Alisa Bank Plc

Half-Year Financial Report

January - June 2023

Alisa
PANKKI

Contents

ALISA BANK PLC’S HALF-YEAR FINANCIAL REPORT JANUARY-JUNE 2023

PROFITABLE RESULT ACHIEVED

January-June 2023 in brief

- The profit before taxes for January-June was a total of EUR 0.4 million (-7.4).
- Net interest income increased from last year and was EUR 7.4 million (2.5). Net interest income increased mainly due to the increase in market interest rates and the increase in the loan portfolio.
- Total operating income 8.4 million almost tripled in January-June compared to the previous year.
- Realized and expected credit losses remained at a moderate level and were EUR -2.2 million (-4.2).
- Total capital ratio was 15.5 percent.
- The loan portfolio before reducing expected credit losses increased to EUR 170.3 million (163.8) in the accounting period.
- The deposit base was EUR 241.7 million (246.8) at the end of reporting period.
- The company changed its name from Fellow Bank Plc to Alisa Bank Plc on April 21, 2023.
- The company invested heavily in the development of digital banking services. The new services received a positive reception from customers, which was reflected in the measured customer satisfaction (Net Promoter Score: 47).

GROUP’S KEY FIGURES (EUR 1,000)	1-6/2023	1-6/2022	1-12/2022
Net interest income	7,427	2,463	9,053
Net commission and fee income	847	9	1,511
Total operating expenses	-5,747	-5,577	-11,601
Impairment of receivables	-2,235	-4,174	-8,321
Profit before taxes	390	-7,381	-9,684
* Cost / income ratio, %	69	235	113
Balance sheet total	287,527	290,790	291,661
* Return on equity (ROE), %	2,6	neg.	neg.
Total capital ratio (TC), %	15.5	19,4	16.8
Common Equity Tier (CET1), %	12.0		12.6
Number of employees, end of period	85	90	73
Earnings per share (EPS), EUR	0.00	-0.10	-0.14
* Impairment of receivables / loan portfolio, %	3.8	7.3	5.1

* The calculation principles of alternative performance measures are presented in Appendix A.

Financial targets and outlook for 2023

In 2023, we aim for profitable growth. We increase the bank's loan portfolio under the conditions of profitability and capital adequacy, taking into account the uncertainty of the financial situation in lending. Our growth is supported by more comprehensive banking services for our customers and our digital services that create differentiation. The general rise in interest rates continues to support the improvement of our profitability.

During the first half of 2023, we reached a positive profit level. In the second half of 2023, the bank's profits are estimated to increase from the level of the first half of 2023. The result before non-recurring items is estimated to be positive in 2023. The target for the group's total capital adequacy ratio is 16 percent. The aim is to strengthen the company's own capital during the second half of 2023.

Teemu Nyholm, CEO

Profitable result achieved

Profit before taxes for the reporting period was EUR 0.4 million. The positive performance was an outcome of the loan portfolio growth, a positive net interest income trend and a reduction in expected credit losses.

Our loan portfolio grew to EUR 170 million by the end of June. The general rise in interest rates bolstered the growth of our interest income.

The corporate customer business continued to grow strongly. The launch of banking operations improved our competitiveness and visibility, and this was clearly reflected in corporate financing, where we gained a large number of new financial services customers. In corporate financing, the volume of funding increased by 19% compared to the second half of 2022. Growth was particularly concentrated in invoice financing, and we tightened our corporate lending policy. We believe that both demand for and our competitiveness in SME financing will continue to be strong.

In consumer customers, our credit portfolio remained at the previous year's level. In the markets demand for consumer financing continued to grow moderately, but our growth was constrained by our tighter credit policy and capital constraints.

In the international markets, we continued to carefully develop our business with a focus on consumer financing in Denmark and Germany. In Germany, we launched a partnership with Check 24, the largest loan broker in the market. In both markets, loan repayments developed positively in line with our targets, setting the stage for future growth in both Denmark and Germany.

The company's deposit portfolio stood at EUR 242 million at the end of June. We diversified the structure and sources of our deposit base: the share of term deposits increased, and we succeeded in improving the raising of deposit through our digital channels. As interest rate rose, our funding costs increased, and at the end of June, the annual average interest on our deposit base was 2.2%. At the same time, the bank's net interest on funds increased significantly. We expect that the rise in interest rates will level off in the second half of the year though it will continue to support the improvement of the interest margin.

Despite a challenging market environment, the credit losses fell to 3.8% of the loan portfolio. During the period under review, we continued to tighten our lending criteria, taking into account the rising cost of living for consumer customers and the tighter operating environment for SMEs. We anticipate that the inflation and the weakening of consumer purchasing power will level off in 2023. The employment rate has also remained high, which will buoy our customer's liquidity.

The bank's liquidity position is strong, with liquid assets of 105 million euros. The bank's total capital adequacy was 15.5 percent, falling short of the target level of 16 percent. The official requirement for total capital adequacy is 10.5%. We decided to withdraw from the issuance of our planned Tier 2 bond in the spring due to the uncertainty regarding the capital adequacy and liquidity position of international banks.

We have continued to systematically develop the bank's digital services. We launched a credit card for our customers in January 2023 and payment transaction accounts in February. These form a solid foundation for the bank's digital services in the future.

In June, we launched banking services that are integrated with financial administration systems (BaaS) in cooperation with Talenom Corporation. This will allow Talenom's corporate customers to benefit from user-friendly banking services integrated directly into their financial administration software. Earlier this year, we also launched an e-commerce payment solution for SMEs with Paytrail, Finland's largest payment intermediary. Both initiatives support our strategy to use digital channels to acquire new customers.

In April, we changed the name of the bank to Alisa Bank. At the same time, we launched new versions of our mobile and online banking services for our customers. We are pleased to report that we achieved industry-leading ratings (4.5/5) in app store reviews and our measured customer satisfaction remained at a high level (Net Promoter Score: 47).

In late 2022, we started a cost-savings programme to achieve a significant reduction in the bank's fixed costs. The programme has been successful, and our operating efficiency developed positively in the reporting period with a cost/income ratio of 69% at the end of the period. Going forward, business growth will not require us to make significant additional investments or an increase in the number of personnel, so as business volumes grow, our operating efficiency will improve.

The growth of the bank's balance sheet requires the strengthening of equity as planned during the second half of the year. We have also made progress in our preparations to strengthen our capital structure. In the second half of the year, however, we expect that maintaining our capital adequacy target will constrain loan portfolio growth. Nevertheless, if we are successful in strengthening capitalisation, we will be in an excellent position to continue to grow our loan portfolio in the coming years in line with our long-term target of 25%.

During the second half of the year, we will continue our controlled growth, focusing on growing our loan portfolio and deposits in both the corporate and the consumer customer sector.

At the same time, we are determined to continue the development of our innovative digital banking services to drive strong growth in customer numbers and build awareness of Alisa Bank as the most user-friendly digital everyday bank.

Achieving a positive result was an important step on the new bank's strategic path, and it provides us a solid platform for future growth.

Teemu Nyholm
CEO

Key figures January – June 2023

Loan portfolio 170.3 EUR million	**Operating income** 8.4 EUR million
Deposits 241.7 EUR million	**Active customers** 51,100
Capital adequacy 15.5 %	**NPS-result** 47

Business environment

The economic environment has been challenged by the consequences of Russia's war of aggression. The war has generally increased the uncertainty of the operating environment, accelerated inflation, and raised interest rates.

During the six-month period, the interest rate continued to rise and inflation slowed down, still remaining at a remarkably high level. In June 2023, annual consumer price rise in Finland was 6.3 percent, with the ECB's long-term target being 2 percent. Inflation and rising interest rates reduce consumers' purchasing power and confidence in economic development, in addition to curbing companies' investments. As expected, the ECB continued to raise key interest rates during first half of 2023. During the six-month period, the ECB raised all three key interest rates to curb inflation. Interest rate increases have been indicated to fade in late 2023. Fading economic growth and widening interest rate differentials in the euro area bring additional challenges. The uncertainty of the business environment is expected to continue during the end of 2023 as well.

