645**
Activities of households as employers; undifferentiated goods - and services - pro-ducing activities of households for own use	0	0	0	17 940	(309)	17 631	9 429	(269)	9 161	**26 791**
Prepaid broker-age fee	66 518		66 518							**66 518**
	(408 420)		(408 420)							**(408 420)**
Prepaid future income	**20 473 748**	**(134 304)**	**20 339 445**	**6 780 568**	**(112 486)**	**6 668 082**	**1 482 109**	**(659 862)**	**822 247**	**27 829 774**
Grand Total										

**Stage 1 - Instruments without significant increase in credit risk since initial recognition*
**Sage 2 - Instruments with significant increase in credit risk since initial recognition but not credit-impaired*
**Stage 3 - Credit-impaired instruments*

in EUR 2023	Stage 1			Stage 2			Stage 3			Total
	Gross carrying amount	Expected credit losses	Net	Gross carrying amount	Expected credit losses	Net	Gross carrying amount	Expected credit losses	Net	
Construction	3 610 000	(23 000)	3 587 000	322 000	(17 000)	305 000	297 000	(172 000)	125 000	**4 017 000**
Wholesale and retail trade	3 347 746	(19 000)	3 328 746	308 298	(3 000)	305 298	96 956	(96 000)	956	**3 635 000**
Transport and storage	2 493 000	(16 000)	2 477 000	606 000	(3 000)	603 000	110 000	(29 000)	81 000	**3 161 000**
Manufacturing	2 691 000	(16 000)	2 675 000	24 000	(2 000)	22 000	128 000	(24 000)	104 000	**2 801 000**
Administrative and support service activities	1 407 000	(5 000)	1 402 000	9 000	0	9 000	46 000	(44 000)	2 000	**1 413 000**
Real estate activities	1 122 000	(1 000)	1 121 000	30 000	0	30 000	13 000	(12 000)	1 000	**1 152 000**
Mining and quarrying	771 000	(3 000)	768 000	0	0	0	0	0	0	**768 000**
Professional scientific and technical activities	715 000	(2 000)	713 000	0	0	0	14 000	(14 000)	0	**713 000**
Households	468 121	0	468 121	30 000	0	30 000	61 000	(3 924)	57 076	**555 197**
Arts entertainment and recreation	396 000	(9 000)	387 000	97 000	(1 000)	96 000	0	0	0	**483 000**
Financial and insurance activities	394 000	0	394 000	0	0	0	0	0	0	**394 000**
Financial institutions	382 000	(2 000)	380 000	0	0	0	0	0	0	**380 000**
Agriculture forestry fishing	235 000	(3 000)	232 000	18 000	0	18 000	0	0	0	**250 000**
Accommodation and food service activities	223 000	(1 000)	222 000	5 000	0	5 000	5 000	(4 000)	1 000	**228 000**
Human health services and social work activities	214 000	(1 000)	213 000	0	0	0	0	0	0	**213 000**
Information and communication	165 000	(2 000)	163 000	0	0	0	0	0	0	**163 000**
Other services	97 000	(1 000)	96 000	0	0	0	0	0	0	**96 000**
Education	5 000	0	5 000	0	0	0	0	0	0	**5 000**
TOTAL	**18 735 867**	**(104 000)**	**18 631 867**	**1 449 298**	**(26 000)**	**1 423 298**	**770 956**	**(398 924)**	**372 032**	**20 427 197**

**Stage 1 - Instruments without significant increase in credit risk since initial recognition*
**Sage 2 - Instruments with significant increase in credit risk since initial recognition but not credit-impaired*
**Stage 3 - Credit-impaired instruments*

