Alisa Bank Plc

Half-Year Financial Report

January – June 2024

Alisa
BANK

Contents

ALISA BANK PLC'S HALF-YEAR FINANCIAL REPORT JANUARY - JUNE 2024

SIGNIFICANT COMBINATION WITH PURO FINANCE

January-June 2024 in brief

- Alisa Bank Plc and PURO Finance Oy completed the combination on May 15, 2024. The combination supports Alisa Bank's focus on digital banking and financial services for SMEs, as well as improves growth and profitability in the form of synergies and partnerships.
- January-June profit before non-recurring items and taxes was EUR -1.0 million (0.5). Profit before taxes was EUR -2.0 million (0.4).
- Net interest income was EUR 7.2 million (7.4). The change was caused by the increase in financing expenses.
- Total operating income was EUR 7.7 million (8.4).
- Realised and expected credit losses were EUR -3.2 million (-2.2).
- Total capital adequacy ratio was 14.0 percent (15.2).
- Loan portfolio before reducing expected credit losses increased by 11 percent to EUR 192.6 million (172.9) in the accounting period due to the effect of the combination with PURO Finance.
- Deposits increased by 89 percent to EUR 508.5 million (268.9).

Group key figures (EUR 1,000)	Jan-June 2024	Jan-June 2023	Jan-Dec 2023
Net interest income	7,175	7,427	14,757
Net commission and fee income	417	847	1,785
Total operating expenses	-6,432	-5,747	-11,398
Impairment of receivables	-3,223	-2,235	-5,257**
Profit before taxes	-1,995	390	45**
*Profit before non-recurring items and taxes	-999	467	574**
* Cost / income ratio, %	84	69	68
Balance sheet total	565,440	287,527	312,583**
* Return on equity (ROE), %	-13.0	2.6	0,2**
Total capital ratio (TC), %	14.0	15.5	15.2
Common Equity Tier (CET1), %	11.6	12.0	12.0
Number of employees, end of period	91	85	78
Earnings per share (EPS), EUR	-0.02	0.00	0.00
* Impairment of receivables / loan portfolio, %	3.4	3.8	3.1**

* The calculation principles of alternative performance measures are presented in Appendix A.
** The figures for the 2023 financial year have been retroactively adjusted due to a system-technical calculation error that occurred in December 2023. The ECL provision was erroneously 258 thousand euros too small and result would have been 258 thousand euros lower than reported in the financial statements, i.e. the result for the fiscal year 2023 is 48 thousand instead of 306 thousand. In the income statement, the adjustment was made to the "impairment of receivables" line, and the adjustment affects the sum lines after that. In the balance sheet, the correction had a decreasing effect on the line "Claims on the public and public sector entities" and "result for the year". Corrections have also been made to the 2023 cash flow statement, statement of changes in equity, the notes and key figures that are affected by the above-mentioned accounts.

CEO’s review

Towards a profit turnaround and profitable growth

We entered 2024 with both the bank's capital restrictions and the weak economic situation limiting lending, as a result of which the first quarter was clearly weaker than our expectations in terms of operational profitability. As we said in connection with last year's financial statements, we have shifted our focus to business customers during the first half of the year. At the same time, we worked determinedly to strengthen the capital structure, and the combination with PURO Finance completed in May was an important step in this work. As a result of the combination, the bank's own funds were strengthened and profitability and competitiveness in cost-effective service to business customers improved significantly. With the combination, the cooperation agreement between Alisa Bank and Accountor on the integration of banking services into the Procountor financial management software strengthened the bank's banking-as-a-service (BaaS) strategy. BaaS means the provision of banking services (loans, cards and accounts) to the end customer in the partners' channels. The business model enables quick distribution of products in an operationally light and efficient manner. With the combination, the company's personnel was strengthened with experienced professionals in corporate customer business, and we got new owners to join our growth story. The combination strengthened our view that we are on the right path in shifting the focus of the strategy. As a company, we are determinedly on our way towards a profit turnaround.

Due to a weak start to the year, profit before non-recurring items and taxes was EUR -1.0 million and profit before taxes EUR -1.9 million. The profit of the first half of the year was significantly burdened by non-recurring items related to the combination.

Business development

Our loan portfolio before reducing provisions for loan losses increased to EUR 193 million (173) by the end of June.

As a whole, the business development of the first half of the year was strongly determined by the combination of Alisa Bank and PURO Finance. We acquired profitable business and strengthened our competitiveness in serving business customers. With the combination, the number of business customers and the potential for cross-selling increased. Our technological ability to serve business customers of all sizes with an invoice financing product was strengthened and loan origination processes became more efficient with the help of automation. The bank's BaaS strategy was also strengthened with new partnerships, the most significant of which is Finland's largest provider of financial management services and software, Accountor. The cooperation agreement we concluded on the integration of banking services with Accountor's Procountor financial management software creates good conditions for the continued growth of the number of business customers.

Supported by the combination, the loan portfolio of business financing increased by the end of June by 62 percent to EUR 66 million from the EUR 41 million level of the end of last year. During the reporting period, the growth of corporate customer business was limited by the challenging operating environment of SMEs and our caution in loan origination, especially in industries with increased credit risk, such as construction. Especially during the first quarter, the volumes of corporate finance lending remained small, but clearly increased towards spring and summer. The quality of the corporate loan portfolio remained good and stable, as a result of which we did not record significant credit losses from corporate customers in the first half of the year. With the strengthening of our competitiveness, we are confident of the profitable growth of our corporate customer business.

In personal customers, out loan portfolio decreased by 4 percent being EUR 126 million (31.12.2023: EUR 132 million). The market demand for consumer financing has remained strong, but we focused on lending to more profitable business customers. In the financing of personal customers, we managed to further improve our interest margin and to direct lending relatively more to customer segments with a lower credit risk. In the first half of the year, we completely stopped loan origination to personal customers in Germany and Denmark due to low profitability.

Our deposit portfolio were EUR 508 million at the end of June (31.12.2023: EUR 269 million). The structure and sources of our deposit portfolio continued to diversify. We expanded our distribution of savings account and term deposit products through the deposit comparison portal Raisin to France and Austria. At the end of June, the average interest rate on the deposit portfolio was 3.0 percent, however, it turned to a decrease at the end of the reporting period. However, the bank's interest margin on liquid assets has continued to increase with the significant increase in liquid assets.

The number of active customers continued to grow and was 68,600 (57,500) at the end of June. Customer satisfaction has remained at a good level (Net Promoter Score 46).

In June, we implemented a cost-saving program to ensure the realisation of the cost synergy benefits of the combination. In the reporting period, the cost-income ratio was 84 percent (2023: 68%). The cost-income ratio of the reporting period was weakened by non-recurring expenses arising from the combination.

Market environment and risk position

During 2024, general economic growth in Finland has remained weak. The number of bankruptcies of SMEs has remained high, and the strong contraction of the construction industry continues to limit the sector's business opportunities, especially in the invoice financing business, which is central to Alisa Bank. Domestically, inflation has continued to fall and is at the lowest level among the countries of the euro zone, while interest rates still remain relatively high. The operating environment challenges a significant improvement in the business conditions of SMEs in the coming months. Thanks to the increased number of corporate customers, however, we are even better positioned for the future growth of corporate business.