Despite the economic uncertainty, the employment rate has developed favorably for the time being in Finland. In June 2023, the employment rate was 74.1% and the unemployment rate was 7.1%. A weakened economic situation and a decrease in disposable income may affect the ability of households to manage loans according to the original plan.

In Finland, consumer loans were granted by 2.1 percent more compared to last year and the growth of household deposits slowed to 1.8 percent compared to a year ago. With the increase in interest rates, deposit rates also saw an increase after a gap of years.

Financial performance

In the items of the income statement, the comparison period is June 30, 2022, and the balance sheet and capital adequacy comparison period is December 31, 2022.

Result January-June 2023

Group's profit before taxes was EUR 0.4 million (-7.4) and the profit for the financial period was EUR 0.3 million (-6.6).

Income

The group's income for the financial year - including net interest income, net fee income, net investment income and other operating income – was EUR 8.4 million (2.4).

Net interest income strengthened by 201.5 percent to EUR 7.4 million (2.5). Interest income accumulated for the review period totaled EUR 9.4 million (3.4) and interest expenses EUR 2.0 million (0.9). The rise in interest rates and increase in loan portfolio has had a positive effect on the development of the bank's net interest income.

Fee income and expenses increased from EUR 0.0 million in the comparison period of the previous year to EUR 0.8 million.

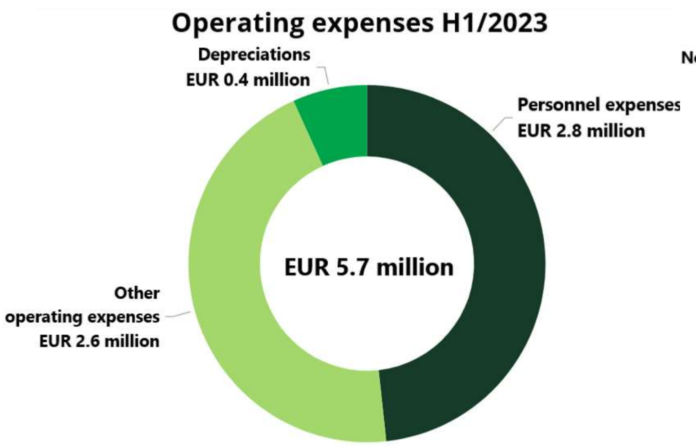
Expenses

The total costs of the review period, including depreciation and write-downs, were EUR 5.7 million (5.6).

Personnel expenses were EUR 2.8 million (2.6), including an estimate of performance bonuses for personnel. Other administrative expenses - including office, IT, representation and marketing expenses as well as costs related to consulting – were EUR 2.2 million (1.8). Depreciation and write-downs were EUR 0.4 million (0.3) and other business expenses EUR 0.4 million (0.9).

A total of EUR 0.2 million of stability contribution was recorded in other operating expenses. In addition, the deposit guarantee fee of EUR 0.1 million assigned to the company was fully covered by refunds from the old deposit guarantee fund (VTS fund). The item other business expenses include authority fees and rent-related expenses.

Realized and expected credit losses amounted to EUR 2.2 million (4.2). The change in expected credit losses decreased compared to the comparison period and was EUR 0.0 million (3.5). Realized credit losses increased from EUR 0.6 million to EUR 2.2 million.



Balance sheet

The total amount of the group's balance sheet decreased during January-June 2023 to EUR 287.5 million (291.7).

Assets, EUR 287.5 million, mainly consisted of cash EUR 107.7 million and loans granted to customers (Claims on the public and public sector entities EUR 165.3 million). Intangible assets, EUR 8.2 million, include EUR 6.0 million goodwill generated in business acquisitions and EUR 2.3 million of capitalized product development costs. No need for a write-down was found in the goodwill impairment testing. During the period, EUR 0.4 million (0.4) of product development expenses related to the development of digital banking services were capitalized.

The Group’s liabilities, EUR 261.2 million, mainly consisted of liabilities to the public and public-sector entities (241.7).

In October 2022, Alisa Bank issued a debenture loan with a capital of EUR 6.1 million subject to unsecured secondary capital (Tier 2) ("Debenture Loan"). The debenture loan is an instrument with a lower priority than Alisa Bank's other commitments, which belongs to the secondary capital referred to in the capital adequacy regulations applicable to Alisa Bank. The loan term of the debenture loan is five years, and it matures on October 17, 2027. The fixed annual interest rate of the debenture loan is 8 percent.

The Group’s equity stood at EUR 26.3 million (26.0).

Risk and capital adequacy management and risk position

Alisa Bank operates in a constantly changing market environment, which subjects the company to the changes in the business environment and risks arising from the company’s own operations. Risk-taking is managed with principles approved by the company’s Board of Directors. The goals, principles and responsibilities of Alisa Bank's risk management and the organization of risk management are described in note G2, page 42, of Alisa Bank's 2022 financial statements. No essential changes have been made to the risk management goals, principles and organization described in the financial statements during the review period.

Risk position

Alisa Bank’s key types of risks are credit risk, operational risk, market risk and liquidity risks. The most significant risks that can affect profitability, capital adequacy and liquidity are related to credit losses, the general interest rate changes, and the unfavourable development financial market conditions.

Uncertainties in the economic environment, such as the increase in the general cost level and interest rates, as well as uncertainty about economic growth affect the everyday life of households and their payback ability, as well as the profitability and investment willingness of SMEs.

Uncertainty factors can be seen in Alisa Bank's business in the form of an increase in net interest income, as funding costs, a slower growth in lending volumes, and especially as a weakening of business customer’s profitability. The general weakening of the economic environment has not been significantly reflected in the repayment ability of Alisa Bank's private customers. The financial profitability of loan customers and the development of payment delays are monitored even more closely and, if necessary, changes are reacted to. The company has no Russia-related liabilities. The effects of the Russia-Ukraine war on Alisa Bank's business are indirect.

During the review period, the loan portfolio before the reduction of expected credit losses, increased by EUR 6.4 million, which increased the amount of credit risk. The relative credit risk position has nevertheless remained stable. With a distributed customer base, the significance of individual large customer risks or risk concentrations is minor. The loan portfolio was EUR 170.3 million at the end of review period.

The bank's deposit base has remained stable during the review period. Most of the deposit base is covered by deposit guarantee. The stable deposit base enabled the company's liquidity position to remain at an excellent level during the review period. The LCR ratio, which describes the company's liquidity requirement, was 562 percent at the end of the review period.

Capital adequacy and capital adequacy management

The objective of Alisa Bank’s capital adequacy and capital management is to secure capital adequacy in relation to all material risks of its operations. The company constantly monitors that its capital is sufficient to cover the material risks facing the company.

Group’s total capital ratio was 15.5% and common equity tier 1 ratio was 12.0%, exceeding the total capital requirement for banks (10.5%). The bank´s total capital requirement consists of a minimum capital requirement (8.0%) in accordance with Pillar I and an additional capital requirement (2.5%) in accordance with the Act on Credit Institutions.

At the end of the review period, the group’s capital structure mostly consisted of common tier 1 capital (CET 1) and secondary capital (Tier 2). The group’s own funds (TC) were EUR 22.9 million: primary capital (T1) EUR 17.7 million was entirely common equity Tier 1 ratio (CET 1) and secondary capital (T2) EUR 5.2 million consisted of a debenture loan. At the end of the review period, Alisa Bank’s minimum leverage ratio was 6.3 percent, exceeding the minimum requirement of 3 percent.

The minimum requirement for own funds and eligible liabilities (MREL requirement) set by the financial supervisors for the company in the resolution plan is 8% based on the total risk. Minimum leverage ratio requirement is 3%.