Company credit risk related to products groups:

in EUR	31 Dec 2024	Stage 1	Stage 2	Stage 3
Business loan with collateral	**22 538 324**	16 939 181	5 026 784	572 359
Expected credit losses	**-269 818**	-88 419	-80 681	-100 719
Leasing for business	**3 273 096**	2 197 018	715 230	360 848
Expected credit losses	**-40 080**	-20 559	-8 758	-10 762
Microloan for business	**815 179**	247 580	108 520	459 080
Expected credit losses	**-466 066**	-5 231	-2 277	-458 557
Factoring	**2 377 428**	1 431 871	930 034	15 523
Expected credit losses	**-56 387**	-20 094	-20 770	-15 523
Household loans	**74 300**	0	0	74 300
Expected credit losses	**-74 300**	0	0	-74 300
Prepaid brokerage fee	**66 518**	66 518	0	0
Prepaid future income	**(408 420)**	(408 420)	0	0
Total book value of loans	**28 736 425**	**20 473 748**	**6 780 568**	**1 482 109**
Total expected credit losses	**-906 651**	**-134 304**	**-112 486**	**-659 862**
Total loans at amortized costs	**27 829 774**	**20 339 445**	**6 668 082**	**822 247**

in EUR	31 Dec 2023	Stage 1	Stage 2	Stage 3
Business loan with collateral	**13 991 491**	13 006 219	824 047	161 225
Expected credit losses	**(51 184)**	(38 299)	(4 387)	(8 498)
Leasing for business	**3 050 554**	2 801 220	209 906	39 428
Expected credit losses	**(18 061)**	(15 527)	(1 702)	(832)
Microloan for business	**1 571 593**	968 406	159 338	443 849
Expected credit losses	**(396 687)**	(20 545)	(4 415)	(371 727)
Factoring	**2 342 483**	1 960 299	256 629	125 555
Expected credit losses	**(62 993)**	(29 906)	(16 119)	(16 968)
Total book value of loans	**20 956 122**	**18 736 144**	**1 449 921**	**770 057**
Total expected credit losses	**(528 925)**	**(104 277)**	**(26 622)**	**(398 025)**
Total loans at amortized costs	**20 427 197**	**18 631 867**	**1 423 298**	**372 032**

Prepaid brokerage fee 29 524 EUR was included into "Prepaid expenses and accrued income" and Prepaid future income 87 647 EUR into line "Accrued expenses and prepaid income" lines of Statement of Financial Position in 2023.

Collaterals and financial guarantees

in EUR	Loans collateralized by immovable property			
31 December 2024	**Residential immovable property**	**Commercial immovable property**	**Other collateralised loans**	**Financial guarantees received**
Loans and advances	**5 324 600**	**4 769 262**	**16 152 593**	**5 710 890**
of which: non-performing	66 028	13 596	459 625	171 258
of which: Non-financial corporations	5 024 421	4 395 011	15 984 511	5 710 890
of which: Small and Medium-sized Enterprises	5 024 421	4 395 011	15 984 511	5 710 890
of which: Households	300 180	374 251	168 082	-

in EUR	Loans collateralized by immovable property			
31 December 2023	**Residential immovable property**	**Commercial immovable property**	**Other collateralised loans**	**Financial guarantees received**
Loans and advances	**3 704 000**	**2 953 000**	**10 374 000**	**1 907 000**
of which: non-performing	0	14 000	45 000	165 000
of which: Non-financial corporations	3 704 000	2 657 000	10 143 000	1 907 000
of which: Small and Medium-sized Enterprises	3 704 000	2 657 000	10 143 000	1 907 000
of which: Households	0	296 000	231 000	0

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its future obligations in a timely or complete manner. Important liquidity risk sub-risks are payment risk and funding risk. Payment risk is the risk that the Bank will not be able to meet its obligations in a timely manner without incurring significant costs. Financing risk is the risk that the Bank will not be able to raise sufficient resources without affecting its day-to-day operations or financial condition. The overall objective of liquidity risk management is to ensure that the Bank has sufficient cash and liquid assets to meet its financial obligations on time and to increase its loan portfolio. In managing liquidity risk the Bank monitors that there are always sufficient liquidity reserves to cover loans and other contingent liabilities.