The bank's liquidity position is strong with liquid assets being EUR 352 million (31.12.2023: EUR 135 million). We have increased deposits significantly despite the slight decline in interest rates. We are confident that thanks to the acquisition of deposits spread over several channels, we will also be able to generate a significant return on liquid deposit funds in the future and at the same time increase our deposit portfolio.

The bank’s total capital ratio was 14,0 percent falling short of the 16 percent target as a result of negative result. We estimate that capital adequacy will improve during the second half of the year due to improved balance sheet management and positive earnings development.

Despite the challenging market environment, we succeeded in managing the credit risk. The credit risk position has remained stable for both personal and business customers. Non-performing loans totalled to EUR 7.5 million (EUR 7.2 million) and relative share of the loan portfolio (NPL ratio) was 3,9 percent (4.2) at the end of the reporting period. At the end of last year and in the first half of this year, debt collection companies lowered the valuation levels of non-performing loans. This increased realised loan losses in our loan portfolio when we sold personal customers' non-performing loans to debt collection companies. However, loan losses were at the expected level in relation to the size of the loan portfolio being 3.4 percent of loan portfolio.

Outlook for the future

The combination with PURO Finance was a significant step. The combination strengthened our competitiveness in cost-effective service to business customers. In our business, supported by the combination, we emphasize even more strongly the provision of banking services and financing for SMEs together with our significant partners.

In the first half of the year, we have eliminated poorly profitable businesses, e.g. abroad, simplified the product structure, for example in online payments, and implemented a cost-saving program that realizes the synergies of the merger. Although the operating environment remains challenging, we believe that our improved competitiveness will enable strong, profitable organic growth in corporate customers and especially in the invoice financing business. We are also actively mapping out the opportunities for inorganic growth in corporate customer business. We estimate that our profitability level will improve in the second half of the year.

We will update our medium-term financial goals and the bank's strategy by the end of September.

Juha Saari
Interim CEO

Financial targets and outlook for 2024

The prolonged uncertainty of the operating environment, the decline in interest rates and delay in strengthening the company's capital structure continues to challenge the financial performance in 2024.

When the financial goals of the combination with PURO Finance Ltd are fully realised both on the income and expenses side, total income will increase in 2024 compared to 2023 and profit before one-off items and taxes for the financial year 2024 is estimated to be slightly profitable (EUR 0.5–1.5 million).

The target for the group's total capital ratio is 16 percent.

Key figures January – June 2024

Loan portfolio	Deposits
193 EUR million	508 EUR million

Operating income	Active customers
7.7 EUR million	68,600

ROE	Cost / income ratio
neg	84%

Capital adequacy	NPS-result
14.0%	46

Business environment

The development of the Finnish economy has continued to be weak. Inflation has fallen as a result of the tight monetary policy and was 0.5% in Finland in June and on average 2.5% in the euro area. The interest rate is still on the same level as in reference period despite the ECB's interest rate cut in June. Finland's inflation level is among the lowest in the euro area. ECB's long-term target is 2 percent. In the reporting period, both consumers' and companies' confidence in the economy remained low.

In general, economic development for the rest of the year is expected to continue to be weak at the end of the year due to the weak situation of the export market and consumer confidence. Inflation has slowed down in the beginning of the year, but e.g. the upcoming increase in value added tax in the fall is expected to increase inflation. Employment has weakened since 2023 and it is possible that the increase in unemployment will continue in the end of 2024. The employment rate in the first half of 2024 was 72.3% and the unemployment rate was 8.2%. The impact of the recession is mitigated by the strengthening of consumers' purchasing power due to wage increases and the fall in inflation.

In Finland, consumer loans were granted 3.0 percent more than a year ago and the number of household deposits remained the same compared to a year ago. As interest rates are expected to fall, the competition for deposit rates is also on the verge of abating.

Financial performance

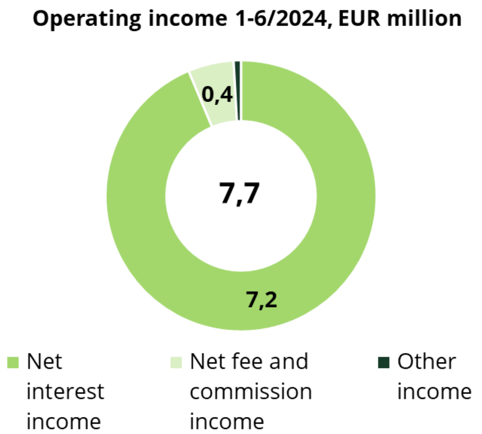
In the items of the income statement, the comparison period is 1 January – 30 June, 2023, and the balance sheet and capital adequacy comparison period is December 31, 2023.

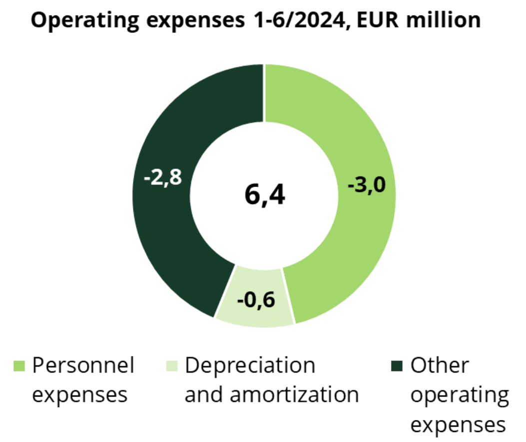
In January-June, the group's result before non-recurring items and taxes was EUR -1.0 million (0.5). The result before taxes was EUR -2.0 (0.4) million, and the profit for the reporting period was EUR -2.0 million (0.4).

The group's income for the review period, including net interest income, net fee income, net investment income and other operating income, fell short of comparison period’s income and totaled EUR 7.7 million (8.4). Net interest income weakened by 3.4 percent to EUR 7.2 million (7.4). Interest income for the review period was EUR 14.3 million (9.4) and interest expenses EUR -7.1 million (-2.0). The increase in financing costs and the deposits increased interest expenses from the comparison period but the interest margin on liquid assets increased from the comparison period. Fee income and expenses decreased from EUR 0.8 million in the comparison period to EUR 0.4 million.

The total costs of the review period, including depreciation and write-downs, were EUR 6.4 million, where the increase compared with last year was 12 percent (5.7). The increase in expenses is explained by the expenses caused by the acquisition of PURO Finance Oy of EUR 0.8 million. Personnel expenses were EUR 3.0 million (2.8). Other administrative expenses - including office, IT, representation and marketing expenses as well as costs related to consulting – were EUR 2.7 million (2.2). Depreciation and write-downs were EUR 0.6 million (0.4) and other business expenses EUR 0.1 million (0.4). The deposit guarantee fee of EUR 0.3 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 expenses. The Single Resolution Fund (SRF) reached its target level as planned by the end of 2023, and therefore the stability fee was not charged to the banks in 2024.

Realized and expected credit losses amounted to EUR 3.2 million (2.2). The expected credit losses in the income statement decreased compared to the comparison period and was EUR 0.2 million (0.0). Realized credit losses increased from EUR 2.2 million to EUR 3.1 million.





Balance sheet

The total amount of the group's balance sheet was EUR 565.4 million (312.6) at the end review period.