CAPITAL AND RISK POSITION, EUR 1,000	**30 Jun 2023**	**31 Dec 2022**	**30 Jun 2022**
Common Tier 1 Capital before adjustments	26,048	28,281	29,455
Adjustments to Common Tier 1 Capital	-8,346	-10,582	-9,868
Common Tier 1 Capital in total (CET1)	**17,701**	**17,700**	**19,587**
Additional Tier 1 Capital before adjustments	0	0	0
Adjustments to Tier 1 Capital	0	0	0
Additional Tier 1 Capital in total (AT1)	**0**	**0**	**0**
Total Capital (T1 = CET1 + AT1)	**17,701**	**17,700**	**19,587**
Tier 2 Capital before adjustments	6,100	6,100	0
Adjustments to Tier 2 Capital	-856	-250	0
Tier 2 Capital in total (T2)	**5,244**	**5,849**	**0**
Total risk weighted exposure amounts			
Credit and Counterparty risk	128,009	120,512	86,324
Market	667	756	995
Operational risk	19,198	19,198	13,650
Risk weighted exposures in total	**147,874**	**140,466**	**100,969**
Common Equity Tier 1 ratio (CET 1), %	**12.0**	**12.6**	**19.4**
Tier 1 ratio (T1), %	**12.0**	**12.6**	**19.4**
Total Capital Ratio (TC), %	**15.5**	**16.8**	**19.4**

LEVERAGE RATIO, EUR 1,000	30 Jun 2023	31 Dec 2022	30 Jun 2022
Total Equity	17,701	17,700	19,587
Total Exposure Amount	280,054	283,819	281,310
Leverage ratio (LR), %	**6.3**	**6.2**	**7.0**

Credit risk

The credit risk of the company's operations mostly stems from lending to its customers. Credit risk is defined as the risk of loss resulting from Alisa Bank's loan customers and other counterparties not being able to meet their contractual obligations, and from issued collateral not covering Alisa Bank's receivables. Alisa Bank has procedures and instructions in place for identifying, measuring, and monitoring credit risk. The procedures and instructions are based on the risk appetite approved by the company's board of directors.

Loans with payment delays and expected credit loss

An operating model for monitoring the loans of customers with payment delays is outlined in the company's credit policy guidelines. Overdue loans refer to commitments for which repayment of the loan capital is overdue by more than 15 days. A loan becomes non-performing when there are indications that the borrower is unlikely to repay the loan, or if more than 90 days have passed without the borrower paying the agreed installments.

The occurrence of payment delays and significant indications of uncertain repayment increase the credit risk and thus affect the expected credit loss (ECL) stage categorization. If there are overdue payments more than 30 days or customer's financial position has materially weakened, the loan will be transferred from ECL stage 1 to ECL stage 2. Loans are recorded to stage 3 if the value of the financial obligation has provably diminished. If there are one or more events that have occurred on the customer side, that will affect future cash flows negatively. These events can be for example:

- Payments (amortization or interest) have been delayed for more than 90 days
- Bankruptcy or liquidation of the debtor, or other significant financial difficulties
- Customer is defaulted.

If the customer has clear indications of uncertainty about repayment, the credit can be transferred directly from stage 1 to stage 3 on a discretionary basis.

Alisa Bank regularly monitors the payment delays and financial situation of private and business customers and aims to identify loan customers whose ability to repay is uncertain at an early stage. Customers can be offered payment holidays or arrangements to the repayment schedule. Forbearance measure is a concession or arrangement granted by an institution to exposure when a customer is experiencing or likely to experience repayment difficulties. Forborne exposure and more than 90 days delayed loans are classified in ECL phase 3.

The share of private customers' overdue loans has not increased significantly. Alisa Bank's business customers mainly consist of small and medium-sized companies whose profitability has been affected by the weakened economic situation. The company monitors the development of the credit risk of the loan portfolio through the number of payment delays and payment plan change applications. In particular, the repayment ability of companies in the construction industry is monitored more intensively.

The number of non-performing loans in the loan portfolio has not significantly increased during the review period. At the end of the review period, the amount of non-performing receivables was EUR 4.7 million. The NPL ratio, which describes non-performing receivables in relation to loans and advances, was 2.8 percent at the end of the review period. At the end of the review period, non-performing forborne exposure amounted to EUR 0.3 million. There were EUR 0.8 million of performing forborne exposures.

Loan receivables with a payment delay of more than 30 days but less than 90 days accounted for approximately 3 percent of the entire loan portfolio. The proportion of loans having more than 90 days delayed payments was 2 percent. In the comparison period, most of the insolvent loans consisted of foreign loans. In the first half of the year, the loan portfolio in the Polish company with expected credit losses has been fully written down in connection with the sale. The ECL model for expected credit losses was updated by considering the uncertain market economy outlook by updating the short-term macroeconomic forecast.

The following tables describe the geographical distribution of exposures.

Exposure and home country			**30 June 2023**
Exposures	**Amount of credit**	**Average remaining maturity, years**	**More than 90 days past due**
Private individuals Finland	127,276	5.7	1,551
Companies and entities Finland	39,389	0.4	699
Private individuals other EU countries	3,592	2.0	1,387
Companies and entities other EU countries	0	0.0	0
Total	**170,257**		**3,636**
Expected credit losses	-5,007		
Claims on the public and public sector entities	**165,250**		

Exposure and home country			**30 Dec 2022**
Exposures	**Amount of credit**	**Average remaining maturity, years**	**More than 90 days past due**
Private individuals Finland	126,393	5.6	1,060
Companies and entities Finland	30,993	0.3	781
Private individuals other EU countries	6,130	0.0	4,500
Companies and entities other EU countries	277	0.0	239
Total	**163,793**		**6,580**
Expected credit losses	-9,137		
Claims on the public and public sector entities	**154,656**		

Risk concentrations

Risk concentrations arise or may arise, for example, when the credit portfolio contains large amounts of loans and other liabilities directly towards:

- single customer or counterparty
- group of connected customers
- single business industry
- against limited amount of collaterals
- within same maturity
- within same product.

Alisa Bank's loan portfolio is focused on consumer customers, mainly consisting of small loan amounts. The loans granted by the bank to consumer customers are almost always unsecured. In business lending, credit risk is managed using collateral and guarantees. With a distributed customer base, the significance of individual large customer risks is minor. At the end of the financial year, the company had one exposure, where the amount exceeded 10 percent of Tier 1 own funds, and which has full collateral. Loans to business customers the largest industries are construction, transport and storage, and manufacturing. Exposures and customers related to construction industry are monitored more intensively.

Market risk

Market risk consists of the interest rate risk of the financial balance and a currency risk. The interest rate risk of the financial balance is not significant, and it mainly consists of the differences between the interest rates and maturities of assets and liabilities. The company currently has approximately a fifth of its loan portfolio in fixed-rate loans, and the share is constantly decreasing. The new lending is mainly at floating rates and tied to the 3-month Euribor. Strong changes in market interest rates emphasize the importance of interest rate risk management. The company constantly monitors the development of the interest rate risk through, for example, the sensitivity analysis of changes in the current value of the balance sheet and net interest income. If the interest rate were to increase by two percentage points, the economic value of the company’s own funds would decrease by 1.8 percent at the end of review period. If the interest rate was to decrease by two percentage points, the economic value of own funds would increase by 1.5 percent. If interest rates were to rise by 2 percent, it would have an estimated annual impact on net interest income of approx. EUR 1.8 million. If interest rates were to fall by 2 percent, the estimated annual impact on net interest income would be approx. EUR -1.8 million.

Liquidity risk

Liquidity risk can be defined as a lack of balance in incoming and outgoing cash flows. The risk may materialize if the company is unable to meet its payment obligations as they fall due. The company’s main liquidity risks arise from the maturity mismatch between borrowing and lending.

Group’s liquidity has been at an excellent level during the review period. The Group’s liquidity coverage ratio was 562% at the end of the reporting period, with the minimum requirement being 100%. Of its liquidity buffer, 100% consisted of Level 1 assets with a very high liquidity. The buffer consists of non-pledged, high-quality investments that can be sold very quickly. Net stable funding ratio was 183.3% at the end of the reporting period, with the minimum requirement being 100%.

The table below shows the liquidity requirement as a three-month average, which was 540 percent at the end of the review period.

LCR JA NSFR, EUR 1,000	30 Jun 2023	31 Dec 2022	30 Jun 2021
Liquidity			
LCR-ratio (3 months average) %	540	370	330
Total high quality liquid assets (3 months average)	109,572	129,607	150,121
Cash outflow (3 months average)	38,063	53,000	55,314
Cash inflow (3 months average)	17,679	17,729	10,229
Total net cash outflow (3 months)	20,384	35,271	45,084
Net Stable Funding			
Total available stable funding	236,874	240,656	203,763
Total required stable funding	129,263	127,778	109,852
NSFR-ratio %	**183.3**	**188.3**	**185.5**

Operative risk

Operational risk management is applied in all the company's business units by identifying, measuring, monitoring, and evaluating operational risks related to the units. The operational risks realized during the review period were minor in relation to the own funds requirement reserved for them and were related to system failures and fraudulent customer abuse.