Maturity breakdown of financial assets and liabilities (undiscounted cash flows)

in EUR	31 Dec 2024	within 12 months	1-5 years	over 5 years
Financial assets				
Cash	7 935 898	7 935 898	0	0
Loan receivables	27 829 774	5 090 129	20 227 766	2 511 879
Other receivables and prepayments	320 308	320 308	0	0
Total financial assets	**36 085 980**	**13 346 335**	**20 227 766**	**2 511 879**
Financial liabilities				
Deposits from public and accrued interest	28 526 913	20 905 974	7 620 940	0
Subordinated loan	1 010 000	10 000	0	1 00 000
Payables to group companies	17 480	17 480	0	0
Payables and prepayments	**662 375**	**662 375**	**0**	**0**
Total financial liabilities	**30 216 768**	**21 595 829**	**7 620 940**	**1 000 000**
Duration gap of financial assets and financial liabilities	**5 869 212**	**-8 249 493**	**12 606 826**	**1 511 879**

in EUR	31 Dec 2023	within 12 months	1-5 years	over 5 years
Financial assets				
Cash	1 739 041	1 739 041	0	0
Investments into bonds	246 054	246 054	0	0
Loan receivables	20 427 197	5 758 114	13 364 955	1 304 128
Other receivables and prepayments	175 930	175 930	0	0
Total financial assets	**22 588 222**	**7 919 139**	**13 364 955**	**1 304 128**
Financial liabilities				
Deposits from public and accrued interest	18 844 743	9 048 191	9 796 553	0
Other loan liabilities	705 026	522 442	182 584	0
Subordinated loan	1 010 000	10 000	0	1 000 000
Payables to group companies	18 870	18 870	0	0
Payables and prepayments	458 076	458 076	0	0
Total financial liabilities	**21 036 715**	**10 057 579**	**9 979 137**	**1 000 000**
Duration gap of financial assets and financial liabilities	**1 551 507**	**-2 138 440**	**3 385 818**	**304 128**

Interest rate risk

The interest rate risk is the mismatch between assets and liabilities due to changes in interest rates as well as the probability that the current value of financial instruments will change in a negative direction due to current changes. The purpose of monitoring and managing interest rate risk is to assess the profitability of the Bank's interest-enhancing products to forecast future profits and to avoid a significant decrease in profitability due to changes in interest rates. Loans granted by the Bank have a fixed or variable interest rate and financial liabilities are usually with a fixed interest rate for long-term period variable interest rate for loan usually is being applied and based on EURIBOR for short term period fixed interest rate could be applied. The Bank's management analyzes the market situation and avoids a possible pricing situation for loan products where an increase in interest expenses would have a decisive impact on the financial results.

Sensitivity analyses

As at 31 December 2024 every 100 bps increase in interest rates will increase Banks interest income by 47 thousand EUR within the first 12 months. An equivalent interest rate decrease will reduce interest income by 47 thousand EUR. As at 31 December 2023 every 100 bps increase in interest rates will increase Banks interest income by 38 thousand EUR within the first 12 months. An equivalent interest rate decrease will reduce interest income by 38 thousand EUR.

Operational risk

Operational risk is the potential loss resulting from the failure or inefficiency of people processes or information systems. These risks include reputational and legal risks but not strategic and business risks which are assessed separately. Legal risk is the risk that an obligated party will default on its obligations. Reputation risk is a negative public focus on the Bank and its business regardless of its reality which reduces the customer base, reduces revenue and increases legal costs.

To reduce operational risk the Bank defines and documents all important business processes defining tasks and responsibilities in accordance with strict rules and continuously improving information systems.

Anti Money laundering and terrorist financing risk

Anti money laundering and counter terrorist financing (AML/CTF) risk is the risk that the Bank's products will be used for money laundering or terrorist financing which may include reputational or compliance risks. Reputational risk is the risk that actual or suspected involvement in money laundering or terrorist financing will have a material effect on the Bank's financial performance which will also give rise to compliance risk. Compliance risk is the risk that the Bank will not be able to comply with the rules established for the prevention of money laundering and terrorist financing. To prevent this the Bank's management monitors the compliance of economic activities customers profiles with the established rules and the adequacy of internal procedures and control systems. The Bank's business model is also based on principles that mitigate this risk.

Market risk

Market risk is the risk of losses caused by adverse movements in market prices including the market prices of foreign currencies interest rates and securities. Market risk arises from items accounted for on and off the statement of financial position and can arise from both banking and trading book positions. The purpose of market risk management in the Bank is to correctly identify and quantify market risk and ensure that risk-conscious decisions are taken on market risk. The Bank has assessed the share of this risk currently as low because it has no assets and liabilities directly exposed to market risks. The Bank only operates in euros does not have securities.

6. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. Cash in other commercial banks

	31 Dec 2024	31 Dec 2023
Cash in Central Bank	4 322 524	1 220 000
Cash in other commercial banks	3 613 374	519 041
TOTAL	**7 935 898**	**1 739 041**

The bank held a mandatory minimum reserve in Central Bank as of 31 December 2024 in the amount of 250 000 EUR (31 December 2023: 70 000 EUR). This obligation arises when the Bank has 10 million EUR in deposits with maturity of 2 years.

NOTE 2. Investments into bonds

As at 31 December 2024 Finora Bank did not have investments into bonds.

31.12.2023	Purchase date	Maturity date	Purchase price	Quantity	Balance at start	Expected credit losses	Amortized costs
Lithuanian Government Bonds 0 7%	28 Dec 2022 / 30 May 2023	23 August 2024	97,33	2 540	247 222	(1 168)	246 054
Total					**247 222**	**(1 168)**	**246 054**

NOTE 3. Loan receivables

		Allocation by remaining maturity			
	31 Dec 2024	**within 12 months**	**Accrued interest within 12 months**	**1-5 years**	**over 5 years**
Business loan with collateral	**22 538 324**	2 912 272	72 227	17 031 663	2 522 163
Expected credit losses	**(269 817)**	(125 264)	0	(128 465)	(16 089)
Leasing for business	**3 273 096**	198 161	8 379	3 066 556	0
Expected credit losses	**(40 080)**	(4 605)	0	(35 475)	0
Microloan for business	**815 178**	579 156	2 189	233 833	0
Expected credit losses	**(466 066)**	(461 105)	0	(4 961)	0
Factoring	**2 377 428**	2 351 332	26 095	0	0
Expected credit losses	**(56 387)**	(56 387)	0	0	0
Household loans	**74 300**	0	0	74 300	0
Expected credit losses	**(74 300)**	0		(74 300)	0
Prepaid brokerage fee	**66 518**	66 518		0	0
Prepaid future income	**(408 420)**	(408 420)		0	0
Total loans at amortized costs:	**27 829 774**	**5 051 658**	**108 891**	**20 163 151**	**2 506 074**

		Allocation by remaining maturity			
	31 Dec 2023	**within 12 months**	**Accrued interest within 12 months**	**1-5 years**	**over 5 years**
Business loan with collateral	**13 991 492**	2 508 959	55 379	10 186 208	1 240 946
Expected credit losses	**(51 184)**	(5 507)	0	(44 289)	(1 388)
Leasing for business	**3 050 554**	112 370	10 303	2 866 575	61 306
Expected credit losses	**(18 061)**	(1 038)	0	(17 023)	0
Microloan for business	**1 571 593**	1 296 117	5 691	269 785	0
Expected credit losses	**(396 687)**	(393 555)	0	(3 131)	0
Factoring	**2 342 483**	2 243 683	38 649	60 151	0
Expected credit losses	**(62 993)**	(62 126)	0	(868)	0
Total loans at amortized costs:	**20 427 197**	**5 698 903**	**110 022**	**13 317 408**	**1 300 864**

Prepaid brokerage fee 29 524 EUR was included into "Prepaid expenses and accrued income" and Prepaid future income 87 647 EUR into line "Accrued expenses and prepaid income" lines of Statement of Financial Position in 2023. In 2024 these items are included into line of "Loans receivable": Prepaid brokerage fee 66 518 EUR and Prepaid future income (408 420) EUR.