Assets, EUR 565.4 million, mainly consisted of cash EUR 347.6 million and loans granted to customers (Claims on the public and public sector entities EUR 186.1 million). Intangible assets, EUR 16.6 million, include EUR 13.3 million goodwill generated in business acquisitions and EUR 3.4 million of capitalized product development costs and customer contracts. During the accounting period, EUR 7.3 million of new goodwill was generated from the acquisition of PURO Finance Oy, and EUR 0.9 million was allocated to customer contracts. During the period, EUR 0.3 million (0.4) of product development expenses related to the development of digital banking services were capitalized.

The Group's liabilities, that mainly consisted of liabilities to the public and public-sector entities, increased to EUR 529.9 million (286.7).

The group's equity was EUR 35.6 million (25.9). The invested unrestricted equity fund increased by EUR 11.6 million in the group due to the share issue aimed at the owners of PURO Finance Oy.

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 and monitored 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 of Alisa Bank's 2023 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 of 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 development affect the consumption 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 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 loan balance was EUR 192.6 million (172.9) at the end of the reporting period. During the review the loan portfolio grew 11.4% and the relative credit risk position has remained stable. During the review period, PURO's sales invoice financing system was introduced. The aim is to transfer whole invoice financing portfolio to the new system. The new system will support sound and predictable credit risk management. With a distributed customer base, the significance of individual large customer risks or risk concentrations is minor.

The bank's deposit base grew significantly during the reporting period. Most of the deposit base is covered by deposit guarantee. The strong deposit base enabled the company's liquidity position to remain at an excellent level during the reporting period. The LCR ratio, which describes the company's liquidity requirement, was 1023 (689) 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 14.0% exceeding the total capital requirement for banks (11.5%). Common equity tier 1 ratio and Tier 1 ratio was 11.6%, exceeding the CET 1 capital requirement for banks (8%) and Tier 1 % requirement (9,5%). 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.

The system risk buffer requirement of 1 percentage point set by the Financial Supervisory Authority entered into force on April 1, 2024 and should be covered by consolidated Common Equity Tier 1 capital. The requirement was set for Finnish credit institutions in order to strengthen the risk-bearing capacity of the banking sector.

On 24.4.2024, the FIN-FSA imposed a discretionary capital buffer requirement (pillar 2) on Alisa Bank Plc based on the supervisor's assessment. The capital buffer requirement is 2.25%. Of this requirement, 75 per cent shall be met with Tier 1 capital, of which 75 per cent shall continue to be met with Common Equity Tier 1 capital. The discretionary capital buffer requirement is valid until further notice as of 31.12.2024, but no longer than until 31.12.2027.

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 (22.3) million, exceeded the total capital requirement for own funds by EUR 4,1 million, when total capital requirement was EUR 18,8 million. Primary capital (T1) EUR 18.9 (17.7) million was entirely common equity Tier 1 ratio (CET 1) and secondary capital (T2) EUR 4.0 (4.6) million consisted of a debenture loan.

Alisa Bank's total risk exposure amount (REA) was EUR 163.5 million at the end of the review period. The total risk increased by EUR 16.5 million. The increase was mainly due to a moderate increase in exposures to credit risk. Credit risk represents 84.1% of the total risk amount. The most significant items requiring capital are retail exposures consisting of receivables from private and business customers. Alisa Bank uses the standard method for calculating the Pillar 1 capital requirement.

At the end of the review period, Alisa Bank's leverage ratio was 3.4 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	**June 30, 2024**	**Dec 31, 2023**
Common Tier 1 Capital before adjustments	35,557	25,856
Adjustments to Common Tier 1 Capital	-16,646	-8,172
Common Tier 1 Capital in total (CET1)	**18,911**	**17,684**
Additional Tier 1 Capital before adjustments	0	0
Adjustments to Tier 1 Capital	0	0
Additional Tier 1 Capital in total (AT1)	**0**	**0**
Total Capital (T1 = CET1 + AT1)	**18,911**	**17,684**
Tier 2 Capital before adjustments	6,100	6,100
Adjustments to Tier 2 Capital	-2,079	-1,471
Tier 2 Capital in total (T2)	**4,021**	**4,629**

Capital (T1+T2) total	**22,932**	**22,313**
Total risk weighted exposure amounts		
Credit and Counterparty risk	137,543	120,969
Market	801	853
Operational risk	25,138	25,138
Risk weighted exposures in total	**163,482**	**146,960**
Common Equity Tier 1 ratio (CET 1), %	**11.6**	**12.0**
Tier 1 ratio (T1), %	**11.6**	**12.0**
Total Capital Ratio (TC), %	**14.0**	**15.2**

LEVERAGE RATIO, EUR 1,000	**June 30, 2024**	**Dec 31, 2023**
Total Equity	18,911	17,684
Total Exposure Amount	549,948	305,649
Leverage ratio (LR), %	**3.4**	**5.8**

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 policy 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 decreased during the reporting period. The payment delays of Alisa Bank's business customers have decreased, and especially in the sales invoice financing portfolio. With the renewal of the sales invoice system, credit risk management becomes more transparent, and the control of the credit portfolio will be more predictable. The Bank's business customers mainly consist of small and medium-sized enterprises, whose profitability may, however, continue to be 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 applications for changes to the payment plan.

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 7.5 million (7.2). The NPL ratio, which describes non-performing receivables in relation to loans and advances, was 3.9 (4.2) percent at the end of the review period. In terms of business exposures, the decrease in the share of non-performing loans is explained by the consolidation of PURO's loan portfolio. PURO's loan portfolio consisted of factoring financing, where the average maturity is relatively short. At the end of the review period, non-performing forborne exposure amounted to EUR 1.3 (0.4) million. There were EUR 0.6 (0.7) million of performing forborne exposures.

Loan receivables with a payment delay of more than 30 days but less than 90 days accounted for approximately 2.6 (3.5) percent of the entire loan portfolio. The proportion of loans having more than 90 days delayed payments was 2.5 (3.0) percent.

The following tables describe the geographical distribution of exposures. The overdue exposures of individuals in other EU countries consist of the outstanding loan portfolio in Germany, Denmark and Sweden.

Exposure and home country			**June 30, 2024**
Exposures	**Amount of credit**	**Average remaining maturity, years**	**More than 90 days past due**
Private individuals Finland	119,938	5.0	1,763
Companies and entities Finland	65,500	1.6	1,319
Public institutions Finland	861	6.9	0
Private individuals other EU countries	6,279	3.9	1,530
Companies and entities other EU countries	0	0.0	0
Total	**192,577**		**4,611**
Expected credit losses	-6,475		
Claims on the public and public sector entities	**186,102**		

Exposure and home country			**Dec 31, 2023**
Exposures	**Amount of credit**	**Average remaining maturity, years**	**More than 90 days past due**
Private individuals Finland	124,498	5.1	2,071
Companies and entities Finland	39,942	2.3	1,596
Public institutions Finland	1,122	6.9	0
Private individuals other EU countries	7,304	4.0	1,424
Companies and entities other EU countries	0	0.0	0
Total	**172,866**		**5,091**
Expected credit losses	-6,242		
Claims on the public and public sector entities	**166,624**		

Risk concentrations

Risk concentrations arise or may arise, for example, when the credit portfolio contains large amounts of loans and other exposures 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 customer loans. The loans granted by the bank to consumer customers are on average size of EUR 5,000 and almost always unsecured. The maximum loan amount for personal customers according to the credit granting policy is 30,000 euros.