Alisa Bank publishes Pillar III information on capital adequacy and risk management in its Capital and Risk Management report. The report is published in connection with the publication of the annual report as a separate report and describes in more detail the capital adequacy data and risk position of the Alisa Bank Group. In connection with the publication of the Half-Year Financial Report, the information according to Pillar III is published as a separate report.

Responsibility

As a new Finnish digital bank, Alisa Bank is part of the Finnish financial sector. The financial sector plays an important role in building the economic and social stability of society, as well as taking into account climate and environmental issues in banking and financial operations.

Alisa Bank has high standards when conducting its business. The Bank requires that its business units and personnel thoroughly understand and strictly adhere to the applicable laws, regulations and standards in all markets and jurisdictions in which Alisa Bank operates.

For Alisa Bank, the well-being and commitment of its personnel are very important. Employee satisfaction is measured regularly, and improvements are made based on the results. The work community is equal, we do not accept discrimination in any form. We are committed to promoting equality and non-discrimination in all activities.

Customer satisfaction is in a key position, and Alisa Bank strives to communicate clearly and understandable to its customers. In personal and business customer lending, the aim is to find suitable solutions together with customers in the event of financial difficulties. Alisa Bank aims to ensure that customers’ ability to pay is maintained by offering changes to the payment program or other necessary flexibility for loan repayment.

In the coming years, the company is preparing for sustainability reporting in accordance with the CSRD (Corporate Sustainability Reporting Directive).

Board of Directors, CEO and auditor

Alisa Bank's board members were Markku Pohjola (CEO), Teuvo Salminen, Lea Keinänen, Kai Myllyneva, Jorma Pirinen and Tero Weckroth until 20 April 2023. At the annual general meeting on April 20, 2023, Lea Keinänen, Jorma Pirinen, Markku Pohjola, Teuvo Salminen and Tero Weckroth were re-elected as board members, and Sami Honkonen and Johanna Lamminen were elected as new members. The term of office of the board members ends at the end of the annual general meeting following the election.

Annual general meeting elected Markku Pohjola as chairman of the board and Teuvo Salminen as vice chairman of the board. Teemu Nyholm will continue as CEO and Juha Saari will act as deputy CEO.

The chairman of the Audit Committee is Teuvo Salminen and the members are Johanna Lamminen, Sami Honkonen and Tero Weckroth.

The Personnel Committee is chaired by Markku Pohjola and the members are Jorma Pirinen and Lea Keinänen.

KPMG Ltd was elected as the auditor of the company, with Tiia Kataja acting as the responsible auditor.

Decisions of the Annual General Meeting

The annual general meeting of Fellow Bank Plc (now Alisa Bank Plc) was held on April 20, 2023.
General Meeting confirmed the financial statements and consolidated financial statements and granted the members of the Board of Directors, the CEO and the Deputy CEO a discharge from liability for the financial year 2022. The Annual General Meeting approved the remuneration report of the company's bodies for 2022 and decided to support the remuneration policy.

Using the profit shown in the balance sheet and deciding on dividend distribution

It was stated that according to the financial statements on 31 December 2022, the distributable assets of the parent company Fellow Bank Plc were EUR 3,176,807.99. The profit for the financial period was EUR 17,699,019.35, which consists of Evli Bank Plc's profit from January 1 to April 1, 2022 of EUR 25,010,929.33 and Fellow Bank Plc's loss of EUR 7,311,910.01 from April 2 to December 31, 2022. It was noted that the company's board had proposed to the general meeting that no dividend be paid for the financial year ending on December 31, 2022. The annual general meeting decided, in accordance with the board's proposal, that no dividend will be paid based on the financial statements to be confirmed for the financial year 2022.

Board members' fees

On the nomination committee's proposal, the general meeting decided that the fixed monthly remuneration of the board members be determined as an annual remuneration and paid once a year. The nomination committee had proposed that the annual remuneration of the board members elected at the annual general meeting for the term of office, which ends at the end of the 2024 annual general meeting, is as follows:

- EUR 60,000 for the chairman of the board
- EUR 48,000 for the committee chairs
- EUR 38,400 for each other board member.

Approximately 40 percent of the annual fees will be paid in Alisa Bank Plc shares purchased from the market on behalf of the board members, or alternatively by handing over the company's own shares or issuing new shares.

When transferring own shares held by the company or issuing new shares, the share conversion rate is the weighted average price of the company's share exchange in Nasdaq Helsinki Oy for the period of five trading days after the publication of the company's Half-Year Financial Report 2023. The company is responsible for the costs and possible transfer tax arising from the acquisition, transfer or giving of the shares. The rest of the annual fee is paid in cash, which covers the taxes arising from the fee.

The shares will be acquired directly on behalf of the board members within two weeks after the company's 2023 Half-Year Financial Report is published. The transfer of the company's own shares or the issuance of new shares takes place as soon as possible after the reward has been converted into shares. If the acquisition, transfer or giving of the shares cannot be carried out at the aforementioned time due to legal or other statutory restrictions or for another reason related to the company or the board member, the shares will be acquired, transferred or given later or the annual bonus will be paid in full in cash.

Number and election of board members

A total of seven (7) members were confirmed as the number of members of the board of directors. Lea Keinänen, Jorma Pirinen, Markku Pohjola, Teuvo Salminen and Tero Weckroth were re-elected as members of the board, and Sami Honkonen and Johanna Lamminen as new members.

Selection and remuneration of the auditor

The auditing firm KPMG Oy Ab was chosen as the auditor, with APA Tiia Kataja as the principal auditor. The auditor is paid according to a reasonable invoice approved by the company.

Changes to the Articles of Association

The Annual General Meeting decided to change sections 1, 3 and 10 of the Articles of Association to read as follows:

1 Company's business name and domicile
The company's business name is Alisa Bank Oyj, in Swedish Alisa Bank Abp and in English Alisa Bank Plc. The company is domiciled in Helsinki.

3 Board of Directors and Chairman of the Board
The company's Board of Directors shall consist of at least four (4) and at most eight (8) regular members whose term shall expire at the close of the Annual General Meeting that follows their election. The General Meeting that decides on the election of the Board of Directors elects the Chairman and Deputy Chairman of the Board of Directors.

10 Annual General Meeting
The Annual General Meeting shall be held annually on a date determined by the Board of Directors, and no later than six months after the end of the financial year. The Annual General Meeting shall decide on:

1. the adoption of the financial statements and consolidated financial statements
2. the use of the profit shown in the balance sheet
3. discharging the Board members, the CEO, and the Deputy CEO from liability
4. the number of members of the Board, their remuneration and their election
5. the appointment and fees of the auditor
6. the approval of remuneration policy, if necessary
7. the approval of the remuneration report
8. other matters to be discussed at the meeting according to the notice to the meeting.

The Board of Directors can also decide that the General Meeting is organized without a meeting place, so that the shareholders exercise their decision-making power during the meeting in full and up to date with the help of a data communication connection and a technical aid.

Authorisation of the Board of Directors to decide on acquisition of own shares

It was resolved, in accordance with the proposal of the Board of Directors, that the Board of Directors is authorised to decide on the acquisition of a maximum of 4,416,609 own shares in one or more installments with the company's free equity capital. The number of shares corresponds to approximately 5 percent of the Company's shares. The shares are acquired in a public trading organized by Nasdaq Helsinki Oy, other than in proportion to the shareholders' holdings, at the market price at the time of acquisition. The authorisation is valid until the end of the next Annual General Meeting, but no later than 30 June 2024. The company's previous authorisation for the purchase of its own shares expired at the Annual General Meeting on 20 April 2023. The authorisation can be used, for example, to implement possible business acquisitions and incentive systems for key personnel or for other purposes decided by the Board. The shares acquired on the basis of the authorisation can otherwise be further transferred, kept by the company or cancelled. The Board can decide on all other conditions for acquiring own shares.