Credit recoveries / Credit loss	2024	2023
Balance at the beginning of the reporting period	528 925	244 797
Credit recoveries/(credit loss) allowances net *	377 726	284 128
Balance of allowance at the end of the reporting period	906 651	528 925

*In 2024 income statement the amount of loan allowance during the reporting period is 376 558 EUR as it includes allowance of bonds in the amount of 1 168 EUR. In this note only allowance related to loans is presented

*In 2023 income statement the amount of loan allowance during the reporting period is 284 639 EUR as it includes allowance of bonds in the amount of 511 EUR. In this note only allowance related to loans is presented

Note 4. Intangible assets

	The cost of license	Software	Total
31 Dec 2022			
Cost	370 974	170 101	541 075
Accumulated amortization	(9 274)	(8 530)	(17 804)
Carrying amount 31 Dec 2022	**361 700**	**161 571**	**523 271**
During 2023			
Additions	0	38 435	38 435
Write-offs	0	(153 372)	(153 372)
Amortization	(37 099)	(1 266)	(38 365)
31 Dec 2023			
Cost	370 974	55 164	426 138
Accumulated amortization	(46 373)	(9 797)	(56 170)
Carrying amount 31 Dec 2023	**324 601**	**45 367**	**369 968**
During 2023			
Additions	0	97 630	97 630
Amortization	(37 097)	(11 339)	(48 436)
31 Dec 2024			
Cost	370 974	152 794	523 768
Accumulated amortization	(83 470)	(21 136)	(104 606)
Carrying amount 31 Dec 2024	**287 504**	**131 658**	**419 162**

NOTE 5. Tangible assets

	Computers and IT systems	Other equipment	Total
31 Dec 2022			
Cost	19 368	8 312	27 680
Accumulated depreciation	(3 332)	(1 297)	(4 629)
Carrying amount 31 Dec 2022	**16 036**	**7 016**	**23 051**
During 2023			
Additions	19 602	3 357	22 959
Depreciation	(8 648)	(2 497)	(11 145)
31 Dec 2023			
Cost	38 970	11 669	50 639
Accumulated depreciation	(11 980)	(3 794)	(15 774)
Carrying amount 31 Dec 2023	**26 990**	**7 875**	**34 865**
During 2024			
Additions	25 054	64 503	89 557
Depreciation	(16 889)	(10 715)	(27 604)
31 Dec 2024			
Cost	64 024	76 171	140 196
Accumulated depreciation	(28 869)	(14 509)	(43 378)
Carrying amount 31 Dec 2024	**35 155**	**61 663**	**96 818**

NOTE 6. Other assets prepaid expenses and accrued income

	31 Dec 2024	31 Dec 2023
Prepaid expenses and accrued income	169 486	166 932
Other assets	111 108	8 998
Total	**280 594**	**175 930**

Prepaid brokerage fee 29 524 EUR was included into "Prepaid expenses and accrued income" line of Statement of Financial Position in 2023. In 2024 this item is included into line of "Loans receivable", amount 66 518 EUR.

NOTE 7. Accrued expenses, prepaid income and other liabilities

	31 Dec 2024	31 Dec 2023
Other liabilities		
Payables to employees	170 111	109 871
Vacation reserve	166 504	58 496
Trade payables and advances received	154 769	82 150
Tax liabilities	116 309	97 033
Other liabilities total	**607 693**	**347 550**
Accrued expenses and prepaid income		
Accrued expenses	54 682	22 877
Prepaid service fees received	0	87 649
Accrued expenses and prepaid income total	**54 682**	**110 526**

Prepaid future income (service fee) 87 647 EUR is included into line "Accrued expenses and prepaid income" of Statement of Financial Position in 2023 and in 2024 this item is included into line of "Loans receivable".

NOTE 8. Other loan liabilities

	31 Dec 2024	31 Dec 2023
Loan received (INVEGA)	0	702 700
Accrued interests	0	2 326
Total	**0**	**705 026**

As at 31 of December 2023 Finora Bank had a loan liability in front of „Investicijų ir Verslo Garantijos" (Invega). Loan contracts that were financed from credit facility were granted by UAB Invega under the implementation of the incentive financial instrument "ALTERNATYVA" and specifically dedicated bank account was pledged to Invega. Since related loans granted under this measure all matured already by 2024 and therefore on the other side returned to Invega Finora Bank does not have loan liability in front of Invega any more as at 31 of December 2024. Collateral on Finora Bank bank account was released in January 2025.