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 review period, the company had one exposure, where the amount exceeded 10 percent of Tier 1 own funds; the loan is secured by financed sales invoice receivables and guarantees. In lending to business customers, the largest industries are transport and storage, construction 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 mainly consists of the differences between the interest rates and maturities of assets and liabilities. The share of fixed-rate long term loans (more than 1 year) of the bank's credit portfolio is currently less than a tenth, 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 increase by 0.43 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 decrease by 0.05 percent. If interest rates were to rise by 2 percent, it would have an estimated annual impact on net interest income of approx. EUR +1.1 million. If interest rates were to fall by 2 percent, the estimated annual impact on net interest income would be approx. EUR -1.1 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 1023,0% 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 334% at the end of the reporting period, with the minimum requirement being 100%.

The table below shows the liquidity requirement as a twelve-month average, which was 763 percent at the end of the review period.

LCR JA NSFR, EUR 1,000	June 30, 2024	Dec 31, 2023
Liquidity		
LCR-ratio (12 months average) %	**763**	**539**
Total high quality liquid assets (12 months average)	227,669	121,125
Cash outflow (12 months average)	43,591	36,805
Cash inflow (12 months average)	13,757	14,319
Total net cash outflow (12 months)	29,835	22,486
Net Stable Funding		
Total available stable funding	494,782	267,461
Total required stable funding	148,109	133,830
NSFR-ratio %	**334**	**200**

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.

The company is preparing for sustainability reporting in accordance with the CSRD (Corporate Sustainability Reporting Directive).

Governance

The annual general meeting of the company was held in Helsinki on March 20, 2024. The annual general meeting confirmed the financial statements and consolidated financial statements 2023 and granted the members of the Board of Directors, the CEO and the Deputy CEO a discharge from liability for the financial year 2023. Also, the the remuneration report of the company's bodies for 2023 was approved. The parent company's distributable assets on December 31, 2023 totaled EUR 3,594,743.19. No dividend was distributed for the financial year 2023.

Alisa Bank's board members were Markku Pohjola (chairman), Teuvo Salminen, Lea Keinänen, Jorma Pirinen, Tero Weckroth, Sami Honkonen and Johanna Lamminen until 20 April 2023. At the annual general meeting on March 20, 2024, Sami Honkonen, Lea Keinänen, Johanna Lamminen, Jorma Pirinen, Markku Pohjola ja Tero Weckroth were elected as members. Annual general meeting elected Markku Pohjola as chairman of the board and Johanna Lamminen as vice chairman of the board.

The company's extraordinary general meeting was held on May 3, 2024 in Helsinki. In accordance with the board's proposal, the extraordinary general meeting decided to authorize the board to decide on a directed share issue to acquire PURO Finance Oy's shares.

At the extraordinary general meeting on May 3, 2024, Sami Honkonen, Johanna Lamminen, Markku Pohjola ja Tero Weckroth were re-elected as the board members and Sampsa Laine and Jukka Salonen as new members. Markku Pohjola was elected to continue as chairman of the board and Johanna Lamminen as vice chairman of the board.

The term of office of the board members ends at the end of the annual general meeting following the election.

The chairman of the Audit Committee is Johanna Lamminen and the members are Sami Honkonen and Jukka Salonen. The Personnel Committee is chaired by Markku Pohjola and the members are Sampsa Laine and Tero Weckroth.

The company's long-time CEO Teemu Nyholm went on sick leave due to a sudden seizure on April 8, 2024 and announced on July 8, 2024 that he is no longer available for the position of CEO. However, Nyholm will return to Alisa Bank's service after the end of the sick leave. As of April 8, 2024, the CEO's duties have been handled by Juha Saari, Deputy CEO and Director responsible for personal customers. The application process to select a new CEO is underway.

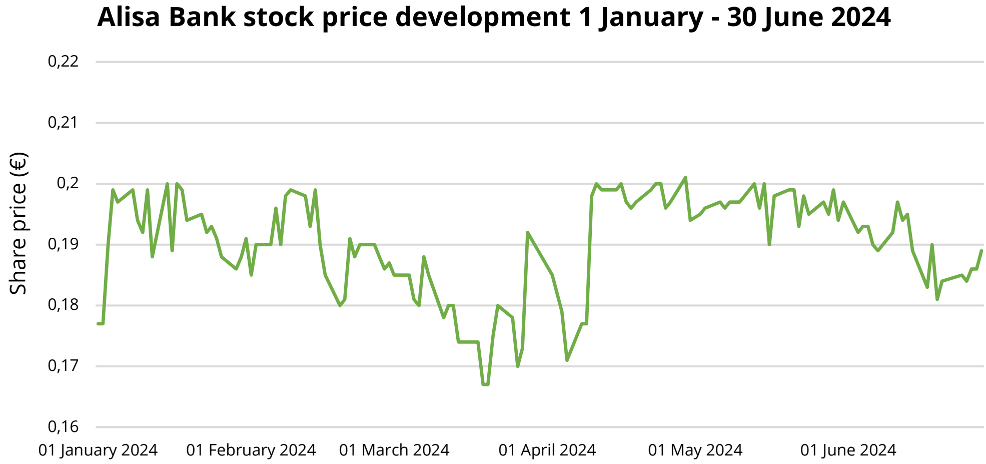
KPMG Oy Ab was elected as the auditor of the company, with Tiia Kataja acting as the responsible auditor.

Shares and shareholders

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 147,210,903 at the end of June. The number of shares increased by 58,878,721 from 88,332,182 shares with the acquisition of PURO Finance Oy on 15 May 2024. The combination was carried out way of a share exchange, following the completion of which, the previous shareholders of PURO Finance own approximately 40 per cent and previous shareholders of Alisa Bank approximately 60 per cent of Alisa Bank’s shares. The fair value of the new issued shares given as consideration to PURO Finance’s shareholders was at the time of acquisition EUR 11.8 million.

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 December was 14,081.

The closing price of Alisa Bank Plc share was EUR 0.189 on 28 June 2024, the last trading day of the review period. During January-June 2024 its lowest price was EUR 0.17, with the highest price being EUR 0.26. Alisa Bank’s market value was EUR 27.8 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 28 June 2024.

		Total number of shares	% of all shares
1.	Evli Plc	15,288,303	10.39
2.	Taaleri Plc	15,288,303	10.39
3.	Kempinvest Oy	13,392,003	9.10
4.	Heikki Vaiste	8,247,384	5.60
5.	Mininvest Oy	6,902,206	4.69
6.	Oy Scripo Ab	5,500,000	3.74
7.	TN Ventures Oy	5,497,354	3.73
8.	Evli Plc trustee register	5,389,847	3.66
9.	Oy Prandium Ab	4,754,100	3.23
10.	Veikko Laine Oy	4,624,489	3.14

Group structure

The Alisa Bank Group consists of the parent company Alisa Bank Plc and its wholly owned subsidiaries PURO Finance Oy and its subsidiary PURO Finance SPV1 Oy 15 May 2024 onwards, Mobify Invoices Oy, Lainaamo Ltd (until 15 May 2024), Fellow Finance Estonia OÜ, Fellow Finance Česko s.r.o, Fellow Finance Deutschland GmbH. The company has no active business operations in Lainaamo Ltd, Estonia and the Czech Republic.