Authorisation of the Board to decide on issuing shares and option rights and other special rights entitling to shares

It was resolved, in accordance with the proposal of the Board of Directors, that the Board of Directors is authorised to decide on the issue of shares and the issue of special rights entitling to shares referred to in Chapter 10, Section 1 of the Limited Liability Companies Act in one or more installments, either against payment or without payment.

The number of shares to be issued, including shares obtained based on special rights, can be a maximum of 4,416,609 shares in total. The Board can decide to issue either new shares or transfer any of its own shares that may be in the company's possession.

The maximum amount of authorization corresponds to about 5 % of all the company's shares, based on the situation on the day of the meeting notice. The authorisation entitles the Board to decide on all conditions for issuing shares and granting special rights entitling to shares, including the right to deviate from the shareholders' preemptive right. The authorisation is to be used, for example, to pay the purchase prices of business transactions, to pay the incentive fee according to the incentive system for key personnel, or for other purposes decided by the Board. The authorisation also includes the right to decide whether the subscription price of the share will be fully or partially entered into the invested unrestricted equity fund or as a share capital increase. The authorisation is valid until the end of the next Annual General Meeting, but no later than 30 June 2024. The previous authorisation of the Board ended with the Annual General Meeting on 20 April 2023.

Shares and shareholders

Series B shares of Alisa Bank Plc are listed on the main list of Nasdaq Helsinki under the trading symbol ALISA. The number of shares in the company was 88,332,182 at the end of June. The company's share capital stood at EUR 18.3 million at the end of June.

The number of shares held by Alisa Bank at the end of June was 14,081. Alisa Bank transferred without consideration 206 289 own shares held by the company to participants of the Restricted Share Plans 2018 and 2019 as reward in accordance with the plan terms during the reporting period. Restricted Share Plans 2018 and 2019 are incentive systems aimed at Evli Plc´s personnel from the time of Evli Bank Plc. With the merger of Fellow Finance Plc and Evli Bank Plc, part of the remuneration will be paid in Alisa Bank Plc´s shares.

The closing price of Alisa Bank Plc share was EUR 0.38 on 30 June 2023, the last trading day of the review period. During January-June 2023 its lowest price was EUR 0.31, with the highest price being EUR 0.41. Alisa Bank's market value was EUR 33.5 million at the end of the reporting period.

Ten largest shareholders

The shareholders' holding information is based on the list of shareholders maintained by Euroclear Finland Ltd on 30 June 2023.

		Total number of shares	% of all shares
1.	Evli Plc	15,288,303	17.31
2.	Taaleri Plc	15,288,303	17.31
3.	TN Ventures Oy	5,497,354	6.22
4.	Oy Prandium Ab	4,754,100	5.38
5.	Oy Scripo Ab	4,754,100	5.38
6.	Oy T&T Nordcap Ab	3,938,616	4.46
7.	OP Fin Small Cap	3,402,336	3.85
8.	Skandinaviska Enskilda Banken AB (publ) Hgin sivukonttori	1,379,711	1.56
9.	Rausanne Oy	1,242,848	1.41
10.	Avensis Capital Oy	905,000	1.02

Group structure

The Alisa Bank Group consists of the parent company Alisa Bank Plc and its wholly owned subsidiaries Mobify Invoices Oy, Lainaamo Ltd, Fellow Finance Estonia OÜ, Fellow Finance Česko s.r.o. and Fellow Finance Deutschland GmbH. The company has no active business operations in Lainaamo Ltd, Estonia and the Czech Republic.

Fellow Finance Sp. z o.o., a company that operated on the Polish market belonged to the group until May 30, after which the company was sold as a business transaction.

Personnel and locations

At the end of June 2023, the group employed 85 people (78). The increase in the number of personnel was mainly due to the increase in business volumes during the first half of a year. In Finland, 81 people (71) worked at the offices in Helsinki and Turku, and a total of 4 (7) people in other operating countries.

Material events after the review period

Events following the end of the reporting period that would require the presentation of additional information or that would materially affect the Company's financial position are unknown.

Financial targets and outlook for 2023

In 2023, we aim for profitable growth. We increase the bank's loan portfolio under the conditions of profitability and capital adequacy, taking into account the uncertainty of the financial situation in lending. Our growth is supported by more comprehensive banking services for our customers and our digital services that create differentiation. The general rise in interest rates continues to support the improvement of our profitability.

During the first half of 2023, we reached a positive profit level. In the second half of 2023, the bank's profits are estimated to increase from the level of the first half of 2023. The result before non-recurring items is estimated to be positive in 2023. The target for the group's total capital adequacy ratio is 16 percent. The aim is to strengthen the company's own capital during the second half of 2023.

Helsinki, 18 August 2023

Alisa Bank Plc
Board of Directors

For more information:
Teemu Nyholm
CEO
teemu.nyholm@alisapankki.fi
+358 50 577 1028

OTHER NOTES

Note A. Alternative Performance Measure

In the financial reporting, alternative key figures (Alternative Performance Measures, APM) are presented, which describe the financial position of Alisa Bank and which are not based on the financial reporting regulations applied by Alisa Bank. Alternative key figures are presented as additional information for other financial reporting, and the guidelines of the European Securities Market Authority, ESMA, have been followed in their preparation.

$$\text{Cost-income ratio, \%} = \frac{\text{Operating expenses total}}{\text{Income total}}$$

$$\text{Share of impairment of receivables in the loan portfolio, \%} = \frac{\text{Impairment of receivables (annualized)}}{\text{Loan portfolio at the end of the review period}}$$

$$\text{Return on equity (ROE), \%} = \frac{\text{Profit for the year, (annualized)}}{\text{Equity (average)}}$$

TABLES AND NOTES

Consolidated income statement

EUR 1,000	Note	1-6/2023	1-6/2022	1-12/2022
Interest income		9,379	3,359	11,101
Interest expenses		-1,953	-896	-2,048
Net interest income	**3.**	**7,427**	**2,463**	**9,053**
Fee income		1,533	2,450	3,885
Fee expenses		-686	-2,441	-2,374
Net fee and commission income	**4.**	**847**	**9**	**1,511**
Net income from investments		-15	-102	-349
Other operating income		113	0	24
Total income		**8,372**	**2,370**	**10,239**
Personnel expenses		-2,774	-2,556	-5,378
Other administrative expenses		-2,181	-1,776	-4,487
Depreciation and amortization		-388	-324	-691
Other operating expenses		-404	-920	-1,046
Total operating expenses		**-5,747**	**-5,577**	**-11,601**
Impairment of receivables	**5.**	-2,235	-4,174	-8,321
Profit before taxes		**390**	**-7,381**	**-9,684**
Income taxes		-126	813	-901
Result for the year		**264**	**-6,568**	**-10,585**

Consolidated statement of comprehensive income

Result for the year		**264**	**-6,568**	**-10,585**
Other comprehensive income/loss				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences		-1	8	15
Other comprehensive income after taxes		**-1**	**8**	**15**
Comprehensive income, total		**263**	**-6,560**	**-10,570**
Result for the year attributable to				
Equity holders of parent company		264	-6,568	-10,585
Total comprehensive income attributable to				
Equity holders of parent company		263	-6,560	-10,570
Earnings per share	**6.**			
Earnings per share (EPS), basic, EUR		0.00	-0.10	-0.14
Earnings per share (EPS), diluted, EUR		0.00	-0.10	-0.14

Consolidated balance sheet

EUR 1,000	Note	30 Jun 2023	30 Jun 2022	31 Dec 2022
Assets				
Cash and equivalents		107,710	134,883	120,528
Claims on credit institutions		3,777	17,278	5,941
Claims on the public and public sector entities	**7./8.**	165,250	106,589	154,656
Shares and participations			4	
Intangible assets		8,217	7,990	8,157
Property, plant and equipment		438	211	140
Other assets		1,102	20,836	1,438
Accrued income and prepayments		410	1,121	210
Income tax assets		493	0	461
Deferred tax assets		129	1,878	129
Assets total		**287,527**	**290,790**	**291,661**
Liabilities				
Liabilities to the public and public sector entities	**8./9.**	241,718	223,373	246,810
Debt securities issued to the public		0	0	0
Subordinated liabilities	**9.**	6,204	0	6,203
Other liabilities		8,808	35,669	8,796
Accrued expenses and deferred income		4,484	1,898	3,867
Deferred tax liabilities		0	396	0
Liabilities total		**261,215**	**261,335**	**265,675**
Equity				
Equity attributable to equity holders of the parent				
Share capital		18,289	18,286	18,286
Fund of invested non-restricted equity		19,917	19,417	19,917
Retained earnings		-11,894	-8,248	-12,218
Equity attributable to equity holders of the parent		**26,312**	**29,455**	**25,985**
Liabilities and equity total		**287,527**	**290,790**	**291,661**