NOTE 9. Deposits and accrued interests

As of 31 December 2024 and 2023 all deposits were term-deposits in euros and majority were from private individuals. Private individual deposits in the amount of EUR 25 821 014 as at 31 December 2024 (31 December 2023: EUR 16 844 743) were mainly received through the Raisin platform from Germany. Deposits average interest rate was 3.47% in 2024 (3.55% in 2023). The distribution of customer deposits by residual term is as follows:

Term	31 Dec 2024	31 Dec 2023
1 year	14 081 805	8 662 856
2 years	9 458 166	6 389 670
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)	(88 056)
Accrued interest	812 819	473 390
Total	**28 526 913**	**18 844 743**

NOTE 10. Subordinated liabilities

In 2022 subordinated loans were received in the total amount of 1 million euros. The interest rate is 12% and the maturity date is 2029. The subordinated loans were issued in euros. All subordinated loans were paid in cash.

Subordinated loan is part of Tier 2 capital and approved by Bank of Lithuania.

	31 Dec 2024	31 Dec 2023
Subordinated loans	1 000 000	1 000 000

	Sum
Accrued interest on subordinated loans as at 01 Jan 2023	**10 000**
Interest calculated for 2023	120 000
Interest paid during 2023	120 000
Accrued interest on subordinated loans as at 31 Dec 2023	**10 000**
Interest calculated for 2024	120 000
Interest paid during 2024	120 000
Accrued interest on subordinated loans as at 31 Dec 2024	**10 000**

NOTE 11. Interest income based on the effective interest rate

	2024	2023
Interest income by country		
Lithuania	1 602 388	1 063 863
Estonia	854 653	676 023
Interest income total	**2 457 041**	**1 739 886**

	2024	2023
Interest income by product		
Interests for collateralized loans	1 552 720	843 167
Interest for factoring	297 092	344 740
Interests for business leasing	293 677	315 542
Interests for microloan for business	89 932	211 684
Interest for guarantees	75 084	24 753
Effective interest rate correction	139 891	0
Contract fee income	170 139	
Transaction costs	(30 248)	
Interest income from cash accounts	174 021	0
Interest income from bonds	4 763	0
Interest income total	**2 457 041**	**1 739 886**

Interest income from cash accounts 2 617 EUR and from bonds 17 002 EUR were included into "Other income" line in 2023. Interest income from cash accounts 2 617 EUR and from bonds 17 002 EUR were included into "Other income" line in 2023. In 2024 these items were included into line "Interest income".

Loan administration fee expenses 50 705 EUR were included as Effective interest rate correction into "Interest expenses" line in 2023. In 2024 these expenses 30 248 EUR were included into line "Interest income".

NOTE 12. Interest expenses

	2024	2023
Interests for deposits	869 047	491 356
Interests for subordinated loans	120 000	120 000
Interests for other loans	1 963	19 495
Effective interest rate correction	0	50 705
Total interest expenses	**991 010**	**681 556**

Please see also note 11.

NOTE 13. Labour expenses

	2024	2023
Salary costs		
Fixed part		
Management	273 120	145 025
Other staff	2 202 408	1 191 040
Variable part		
Management	0	4 000
Other staff	71 963	22 003
Management remuneration	139 034	196 347
Vacation reserve	108 007	32 675
Social security costs	282 802	155 360
Options	21 974	40 536
Total	**3 099 308**	**1 786 986**

NOTE 14. General and administrative expenses

	2024	2023
IT services expenses	657 920	482 201
Other expenses	477 801	303 471
Office expenses	253 124	100 501
Legal expenses	217 414	80 187
Advertising and marketing expenses	177 200	210 884
Recruitment fees	67 886	55 190
Banking account fees	47 676	33 756
Accounting services and financial statements audit expenses	44 564	19 965
Total	**1 943 585**	**1 286 155**

NOTE 15. Deferred tax assets

	2024	2023
Accumulated tax losses for previous years	379 719	68 898
Impact of tax rate change on accumulated loss of previous periods	27 345	0
Other adjustments of transactions of previous periods	30 461	0
Accumulated tax losses for current year	519 584	310 821
Holiday reserve and employees options	11 588	14 855
Total deferred tax assets	**968 698**	**394 574**
Less: Deferred tax assets after valuation	(968 698)	(394 574)
Total net deferred tax assets	**0**	**0**

Bank does not recognize deferred tax assets because it is not expected to use it during nearest periods.