In order to simplify the group structure, Lainaamo Ltd, in which there was no active business, was merged to its parent company on 15 May 2024. PURO Finance Oy and Mobify Invoices Oy will also be merged into the parent company by the end of the 2024 financial year. The companies' boards approved the merger plans on 27 May 2024.

Personnel and locations

At the end of June 2024, the group employed 91 people (78). The number of employees increased due to the combination with PURO Finance. In Finland, 89 people (76) worked at the offices in Helsinki and Turku, and a total of 2 (2) people in other operating countries.

Material events after the reporting period

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

Financial targets and outlook for 2024

The prolonged uncertainty of the operating environment, the decline in interest rates and delay in strengthening the company's capital structure continues to challenge the financial performance in 2024.

When the financial goals of the combination with PURO Finance Ltd are fully realised both on the income and expenses side, total income will increase in 2024 compared to 2023 and profit before one-off items and taxes for the financial year 2024 is estimated to be slightly profitable (EUR 0.5–1.5 million).

The target for the group's total capital ratio is 16 percent.

Helsinki, 9 August 2024

Alisa Bank Plc
Board of Directors

For more information:
Juha Saari
CEO
juha.saari@alisapankki.fi
+358 40 672 0595

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.

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

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

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

Profit before non-recurring items and taxes = Profit before taxes +/- non-recurring items *

* Alisa Bank defines non-recurring income and expenses as non-recurring items. Non-recurring items include, among other things
• termination and business restructuring costs
• one-off depreciation of goodwill and assets (excl. credit losses on the loan portfolio)
• non-recurring capital gains and losses
• items with a profit impact from business acquisitions (excl. purchases and sales of loan receivables)

TABLES AND NOTES

Consolidated income statement

EUR 1,000	Note	Jan 1-June 30, 2024	Jan 1- June 30, 2023	Jan 1-Dec 31, 2023
Interest income		14,280	9,379	20,071
Interest expenses		-7,105	-1,953	-5,314
Net interest income	**3.**	**7,175**	**7,427**	**14,757**
Fee income		1,536	1,533	3,180
Fee expenses		1,119	-686	-1,395
Net fee and commission income	**4.**	**417**	**847**	**1,785**
Net income from investments		-9	-15	32
Other operating income		76	113	126
Total income		**7,660**	**8,372**	**16,701**
Personnel expenses		-2,976	-2,774	-5,481
Other administrative expenses		-2,733	-2,181	-4,513
Depreciation and amortization		-636	-388	-831
Other operating expenses		-87	-404	-572
Total operating expenses		**-6,432**	**-5,747**	**-11,398**
Impairment of receivables	**5.**	-3,223	-2,235	*-5,257
Profit before taxes		**-1,995**	**390**	***45**
Income taxes		6	-126	3
Result for the period		**-1,990**	**264**	***48**
Result for the period attributable to				
Equity holders of parent company		-1,990	264	*48

Consolidated statement of comprehensive income

Result for the period		**-1,990**	**264**	***48**
Other comprehensive income/loss				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences		0	-1	-1
Other comprehensive income after taxes		0	-1	-1
Comprehensive income, total		**-1,990**	**263**	***46**
Total comprehensive income attributable to				
Equity holders of parent company		-1,990	263	*46
Earnings per share	**6.**			
Earnings per share (EPS), basic, EUR		-0.02	0.00	0.00
Earnings per share (EPS), diluted, EUR		-0.02	0.00	0.00

*The figures for the 2023 financial year have been retroactively adjusted due to a system-technical calculation error that occurred in December 2023. The ECL provision was erroneously 258 thousand euros too small.

Consolidated balance sheet

EUR 1,000	Note	June 30, 2024	June 30, 2023	Dec 31, 2023
Assets				
Cash and equivalents		347,619	105,410	129,364
Claims on credit institutions		12,642	6,077	5,461
Claims on the public and public sector entities	**7./8.**	186,102	165,250	*166,624
Intangible assets		16,642	8,217	8,169
Property, plant and equipment		970	438	516
Other assets		549	1,102	1,857
Accrued income and prepayments		671	410	346
Income tax assets		241	493	243
Deferred tax assets		4	129	3
Assets total		**565,440**	**287,527**	***312,583**
Liabilities				
Liabilities to the public and public sector entities	**8./9.**	508,490	241,718	268,864
Subordinated liabilities	**9.**	6,213	6,204	6,210
Other liabilities		6,321	8,808	5,551
Accrued expenses and deferred income		8,687	4,484	6,054
Deferred tax liabilities		172		
Liabilities total		**529,883**	**261,215**	**286,679**
Equity				
Equity attributable to equity holders of the parent				
Share capital		18,289	18,289	18,289
Fund of invested non-restricted equity		31,516	19,917	19,917
Retained earnings		-14,248	-11,894	*-12,302
Equity attributable to equity holders of the parent		**35,557**	**26,312**	***25,904**
Liabilities and equity total		**565,440**	**287,527**	***312,583**

*The figures for the 2023 financial year have been retroactively adjusted due to a system-technical calculation error that occurred in December 2023. The ECL provision was erroneously 258 thousand euros too small.

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 2024	**18,289**	**19,917**	**14**	**-12,316**	**25,904**	**25,904**
Result of the period				-1,990	-1,990	-1,990
Other comprehensive income						
Total comprehensive income			**14**	**-14,306**	**23,914**	**23,914**
Share issue		11,599			11,599	**11,599**
Other changes*				-5	-5	**-5**
Share based payments				48	48	**48**
Equity 30 June 2024	**18,289**	**31,516**	**14**	**-14,262**	**35,557**	**35,557**

* The 2023 result of Fellow Finance Deutschland GmbH changed by -5 teuro after the 2023 result announcement due to the final completion of the accounting.

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 period				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**

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

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				*48	*48	*48
Other comprehensive income			-1		-1	-1
Total comprehensive income			**-1**	***48**	***46**	***46**
Other changes*	3			-145	-142	-142
Share based payments				15	15	15
Equity 31 December 2023	**18,289**	**19,917**	**14**	***-12,316**	***25,904**	***25,904**

*The figures for the 2023 financial year have been retroactively adjusted due to a system-technical calculation error that occurred in December 2023. The ECL provision was erroneously 258 thousand euros too small.