Consolidated statement of changes in equity

EUR 1,000	Share capital	Fund of invested unrestricted equity	Translation difference	Retained earnings	Equity attributable to the owners of parent entity	Total equity
Equity 1 January 2023	**18,286**	**19,917**	**17**	**-12,233**	**25,985**	**25,985**
Result of the year				264	264	**264**
Other comprehensive income			-1		-1	**-1**
Total comprehensive income			**-1**	**264**	**263**	**263**
Other changes*	3	0		-19	-16	**-16**
Share based payments				78	78	**78**
Equity 30 June 2023	**18,289**	**19,917**	**15**	**-11,909**	**26,312**	**26,312**

EUR 1,000	Share capital	Fund of invested unrestricted equity	Translation difference	Retained earnings	Equity attributable to the owners of parent entity	Total equity
Equity 1 January 2022	**125**	**13,361**	**2**	**-1,699**	**11,790**	**11,790**
Result of the year				-6,568	-6,568	**-6,568**
Other comprehensive income			8		8	**8**
Total comprehensive income			**8**	**-6,568**	**-6,560**	**-6,560**
Reverse acquisition**	6,446	6,056			12,502	**12,502**
Share based payments	11,715				11,715	**11,715**
Equity 30 June 2022	**18,286**	**19,417**	**10**	**-8,267**	**29,455**	**29,455**

EUR 1,000	Share capital	Fund of invested unrestricted equity	Translation difference	Retained earnings	Equity attributable to the owners of parent entity	Total equity
Equity 1 January 2022	**125**	**13,361**	**2**	**-1,699**	**11,790**	**11,790**
Result of the year				-10,585	-10,585	**-10,585**
Other comprehensive income			15		15	**15**
Total comprehensive income			**15**	**-10,585**	**-10,570**	**-10,570**
Reverse acquisition	6,446	6,056			12,502	**12,502**
Share issue	11,715				11,715	**11,715**
Other changes		500			500	**500**
Share based payments				51	51	**51**
Equity 31 December 2022	**18,286**	**19,917**	**17**	**-12,233**	**25,985**	**25,985**

* Other changes include an adjustment to the retained earnings of subsidiaries (-19) and an adjustment to the share capital of previous financial periods (3).

** The effect of the reverse acquisition consists of the amount of the fair value of the consideration for the acquisition, which takes into account the capital structure of the legal parent company, Alisa Bank Plc.

Consolidated cash flow statement

EUR 1,000	1-6/2023	1-6/2022	1-12/2022
Cash flow from operating activities			
Profit (loss) for the period	**264**	**-6,568**	**-10,585**
Adjustments for items not included in cash flow			
Depreciation and impairment	329	324	572
Credit losses	2,033	4,174	7,488
Income taxes	126	-813	901
Other adjustments	-115	0	0
Adjustments total	**2,372**	**3,685**	**8,961**
Cash flows from operating from operating before changes in operating assets and liabilities	**2,636**	**-2,883**	**-1,623**
Increase (-) or decrease (+) in operating assets			
Claims on the public and public sector entities	-10,440	-89,935	-141,982
Other assets	-10	-20,138	-444
Increase (-) or decrease (+) in operating liabilities			
Liabilities to the public and public sector entities	-5,092	223,373	246,810
Other liabilities	-1,721	34,723	11,700
Cash flow from operating activities	**-14,626**	**145,141**	**114,461**
Investing activities			
Investments in tangible assets	-2	-6	-22
Investments in intangible assets	-404	-707	-972
Disposal of subsidiaries	109	0	-772
Cash flow from investing activities	**-296**	**-713**	**-1,765**
Cash flow from financing activities			
Repayment of bond	0	-7,380	-7,380
Issue of debenture loan	0	0	6,100
Paid directed share issue	0	11,715	11,715
Repayments of lease liabilities	-60	-59	-119
Cash flow from financing activities	**-60**	**4,276**	**10,317**
Change in cash and cash equivalents	**-14,982**	**148,705**	**123,012**
Cash and cash equivalents at the beginning of period	126,469	3,457	3,457
Translation differences	0	0	0
Cash and cash equivalents at the end of period	**111,487**	**152,162**	**126,469**
Cash and equivalents are formed by the following items:			
Cash and cash equivalents	107,710	134,883	120,528
Claims on credit institutions	3,777	17,278	5,941
Cash and cash equivalents at the end of period	**111,487**	**152,162**	**126,469**
Notes for cash flow			
Interest received	9,452	2,164	8,528
Interest paid	1,970	902	1,051

NOTES TO THE HALF-YEAR FINANCIAL REPORT FOR 1 JANUARY TO 30 JUNE 2023

Note 1. Basic information and material changes during the review period

The company changed its name on April 21, 2023, Fellow Bank Plc will be Alisa Bank Plc from April 21, 2023. The new name better matches the company's vision to be the smoothest everyday digital bank for ordinary Finns and for small and medium-sized companies that need flexible financing.

The company Fellow Finance Sp. z o.o., which operated on the Polish market, belonged to the group until May 30, after which the company was sold as a business transaction.

The Alisa Bank Group consists of the parent company Alisa Bank Plc and its wholly owned subsidiaries Mobify Invcoices Oy, Lainaamo Ltd, Fellow Finance Estonia OÜ, Fellow Finance Deutschland GmbH and Fellow Finance Česko s.r.o. Fellow Finance Sp., a subsidiary operating in Poland, belonged to a group until it was sold 30 May 2023.

Alisa Bank has been authorized by the Financial Supervisory Authority to engage in credit institution operations. In Germany, it has a credit intermediation license (Kreditvermittelungslizens). Its subsidiary Lainaamo Ltd is registered in the creditor register maintained by the Regional State Administrative Agency for Southern Finland. Alisa Bank Plc offers its services to Denmark across the border as enabled by its license for credit institution operations. The relevance of international operations to the group's financial position is minor. Alisa Bank Plc is listed on the main list of the Nasdaq Helsinki. Alisa Bank Plc's head office is located at Pursimiehenkatu 4 A, 00150 Helsinki, Finland.

Note 2. Accounting policies

The Half-Year Financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The accounting principles of the Half-Year Financial Report are the same as in the 2022 financial statements. In the Half-Year Financial Report, the figures in the tables are presented in thousands of euros, unless otherwise stated. For the financial year, no new standard changes have entered into force and there are no known future standard changes that would have material effects on the consolidated financial statements.

The comparative figures for the period 1-6/2022 presented in this Half-Year Financial Report are not comparable as a result of the changed business model resulting from the merger. The Half-Year Financial Report does not include all the supplementary information presented in the consolidated financial statements for the fiscal year ended 31 December 2022, and the annual information must be read together with the consolidated financial statements.

Alisa Bank has only one reportable operating segment. The reported segment covers the entire group and the segment figures are consistent with the figures of the Alisa Bank Group and the management's reporting.

Preparing the Half-Year Financial Report according to IFRS-standards requires judgment and estimates by the management. The main assumptions made by the group are related to uncertainty factors regarding estimates in the calculation of expected credit losses.

The profit impact of the sale of the Polish company is presented in other operating income and expected credit losses. The total effect of sales on the result of the Half-Year Financial Report was 30 thousand euros.

The Half-Year Financial Report has been the subject of a general audit.