NOTE 16. Related parties

Finora Group AS 100% parent company:

	Amounts receivable	Loans granted	Amounts payable	Received loans	Services rendered	Services purchased
31 Dec 2024	**39 714**	**0**	**0**	**0**	**39 714**	**45 701**
31 Dec 2023	**0**	**0**	**18 870**	**0**	**1 979**	**113 896**

	Interest and fee income	Interest expenses
2024	**0**	**0**
2023	**0**	**0**

Transactions with related parties are conducted in the ordinary course of business and on terms equivalent to those that prevail in arm's length transactions with independent parties. The Bank applies transfer pricing principles in line with OECD Transfer Pricing Guidelines and local tax legislation. Controlled transactions are identified based on IAS 24 criteria and are assessed to ensure they comply with the arm's length principle. The Bank applies commonly accepted transfer pricing methods, including the comparable uncontrolled price (CUP) method, or the cost-plus method, depending on the nature of the transaction and available comparables. Pricing is reviewed regularly and adjusted where necessary to reflect market conditions and regulatory expectations.

Other related parties:

	Amounts receivable	Loans granted	Amounts payable	Received loans	Services rendered	Services purchased
31 Dec 2024	**0**	**0**	**17 480**	**0**	**0**	**498 448**
31 Dec 2023	**48 743**	**0**	**0**	**0**	**0**	**279 422**

	Interest and fee income	Interest expenses
2024	**0**	**0**
2023	**0**	**0**

Members of the governing bodies received management and governing body fees in the amount of 140 (2023: 196) thousand EUR (gross plus other taxes) in 2024.

In 2022 in total of 17 100 share options of AS Finora Group (parent company) were issued to members of the management board (9 600 options) and key managers and employees (7 500 options) of the Bank. In 2022 the related stock options were not exercised nor cancelled. In addition 11 500 options were issued from parent company to the shareholders of Finora Group AS from whom one is also a member of the Supervisory board of the Bank (8 000 options), (both recorded only in the accounts of parent company AS Finora Group).

During 2023 6 450 options were cancelled in relation of people leaving the company and 2 200 new options were issued in relation of people joining the company. As at 31 of December 2023 total of 12 850 options were active for Finora Bank key managers (7 600 options) and employees (5 250). Options issued to shareholders of AS Finora Group (11 500 options) that are recognized only in the accounts of parent company were still active.

During 2024 4 600 options were cancelled in relation of people leaving the company. No new options were issued in 2024. As at 31 of December 2024 total of 8 250 options are active for Finora Bank key managers (6 000 options) and employees (2 250). Options issued to shareholders of AS Finora Group (11 500 options) that are recognized only in the accounts of parent company are still active.

In 2023 a stock split was carried out in the parent company of Finora Bank AS Finora Group where the nominal value of shares was reduced by a factor of 10 (previously EUR 1 now EUR 0.1). As a result the number of shares held by shareholders increased tenfold while the total value in euros remained unchanged. Consequently the number of issued options also increased tenfold. However the total value of the options in euros remained the same as the grant price and fair value at grant date per option was reduced by a factor of 10 in line with the split. The option numbers presented above reflect the pre-split values as they were issued before the split. To convert these numbers into today's values they must be multiplied by 10. (see also Note 19 Share capital and other reserves)

For subordinated loans see the Note 10.

NOTE 17. Cash flow statement explanation

Other non-monetary transactions	31 Dec 2024	31 Dec 2023
Change in accrued expenses and prepaid income	(55 844)	29 821
Change in employees options	21 973	40 536
Change in vacation accrual	108 007	32 674
Intangible assets written-off	0	153 372
Total	**74 136**	**256 403**

NOTE 18. Contingent liabilities

	31 Dec 2024	31 Dec 2023
Guarantees	1 207 522	941 819
Contractual obligation to pay loans	0	0
Total	**1 207 522**	**941 819**

Expected credit losses for guarantees were 2 thousand euros as at 31 December 2024 and 2023.