Consolidated cash flow statement

EUR 1,000	1 Jan-30 June, 2024	1 Jan-30 June, 2023	1 Jan-31 Dec, 2023
Cash flow from operating activities			
Profit (loss) for the period	**-1,990**	**264**	***48**
Adjustments for items not included in cash flow			
Depreciation and impairment	636	329	684
Credit losses	3,384	2,033	*5,618
Income taxes	-6	126	3
Other adjustments	-69	-115	-101
Adjustments total	**3,945**	**2,372**	**6,204**
Cash flows from operating from operating before changes in operating assets and liabilities	**1,955**	**2,636**	**6,252**
Increase (-) or decrease (+) in operating assets			
Claims on the public and public sector entities	2,904	-10,440	-17,586
Other assets	1,012	-10	-346
Increase (-) or decrease (+) in operating liabilities			
Liabilities to the public and public sector entities	239,626	-5,092	22,055
Other liabilities	-3,004	-1,721	-1,235
Cash flow from operating activities	**242,492**	**-14,626**	**9,140**
Investing activities			
Investments in tangible assets	-18	-2	-2
Investments in intangible assets	-279	-404	-744
Proceeds from sales of tangible assets	35		
Acquisition of subsidiaries less acquired cash	2,106	0	0
Disposal of subsidiaries	0	109	109
Cash flow from investing activities	**1,844**	**-296**	**-637**
Cash flow from financing activities			
Debt securities issued to the public	-5,230		
Liabilities to credit institutions	-13,573		
Repayments of lease liabilities	-98	-60	-147
Cash flow from financing activities	**-18,901**	**-60**	**-147**
Change in cash and cash equivalents	**225,435**	**-14,982**	**8,356**
Cash and cash equivalents at the beginning of period	134,825	126,469	126,469
Translation differences	0	0	0
Cash and cash equivalents at the end of period	**360,260**	**111,487**	**134,825**
Cash and equivalents are formed by the following items:			
Cash and cash equivalents	347,619	105,410	129,364
Claims on credit institutions	12,642	6,077	5,461
Cash and cash equivalents at the end of period	**360,261**	**111,487**	**134,825**
Notes for cash flow			
Interest received	14,603	9,452	23,342
Interest paid	2,367	1,970	3,136

*The figures for the 2023 financial year have been retroactively adjusted due to a system-technical calculation error that occurred in December 2023. The ECL provision was erroneously 258 thousand euros too small.

The cash flow from financing activities of the review period, EUR -18.9 million, reflects the payment of PURO Finance Oy's external financing, which was implemented immediately after the combination with the Alisa Group.

NOTES

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

The Alisa Bank Group consists of the parent company Alisa Bank Plc and its wholly owned subsidiaries PURO Finance Oy and its subsidiary PURO Finance SPV1 Oy 15 May 2024 onwards (see the separate note related to the acquisition), Mobify Invoices Oy, Lainaamo Ltd (until 15 May 2024), Fellow Finance Estonia OÜ, Fellow Finance Česko s.r.o, Fellow Finance Deutschland GmbH. The company has no active business operations in Lainaamo Ltd, Estonia and the Czech Republic.

In order to simplify the group structure, Lainaamo Ltd, in which was no active business, was merged to its parent company on 15 May 2024. PURO Finance Oy and Mobify Invoices Oy will also be merged into the parent company by the end of the 2024 financial year. The companies' boards approved the merger plans on 27 May 2024.

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). Alisa Bank Plc offers its services to Denmark and Sweden 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 and granting new loans to personal customers abroad has been stopped. Alisa Bank Plc is listed on the main list of the Nasdaq Helsinki. Alisa Bank Plc's head office is located at Bulevardi 21 A, 00180 Helsinki, Finland.

Note 2. Accounting policies

The Half-Year Financial report has been prepared in accordance with the IAS 34 Interim Financial Statements standard. The accounting principles are the same as in the 2023 financial statements. 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 near future standard changes that would have material effects on 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 accounting treatment of PURO Finance Oy's acquisition has also required the management to draw up estimates and consider them. The acquisition has been treated in the consolidated financial statements as a business combination using the acquisition method. Acquired assets and liabilities have been valued at fair value. The main differences between PURO Finance's balance sheet prepared in accordance with FAS accounting and fair values are related to the valuation of the credit portfolio. EUR -1.0 million impairment adjustment was applied to the credit base acquired in connection with the merger due to the decrease in value due to credit risk (POCI according to IFRS 9, purchased or originated credit impaired). That part of the credit base in question has been valued at zero at the time of acquisition and is therefore not subject to an ECL provision. The fair value of the acquired credit portfolio at the time of acquisition was EUR 25.5 million. In addition, estimates based on historical data related to customer contracts have been used in the valuation of customer contracts identified as a new balance sheet item in the merger. The management's judgment is also related to the allocation of goodwill as part of the acquisition process.

The figures for the financial year 2023 have been retroactively adjusted in accordance with the IAS 8 standard due to a system-technical calculation error that occurred in December 2023. The ECL provision was erroneously 258 thousand euros too small. Alisa Bank's result would have been 258 thousand euros lower than reported in the financial statements, i.e. the result for the fiscal year 2023 is 48 thousand instead of 306 thousand. In the income statement, the adjustment was made to the "impairment of receivables" line, and the adjustment affects the sum lines after that. In the balance sheet, the correction had a decreasing effect on the line "Claims on the public and public sector entities" and “result for the year”. Corrections have also been made to the 2023 cash flow statement, statement of changes in equity, the notes and key figures that are affected by the above-mentioned accounts.

The half year report has not been audited.

Note 3. Net interest income

	Jan 1-June 30, 2024	Jan 1-June 30, 2023	Jan 1-Dec 31, 2023
Interest income			
Receivables from credit institutions	6,015	1,577	4,067
Claims on the public and public sector entities*	8,265	7,802	16,004
Total interest income using the effective interest method	**14,280**	**9,379**	**20,071**
Interest expenses			
Liabilities to credit institutions and central banks	15	0	0
Liabilities to the public and public sector entities	6,794	-1,705	-4,803
Debt securities issued to the public	247	-245	-495
Other interest expenses	49	-3	-16
Interest expenses, total	**7,105**	**-1,953**	**-5,314**
Net interest income	**7,175**	**7,427**	**14,757**

Note 4. Fee and commission income and expenses

	Jan 1-June 30, 2024	Jan 1-June 30, 2023	Jan 1-Dec 31, 2023
Fee and commission income			
Lending	1,183	908	2,014
Peer to peer lending	235	503	951
Other fee and commission income	118	121	215
Fee and commission income, total	**1,536**	**1,533**	**3,180**

	Jan 1-June 30, 2024	Jan 1-June 30, 2023	Jan 1-Dec 31, 2023
Fee and commission expenses			
Lending	-1,063	-506	-1,266
Other fee and commission expenses	-56	-180	-129
Fee and commission expenses, total	**-1,119**	**-686**	**-1,395**

	Jan 1-June 30, 2024	Jan 1-June 30, 2023	Jan 1-Dec 31, 2023
Timing of revenue recognition			
At a point of time	493	428	918
Over time	1,043	1,105	2,263
Total	**1,536**	**1,533**	**3,180**

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	Jan 1-June 30, 2024	Jan 1-June 30, 2023	Jan 1-Dec 31, 2023
Expected credit losses on receivables			
Realized credit losses on loans granted during the financial year	-22	-10	-320
Realized credit losses on loans granted before the beginning of the financial year	-2,972	-2,177	-6,402
Total	**-2,994**	**-2,187**	**-6,722**
Expected credit loss change	-229	-47	1,465
Realized and expected credit losses	**-3,223**	**-2,235**	**-5,257**

*The figures for the 2023 financial year have been retroactively adjusted due to a system-technical calculation error that occurred in December 2023. The ECL provision was erroneously 258 thousand euros too small.

Both realized credit losses and the change in expected credit losses increased from the comparison period. The growth was particularly influenced by the weakened sales prices of non-performing personal customer receivables. The effect of the decrease in sales prices on the growth of the ECL provision for the reporting period was EUR 0.2 million. Credit losses on business loans also increased slightly from the comparison period. In relation to the size of the credit portfolio, however, credit losses were as a whole at expected level of 3.4 percent.