Note 3. Net interest income

	1-6/2023	1-6/2022	1-12/2022
Interest income			
Receivables from credit institutions	1,577	0	480
Claims on the public and public sector entities*	7,802	3,179	10,622
Other interest income	0	180	0
Total interest income using the effective interest method	**9,379**	**3,359**	**11,101**
Interest expenses			
Liabilities to credit institutions and central banks	0	-174	-219
Liabilities to the public and public sector entities	-1,705	-526	-1,520
Debt securities issued to the public	-245	-180	-283
Other interest expenses	-3	-15	-25
Interest expenses, total	**-1,953**	**-896**	**-2,048**
Net interest income	**7,427**	**2,463**	**9,053**

* The interest income is not comparable due to the changed accounting practice in December 2022. Fees that form an essential part of the effective interest rate on financial assets and liabilities, such as loan brokers' commissions, are allocated to interest income as part of the effective interest rate. The effect on the figure for the comparison period is EUR 0.05 million, which reduces the interest income.

Note 4. Fee and commission income and expenses

	1-6/2023	1-6/2022	1-12/2022
Fee and commission income			
Lending	908	528	1,615
Peer to peer lending	503	1,868	2,161
Other fee and commission income	121	54	108
Fee and commission income, total	**1,533**	**2,450**	**3,885**

	1-6/2023	1-6/2022	1-12/2022
Fee and commission expenses			
Lending*	-506	-1,196	-1,024
Peer to peer lending	0	-1,108	-1,108
Other fee and commission expenses	-180	-137	-242
Fee and commission expenses, total	**-686**	**-2,441**	**-2,374**

	1-6/2023	1-6/2022	1-12/2022
Timing of revenue recognition			
At a point of time	428	419	1,062
Over time	1,105	2,030	2,822
Total	**1,533**	**2,450**	**3,885**

*Fee expenses are not comparable due to the changed accounting policy in December 2022. Fees that form an essential part of the effective interest rate on financial assets and liabilities, such as loan brokers' commissions, are allocated to interest income as part of the effective interest rate. The effect on the comparison period is reducing the fee expenses by EUR 0.7 million.

All commission income under IFRS 15 is recognized based on when the control regarding payment obligations has transferred to the customer. The Group recognizes the amount of revenue from customers that it expects to be entitled to in return for the services provided to the customer. Commissions are recognized as revenue either over time or at one time, depending on the nature of the service.

Note 5. Impairment of receivables

Expected credit losses and impairment losses recognized during the period	1-6/2023	1-6/2022	1-12/2022
Expected credit losses on receivables			
Realized credit losses on loans granted during the financial year	-10	-15	-377
Realized credit losses on loans granted before the beginning of the financial year	-2,177	-594	-3,562
Total	**-2,187**	**-650**	**-3,939**
Expected credit loss change	-47	-3,525	-4,382
Realized and expected credit losses	**-2,235**	**-4,174**	**-8,321**

The change in expected credit losses decreased from the comparison period, due to the stabilization of the growth of the loan portfolio, the reduction of the relative share of the old peer-to-peer loan portfolio and the development of the ECL calculation model. Realized credit losses increased compared to the comparison period, due to the higher-than- average level of the loan portfolio compared to the comparison period. Realized and expected credit losses in total decreased in relation to the size of the credit portfolio, amounting to 3.8% (5.1%).

At the beginning of the review period, a significant part of phase 3 loan receivables was related to foreign business operations. The amount of Poland's loan portfolio at the end of 2022 was EUR 3.4 million, of which EUR 3.2 million was recorded for expected credit losses in 2022.

The development of the ECL calculation model applied by the company reduced the amount of expected credit losses during the accounting period by a total of EUR 0.2 million. The change in the sale price of the overdue receivables sales contract affected the calculation of the expected credit losses EUR 0.3 million.

In addition, a discretionary credit loss of EUR 0.4 million was recorded in expected credit losses in the period, which is aimed at the corporate loan portfolio.

Expected credit losses include both receivables from customers and off-balance sheet commitments.

Exposure to credit risk by risk category

Credit risk arises from receivables from personal and business customers and off-balance sheet commitments. The exposure to credit risk summary table shows the liabilities on the balance sheet that are exposed to credit risk and the corresponding ECL reservation by impairment stage. The off-balance sheet commitments and related ECL reservations are shown in Appendix 10.

The following tables present the cash amount exposed to credit risks, excluding collateral or other credit risk mitigation measures. The information is distributed across credit risk categories in the table. The probability of default is the highest in risk category 1 and the lowest in risk category 5.

Exposure to credit risk by risk category (30 June 2023)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Risk class 5	30,495	458	647	31,601
Risk class 4	77,185	2,001	1,615	80,801
Risk class 3	35,362	1,687	1,254	38,302
Risk class 2	12,665	493	562	13,720
Risk class 1	5,341	192	300	5,833
Cross carrying amount	**161,049**	**4,831**	**4,377**	**170,257**
ECL-reservation	-1,501	-829	-2,677	-5,007
Net carrying amount	**159,548**	**4,002**	**1,701**	**165,250**

Non-performing loan receivables are presented by risk category in stage 3.

Exposure to credit risk by risk category (31 December 2022)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Risk class 5	33,823	109	660	34,592
Risk class 4	65,375	1,614	2,327	69,316
Risk class 3	41,864	1,672	1,950	45,486
Risk class 2	7,168	591	1,890	9,649
Risk class 1	2,816	261	1,673	4,750
Cross carrying amount	**151,045**	**4,248**	**8,500**	**163,793**
ECL-reservation	-1,825	-1,673	-5,639	-9,137
Net carrying amount	**149,221**	**2,575**	**2,861**	**154,656**

Transition of loan receivables in stages

The following reconciliations describe transitions and changes in expected credit losses per financial instrument category during the financial year.

Transition of loan receivables	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan receivables from customers 1.1.2023	152,965	4,248	6,580	163,793
Transfers from stage 1 to stage 2	-4,166	3,999	0	-167
Transfers from stage 1 to stage 3	-1,624	0	1,629	5

Transfers from stage 2 to stage 1	1,447	-1,613	0	-166
Transfers from stage 2 to stage 3	0	-521	492	-29
Transfers from stage 3 to stage 1	28	0	-33	-5
Transfers from stage 3 to stage 2	0	24	-25	-1
Increases due to origination and acquisition	187,279	106	314	187,700
Decreases due to derecognition	-172,712	-65	-3,618	-176,396
Decreases in the allowance account due to write-offs	-2,170	-1,346	-962	- 4,478
Loan receivables from customers 30.6.2023	**161,049**	**4,832**	**4,377**	**170,258**

Transition of loan receivables	Stage 1	Stage 2	Stage 3	Total
Loan receivables from customers 1.1.2022	12,032	874	5,211	18,118
Transfers from stage 1 to stage 2	-4,987	4,524	0	-462
Transfers from stage 1 to stage 3	-1,353	0	1,257	-97
Transfers from stage 2 to stage 1	1 018	-1,165	0	-148
Transfers from stage 2 to stage 3	0	-298	280	-18
Transfers from stage 3 to stage 1	65	0	-77	-12
Transfers from stage 3 to stage 2	0	9	-11	-2
Increases due to origination and acquisition	359,254	3,007	1,666	363,926
Decreases due to derecognition	-209,943	-1,117	-288	-211,349
Decreases in the allowance account due to write-offs	-3,119	-1,586	-1,458	-6,163
Loan receivables from customers 31.12.2022	**152,965**	**4,248**	**6,580**	**163,793**

Reconciliation of expected credit losses

The following tables describe transitions and changes in expected credit losses during the financial year. The tables present the reconciliation between the opening and closing balances of the loss allowance.