NOTE 19. Share capital and other reserves

31 Dec 2024	Number of shares	Nominal value	Amount
Ordinary shares	10 870 000	1	10 870 000
Unregistered	2 000 000	1	2 000 000
Total	**12 870 000**	**1**	**12 870 000**
31 Dec 2023	**Number of shares**	**Nominal value**	**Amount**
Ordinary shares	4 600 000	1	4 600 000
Total	**4 600 000**	**1**	**4 600 000**

In 2024 parent company AS Finora Group invested additional EUR 8 270 000 to Finora Bank (2023: EUR 1 600 000). The total invested amount as at 31 December 2024 was EUR 12 870 000 (EUR 4 600 000 as at 31 December 2023). As at 31 December 2024 EUR 10 870 000 were recognized in share capital and EUR 2 000 000 that was invested in December 2024 was recognized as unregistered share capital since at the signing date of the report this increase is awaiting for the approval from Bank of Lithuania.As at 31 December 2023 all shares were recognized as share capital. The share capital increase in 2024 and 2023 was fully paid in cash. The company has not acquired and does not own any own shares.

Since 2022 The bank´s parent company Finora Group AS is granting share options to members of management board managers and key employees. Vesting period of the options is 3 years and issue of shares will be decided on the Annual General Meeting of Shareholders or Meeting of the Shareholders close to the vesting date.

Reserve of options granted as of 31 December 2024 amounted to EUR 65 483 (31 December 2023: EUR 43 510). Related expenses in statement of profit and loss in 2024 were EUR 21 973 (2023: EUR 40 536) The fair value of options is calculated with Black-Scholes model which uses the share price of the Group volatility and risk-free interest rate as inputs. Employees do not have the possibility to take the specified amount in cash in lieu of the share options. Share options cannot be exchanged sold pledged or encumbered. Share options can be inherited. The contract of share options will expire if employee is leaving the company before vesting period but the Supervisory Board can decide otherwise.

Options outstanding as of 31 December 2024:

		Pre-split values		After-split values	
Date of issue	Expiry date	Share price at grant date	Number of options	Share price at grant date	Number of options
December 2022	December 2025	32,6	6 050	3,26	60 500
June 2023	June 2026	57	2 200	5,7	22 000
Total			**8 250**		**82 500**

Options outstanding as of 31 December 2023:

		Pre-split values		After-split values	
Date of issue	Expiry date	Share price at grant date	Number of options	Share price at grant date	Number of options
December 2022	December 2025	32,6	10 650	3,26	106 500
June 2023	June 2026	57	2 200	5,7	22 000
Total			**12 850**		**128 500**

In 2023 a stock split was carried out in the parent company of Finora Bank AS Finora Group where the nominal value of shares was reduced by a factor of 10 and the number of shares increased tenfold. The option numbers and share price presented above reflect both the pre-split values as they were issued before the split and after-split values. To convert these numbers into today's values number of options must be multiplied by 10 and share price at grant date must be divided by 10. For more details please see also note 17.

NOTE 20. Proposal of the board for distribution of profit (loss)

	in EUR
Previous financial year retained earnings (loss) in the end of the year	**(2 687 170)**
Net profit (loss) of the reporting year	(3 863 121)
Distributable profit (loss)	(6 550 291)
Transfers from/to reserves	0
Distributable profit (loss)	**(6 550 291)**
Profit distribution:	
- Part of profit allocated to compulsory reserve	0
- Part of profit allocated for dividends payment	0
Retained earnings (loss) for the financial year carried forward to the next financial year	**(6 550 291)**

NOTE 21 Subsequent events

In November 2024, Finora Bank 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 early 2025. As of the date of signing these financial statements, the Bank of Lithuania has provided its initial summary of findings. Finora Bank is currently in the process of preparing its official response, where it has the opportunity to provide clarifications, express any well-grounded disagreements, or confirm observations and outline improvement actions. The management views this process as a constructive dialogue with the regulator, aimed at further strengthening the bank's operations and compliance framework.

In December 2024 Finora Group AS, parent company of Finora Bank invested additional 2 million euros to Finora Bank. As at signing date of current annual report the share capital was waiting for approval from Bank of Lithuania.

These financial statements were prepared on 4 of April 2025.

Šarunas Ruzgys/signed digitally/

Egle Martuseviciene Chief Accountant

/signed digitally/

finora bank

finorabank.eu