At the beginning of the 2024 financial year, the company has implemented the spread effect of insolvency for stage 3 loans in the ECL calculation model. The change was taken into account already in the 2023 financial statements as an estimate.

In connection with the combination with PURO Finance Ltd, EUR -1.0 million impairment adjustment was applied to the value of the loan portfolio acquired due to credit risk (POCI according to IFRS 9, purchased or originated credit impaired). This part of the loan portfolio in question has been valued at zero at the time of the acquisition and is therefore not subject to an ECL provision. The fair value of the acquired loan portfolio at the time of acquisition was EUR 25.5 million.

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

Exposure to credit risk by risk category (30 June 2024)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Risk class 5	41,849	434	1,911	44,194
Risk class 4	74,446	1,476	2,251	78,173
Risk class 3	41,014	1,181	1,844	44,039
Risk class 2	17,752	588	830	19,170
Risk class 1	5,955	396	650	7,001
Cross carrying amount	**181,016**	**4,075**	**7,487**	**192,577**
ECL-reservation	-1,621	-439	-4,415	-6,475
Net carrying amount	**179,394**	**3,636**	**3,072**	**186,102**

Exposure to credit risk by risk category (31 December 2023)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Risk class 5	36,805	420	1,867	39,092
Risk class 4	72,528	2,443	1,942	76,912
Risk class 3	33,459	1,708	1,728	36,895
Risk class 2	12,213	606	693	13,513

Risk class 1	5,538	438	478	6,454
Cross carrying amount	**160,543**	**5,614**	**6,708**	**172,866**
ECL-reservation	-1,469	*-530	*-4,243	*-6,242
Net carrying amount	**159,075**	***5,084**	***2,465**	***166,624**

*The figures for the 2023 financial year have been retroactively adjusted due to a system-technical calculation error that occurred in December 2023. The ECL provision was erroneously 258 thousand euros too small.

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 January 2024	160,543	5,614	6,708	172,866
Transfers from stage 1 to stage 2	-3,341	3,198	0	-143
Transfers from stage 1 to stage 3	-2,016	0	1,958	-58
Transfers from stage 2 to stage 1	1,810	-2,057	0	-248
Transfers from stage 2 to stage 3	0	-703	657	-46
Transfers from stage 3 to stage 1	175	0	-197	-22
Transfers from stage 3 to stage 2	0	4	-5	-1
Increases due to origination and acquisition	173,054	56	289	173,398
Decreases due to derecognition	-147,230	-159	-437	-147,825
Decreases in the allowance account due to write-offs	-1,979	-1,879	-1,486	-5,343
Loan receivables from customers 30 June 2024	**181,016**	**4,075**	**7,487**	**192,577**

Transition of loan receivables	Stage 1	Stage 2	Stage 3	Total
Loan receivables from customers 1 January 2023	152,965	4,248	6,580	163,793
Transfers from stage 1 to stage 2	-6,105	5,366	0	-739
Transfers from stage 1 to stage 3	-4,145	0	3,976	-169
Transfers from stage 2 to stage 1	944	-1,148	0	-204
Transfers from stage 2 to stage 3	0	-560	508	-52
Transfers from stage 3 to stage 1	24	0	-31	-7
Transfers from stage 3 to stage 2	0	13	-14	-1
Increases due to origination and acquisition	354,939	165	237	355,341
Decreases due to derecognition	-331,022	-119	-2,262	-333,403
Decreases in the allowance account due to write-offs	-7,056	-2,351	-2,288	-11,694
Loan receivables from customers 31 December 2023	**160,543**	**5,614**	**6,708**	**172,866**

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 2024	1,469	530	4,243	6,242

Transfers from stage 1 to stage 2	-122	377	0	255
Transfers from stage 1 to stage 3	-140	0	1,157	1,017
Transfers from stage 2 to stage 1	26	-112	0	-86
Transfers from stage 2 to stage 3	0	-115	303	188
Transfers from stage 3 to stage 1	3	0	-99	-96
Transfers from stage 3 to stage 2	0	0	-3	-3
Increases due to origination and acquisition	721	2	72	795
Changes in credit risk	220	44	629	893
Changes in the ECL calculation model	0	0	0	0
Decreases due to derecognition	-416	-4	-614	-1,033
Decreases in the allowance account due to write-offs	-139	-285	-1,273	-1,697
ECL- reservation 30 June 2024	**1,621**	**439**	**4,415**	**6,475**

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	-84	7890		705
Transfers from stage 1 to stage 3	-6420		1,998	1,356
Transfers from stage 2 to stage 1	5	-1130		-109
Transfers from stage 2 to stage 3	0	-109	233	125
Transfers from stage 3 to stage 1	00		-15	-14
Transfers from stage 3 to stage 2	0	2	-6	-4
Increases due to origination and acquisition	2,917	25	268	3,210
Changes in credit risk	-348	*-394	*634	*-108
Changes in the ECL calculation model	0	0	0	0
Decreases due to derecognition	-1,530	-105	-2,864	-4,499
Decreases in the allowance account due to write-offs	-673	-1,236	-1,646	-3,555
ECL- reservation 31 December 2023	**1,469**	***530**	***4,243**	***6,242**

*The figures for the 2023 financial year have been retroactively adjusted due to a system-technical calculation error that occurred in December 2023. The ECL provision was erroneously 258 thousand euros too small.

Note 6. Earnings per share

	Jan 1-June 30, 2024	Jan 1-June 30, 2023	Jan 1-Dec 31, 2023
Profit attributable to the shareholders of the parent	-1,990	264	48
Weighted average number of the shares	103,051,862	88,332,182	88,332,182
Share and option rights for share-based incentive programs	1,700,000	2,798,138	4,338,789
Earnings per share, basic, EUR	**-0.02**	**0.00**	**0.00**
Earnings per share, diluted, EUR	**-0.02**	**0.00**	**0.00**

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

				June 30, 2024
Assets	**Amortised cost**	**Total**	**Measured at fair value**	**Value hierarchies**
Cash and equivalents	347,619	347,619	347,619	1
Claims on credit institutions	12,642	12,642	12,642	1
Claims on the public and public sector entities	186,102	186,102	186,102	2
Total	**546,363**	**546,363**	**546,363**	

Liabilities	**Amortised cost**	**Total**	**Measured at fair value**	**Value hierarchies**
Liabilities to the public and public sector entities	508,490	508,490	508,490	2
Subordinated liabilities	6,213	6,213	6,213	2
Total	**514,703**	**514,703**	**514,703**	

				Dec 31, 2023
Assets	**Amortised cost**	**Total**	**Measured at fair value**	**Value hierarchies**
Cash and equivalents	129,364	129,364	129,364	1
Claims on credit institutions	5,461	5,461	5,461	1
Claims on the public and public sector entities	*166,624	*166,624	*166,624	2
Total	***301,449**	***301,449**	***301,449**	

Liabilities	**Amortised cost**	**Total**	**Measured at fair value**	**Value hierarchies**
Liabilities to the public and public sector entities	268,864	268,864	268,864	2
Subordinated liabilities	6,210	6,210	6,210	2
Total	**275,074**	**275,074**	**275,074**	

*The figures for the 2023 financial year have been retroactively adjusted due to a system-technical calculation error that occurred in December 2023. The ECL provision was erroneously 258 thousand euros too small.