Reconciliation of expected credit losses	Stage 1	Stage 2	Stage 3	Total
ECL- reservation 1 January 2023	1,825	1,673	5,639	9,137
Transfers from stage 1 to stage 2	-53	563	0	510
Transfers from stage 1 to stage 3	-100	0	747	647
Transfers from stage 2 to stage 1	11	-155	0	-145
Transfers from stage 2 to stage 3	0	-112	260	147
Transfers from stage 3 to stage 1	0	0	-15	-15
Transfers from stage 3 to stage 2	0	4	-11	-6
Increases due to origination and acquisition	885	14	367	1,266
Changes in credit risk	-121	-454	143	-432
Changes in the ECL calculation model	-138	-51	0	-189
Decreases due to derecognition	-782	-293	-3,706	-4,780
Decreases in the allowance account due to write-offs	-26	-360	-748	-1,134
ECL- reservation 30 June 2023	**1,501**	**829**	**2,677**	**5,007**

Reconciliation of expected credit losses	Stage 1	Stage 2	Stage 3	Total
ECL- reservation 1 January 2022	347	200	4,160	4,708
Transfers from stage 1 to stage 2	-139	905		767
Transfers from stage 1 to stage 3	-146		827	681
Transfers from stage 2 to stage 1	9	-169		-160
Transfers from stage 2 to stage 3		-86	185	99
Transfers from stage 3 to stage 1	0		-51	-50
Transfers from stage 3 to stage 2		1	-7	-7
Increases due to origination and acquisition	3,108	668	1,304	5,080
Changes in credit risk	-409	373	495	458
Changes in the ECL calculation model	76	195	312	583
Decreases due to derecognition	-960	-7	-477	-1,444
Decreases in the allowance account due to write-offs	-63	-406	-1,110	-1,579
ECL- reservation 31 December 2022	**1,825**	**1,673**	**5,639**	**9,137**

Note 6. Earnings per share

	1-6/2023	1-6/2022	1-12/2022
Profit attributable to the shareholders of the parent	264	-6,568	-10,585
Weighted average number of the shares*	88,332,182	65,099,422	77,009,574
Share and option rights for share-based incentive programs	2,798,138	3,180,626	2,851,248
Earnings per share, basic, EUR	0.00	-0.10	-0.14
Earnings per share, diluted, EUR	0.00	-0.10	-0.14

* The weighted average of the following numbers of shares has been calculated in earnings per share in 2022:
1) The number of shares in Fellow Finance at the time of the merger multiplied by the exchange ratio (6), and
2) The number of Fellow Bank's outstanding shares at the time of reporting.
The EPS of the comparison period has been adjusted accordingly.

Note 7. Classification, fair values and carrying amounts of financial assets and liabilities

				30 Jun 2023
Assets	**Amortised cost**	**Total**	**Measured at fair value**	**Value hierarchies**
Cash and equivalents	107,710	107,710	107,710	1
Claims on credit institutions	3,777	3,777	3,777	1
Claims on the public and public sector entities	165,250	165,250	165,250	2
Total	**276,737**	**276,737**	**276,737**	

Liabilities	Amortised cost	Total	Measured at fair value	Value hierarchies

Liabilities to the public and public sector entities	241,718	241,718	241,718	2
Subordinated liabilities	6,204	6,204	6,204	2
Total	**247,922**	**247,922**	**247,922**	

				31 Dec 2022
Assets	**Amortised cost**	**Total**	**Measured at fair value**	**Value hierarchies**
Cash and equivalents	120,528	120,528	120,528	1
Claims on credit institutions	5,941	5,941	5,941	1
Claims on the public and public sector entities	154,656	154,656	154,656	2
Total	**281,125**	**281,125**	**281,125**	

Liabilities	**Amortised cost**	**Total**	**Measured at fair value**	**Value hierarchies**
Liabilities to the public and public sector entities	246,810	246,810	246,810	2
Debt securities issued to the public	0	0	0	2
Subordinated loans	6,203	6,203	6,203	2
Total	**253,013**	**253,013**	**253,013**	

The company has classified fair values on the basis of the fair value hierarchy as follows:

Level 1: The fair values of financial instruments (such as publicly quoted derivatives and shares) traded on the active market are based on market prices quoted at the end of the reporting period. The quoted market price of financial assets is the current bid price, and the quoted market price of financial liabilities is the ask price.

Level 2: For financial instruments not traded on the active market, the fair value is determined using the measurement method. These methods use as much observable market information as possible and rely as little as possible on company-specific assessments. If all the significant input data required to determine the fair value of an instrument are observable, the instrument is classified as level 2.

Level 3: If one or several pieces of significant input data are not based on observable market data, the instrument is classified as level 3.

Note 8. Breakdown of financial assets and liabilities according to maturity

The table below shows the contractual payments of the company's financial assets and liabilities and off-balance sheet commitments. The cash flows include capital and contractual interest.

			30 Jun 2023			
	under 3 months	**3-12 months**	**1-5 years**	**5-10 years**	**over 10 years**	**Total**
Assets						

Cash and equivalents	107,710					107,710
Claims on credit institutions	3,777					3,777
Claims on the public and public sector entities	39,133	3,581	66,452	42,385	13,699	165,250
Liabilities						
Debt securities issued to the public	162,455	45,816	33,447	0	0	241,718
Lease liabilities	407					407
Off balance sheet commitments	4,756					4,756

			31 Dec 2022			
	under 3 months	**3-12 months**	**1-5 years**	**5-10 years**	**over 10 years**	**Total**
Assets						
Cash and equivalents	120,528					120,528
Claims on credit institutions	5,941					5,941
Claims on the public and public sector entities	34,233	7,044	61,683	46,831	14,002	163,793
Liabilities						
Debt securities issued to the public	197,863	19,335	31,059	0	0	248,257
Lease liabilities	111					111
Off balance sheet commitments	1,455					1,455

Note 9. Liabilities

Liabilities to the public and public sector entities	**30.6.2023**	**30.6.2022**	**31.12.2022**
Deposits	241,718	223,373	246,810
Liabilities to the public and public sector entities total	**241,718**	**223,373**	**246,810**

Subordinated liabilities	**30.6.2023**	**30.6.2022**	**31.12.2022**
Debentures	6,204	0	6,203
Subordinated liabilities total	**6,204**	**0**	**6,203**

The debenture loan is an instrument with a lower priority than Alisa Bank's other commitments, which belongs to the secondary capital referred to in the capital adequacy regulations applicable to Alisa Bank. The loan term of the debenture loan is five years and it matures on October 17, 2027. The fixed annual interest rate of the debenture loan is 8 percent.

Note 10. Off-balance sheet commitments

	30 Jun 2023	**30 Jun 2022**	**31 Dec 2022**
Off-balance sheet items			
Unused credit facilities	4,756	909	1,455
Total	**4,756**	**909**	**1,455**

Off-balance sheet commitments are overdraft facilities granted to customers that the customer has not withdrawn. The expected credit loss on off-balance sheet items is EUR 34 thousand (EUR 36 thousand). Off-balance sheet commitments have increased due to the credit limits of credit card accounts and the increase in the credit limits of account credits related to installment payments for online shopping purchases.

About 40 percent of the board's annual remuneration is paid in the form of Alisa Bank Plc shares purchased from the market on behalf of the board members, or alternatively by handing over the company's own shares or issuing new shares.

Note 11. Related party transactions

Related party refers to key persons in a leading position in Alisa Bank and their family members, subsidiaries and companies in which a key person in a leading position has control or joint control. The key persons are the members of the board, the CEO and the CEO's deputy, and the rest of the management team.

During the review period, business transactions with related parties consisted of Alisa Bank's deposit liabilities and related interest.

Related party transactions	**30 Jun 2023**	**30 Jun 2022**	**31 Dec 2022**
Assets	0	0	0
Liabilities	364	179	512
Income	0	0	0
Expenses	1	0	0
Total	**366**	179	513

Note 12. Material events after the end of the review period

There are no known events after the end of the review period that would require the presentation of additional information or that would significantly affect the company's financial position.

This document is an English translation of the Finnish auditor's report on review. Only the Finnish version of the report is legally binding.

Report on review of the interim report of Alisa Bank Plc as of and for the six-month period ending 30 June 2023

To the Board of Directors of Alisa Bank Plc

Introduction

We have reviewed the balance sheet as of 30 June 2023 and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement of Alisa Bank Plc group for the six-month period then ended as well as notes to the interim report. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with the IAS 34 Interim Financial Reporting -standard. We will express our conclusion on the interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and other generally accepted auditing practices and consequently does not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report has not prepared in accordance with the IAS 34 Interim Financial Reporting -standard.

Helsinki 18 August 2023

KPMG OY AB

Tiia Kataja
Authorised Public Accountant, KHT

Alisa Bank Plc
Pursimiehenkatu 4 A
00150 Helsinki

T. 020 380 101 (0,1717 €/min)

alisabank.com