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.

			June 30, 2024			
	under 3 months	**3-12 months**	**1-5 years**	**5-10 years**	**over 10 years**	**Total**
Assets						
Cash and equivalents	347,619					**347,619**
Claims on credit institutions	12,642					**12,642**
Claims on the public and public sector entities	58,478	28,262	77,522	26,089	2,226	**192,577**
Liabilities						
Liabilities to the public and public sector entities	477,234	11,467	19,790			**508,490**
Lease liabilities	46	253	644			**943**
Subordinated liabilities	113		6,100			**6,213**
Off-balance sheet commitments	5,774					**5,774**

			Dec 31, 2023			
	under 3 months	**3-12 months**	**1-5 years**	**5-10 years**	**over 10 years**	**Total**
Assets						
Cash and equivalents	129,364					**129,364**
Claims on credit institutions	5,461					**5,461**
Claims on the public and public sector entities	29,730	5,576	72,982	47,535	17,042	**172,866**
Liabilities						
Liabilities to the public and public sector entities	204,192	47,406	17,267	0	0	**268,864**
Lease liabilities	40	122	342			**503**
Subordinated liabilities	110		6,100			**6,210**
Off-balance sheet commitments	5,647					**5,647**

Note 9. Liabilities

Liabilities to the public and public sector entities	June 30, 2024	June 30, 2023	Dec 31, 2023
Deposits	508,490	241,718	268,864
Liabilities to the public and public secto entities total	**508,490**	**241,718**	**268,864**

Subordinated liabilities	June 30, 2024	June 30, 2023	Dec 31, 2023
Debentures	6,213	6,204	6,210
Subordinated liabilities total	**6,213**	**6,204**	**6,210**

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

	June 30, 2024	June 30, 2023	Dec 31, 2023
Off-balance sheet items			
Unused credit facilities	5,774	4,756	5,647
Total	**5,774**	**4,756**	**5,647**

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 64 thousand (EUR 41 thousand).

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 reporting period, business transactions with related parties mainly consisted of Alisa Bank’s deposit liabilities, debenture loans and related interest. In addition, in connection with the combination with PURO Finance, share subscription loans granted to some of PURO Finance's personnel were transferred to Alisa Pankki Group, of which the share granted to related parties is shown in the table below. The subscribed bonds will be paid off by Alisa Bank's next annual general meeting.

Related party transactions	June 30, 2024	June 30, 2023	Dec 31, 2023
Assets	86	0	
Liabilities	383	*568	509
Revenue		0	
Expenses	8	*9	16
Total	**477**	**577**	**525**

* Related party investments in the debenture loan issued by Alisa Bank have been added to the comparative information.

Note 12. Business combinations

Alisa Bank Plc and PURO Finance Oy announced on 10 April 2024 that they had agreed on the combination of the companies through a share exchange whereby Alisa Bank acquires the entire share capital of PURO Finance from its previous owners. According to the share exchange agreement, Alisa Bank acquired PURO Finance from its previous shareholders for a purchase price consisting of 58,878,721 new issued Alisa Bank shares. The final transaction took place on May 15, 2024, when control passed to Alisa Bank Plc. PURO Finance specializes in factoring, i.e. invoice financing. Together with its partners, PURO offers a reliable and effortless accounts receivable financing service that combines customer invoicing, financing, credit insurance, collection and accounting. PURO Finance will be merged with Alisa Bank Plc during 2024.

The acquisition has been treated in the consolidated financial statements as a business combination using the acquisition cost method. EUR 0.9 million of the purchase price was allocated to customer contracts and EUR 7.3 million goodwill was generated. Goodwill reflects the synergies arising from the merger both on the income and expense side. The expected synergies on the revenue side are mainly based on cross-selling opportunities, a growing number of customers and improved competitiveness. Financial synergy is achieved when PURO Finance's debt financing is replaced by Alisa Bank's financing based mainly on deposit funds. Synergies on the cost side are expected to be achieved by cutting overlapping operational costs, making operations more efficient when the companies adopt the best practices of both parties, and through enhanced credit risk management as a reduction in the probability of credit losses.

In the targeted issue, Alisa's price per share was EUR 0.2, the number of new shares was 58,878,721 shares, so EUR 10,775,744 was the purchase price.

The pre combination operating income of PURO Finance from 1 January to 14 June 2024 was EUR 9.5 million. If the acquisition had already taken place at the beginning of 2024, the operating income of PURO Finance would have been included in the Alisa Group as such. Alisa Bank's H1 income includes PURO Finance's income of approximately EUR 0.8 million.

The transaction costs of the acquisition were EUR 1.4 million. EUR 0.8 million of the transaction costs are booked in income statement as non-recurring items. The rest of the costs are shown in equity as costs incurred from the issuance of shares and as costs recorded in PURO Finance's result before the combination.

The fair values and acquisition price of the acquired net assets are presented in the table below.

EUR 1,000	Fair values of acquired assets and liabilities on 14 May 2024 (PURO Finance Group)
Assets	
Cash and equivalents	**2,106**
Claims on the public and public sector entities	**26,778**
Adjustment to the value of the loan portfolio	**-1,012**
Intangible assets and goodwill	**1,403**
Property, plant and equipment	**56**
Other assets	**11**
Accrued income and prepayments	**11**
Assets total	**29,353**
Liabilities	
Liabilities to credit institutions	**13,573**
Debt securities issued to the public	**5,230**
Other liabilities	**5,562**
Accrued expenses and deferred income	**321**
Deferred tax liabilities	**177**
Income tax receivables	**40**
Liabilities total	**24,902**
Acquired net assets	**4,451**
Acquisition consideration (58,878,721 shares)	**11,776**
Goodwill	**7,325**

Note 13. Corrections to previously reported 2023 figures

The figures for the financial year 2023 have been retroactively adjusted in accordance with the IAS 8 standard due to a system-technical calculation error that occurred in December 2023. The ECL provision was erroneously 258 thousand euros too small. Alisa Bank's result would have been 258 thousand euros lower than reported in the financial statements, i.e. the result for the fiscal year 2023 is 48 thousand instead of 306 thousand. In the income statement, the adjustment was made to the "impairment of receivables" line, and the adjustment affects the sum lines after that. In the balance sheet, the correction had a decreasing effect on the line "Claims on the public and public sector entities" and “result for the year”. Corrections have also been made to the 2023 cash flow statement, statement of changes in equity, the notes and key figures that are affected by the above-mentioned accounts.

	Reported 2023	**1-12/2023 correction**	**Recalculated**
Realized and expected credit losses	-4,999	-258	-5,257
Profit before taxes	**303**	**-258**	**45**
Result for the year	**306**	**-258**	**48**
Earnings per share (EPS), basic, EUR	0.00	0.00	0.00
Earnings per share (EPS), diluted, EUR	0.00	0.00	0.00
Claims on the public and public sector entities	166,882	-258	166,624
Assets total	**312,841**	**-258**	**312,583**
Retained earnings	-12,044	-258	-12,302
Equity attributable to equity holders of the parent	26,162	-258	25,904
Liabilities and equity total	**312,841**	**-258**	**312,583**

Note 14. Material events after the end of the reporting period

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

Alisa Bank Plc
Bulevardi 21 A
00180 Helsinki

tel. 020 380 101

alisabank.com