Fellow Bank Plc

Financial Statements Bulletin

January - December 2022

Fellow
BANK

FELLOW BANK PLC'S FINANCIAL STATEMENTS BULLETIN JANUARY-DECEMBER 2022

- Launching banking operations and merger with Evli Bank were operationally excellent. Digital banking services have received a positive response from customers.
- Loan portfolio increased during the period to EUR 163.8 million (18.1) exceeding the targeted level of EUR 150 million
- Profit before taxes EUR -9.7 million (-1.5) was negative as expected due to the non-recurring costs related to the investments required by the credit institution's operations and new customer acquisition.
- Capital adequacy was at a good level: Total capital ratio was 16.8 percent.

GROUP'S KEY FIGURES (EUR 1,000)	2022	2021
Net interest income	9,053	2,650
Net commission and fee income	1,511	4,497
Total operating expenses	-11,601	-6,663
Impairment of receivables	-8,321	-1,989
Profit before taxes	-9,684	-1,464
* Cost / income ratio, %	113	93
Balance sheet total	291,661	22,418
* Return on equity (ROE), %	neg.	neg.
Total capital ratio (TC), %	16.8	-
Common Equity Tier (CET1), %	12.6	-
Number of employees, end of period	73	66
Earnings per share (EPS), EUR	-0.14	-0.22
* Impairment of receivables / loan portfolio, %	5.1	11.0

The data for the comparison periods are Fellow Finance group's IFRS figures. Due to the merger and business model change implemented in April 2022, the figures for 2021 are not comparable.

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

A new Finnish digital bank that makes everyday life easier

Fellow Bank Plc ("Fellow Bank") is a new Finnish digital bank that makes everyday life easier. Fellow Bank serves private individuals and small and medium-sized enterprises, as well as savers seeking competitive interest income for their deposits.

Fellow Bank was formed through the merger of Evli Bank Plc's banking company ("Evli Bank") and Fellow Finance Plc ("Fellow Finance") on 2 April 2022. Before the merger, Evli Plc ("Evli"), a new group focusing on asset management, was separated from Evli Bank through a partial demerger. More information about the arrangement is provided in a stock exchange release issued by Evli Bank on 25 March 2022.

Evli Bank was the legal acquirer in the merger. In IFRS reporting, the arrangement is treated as a reverse acquisition in which Fellow Finance is the accounting acquirer and Evli Bank is the accounting acquiree. In this half-year report, income statement, balance sheet, cash flow statement and notes for 2021 and 1 January to 1 April 2022 are related to the Fellow Finance Group. The figures comply with the IFRS and the presentation is subsequently revised in accordance with the regulations and guidelines issued by the Financial Supervisory Authority for the financial reporting of credit institutions. In this annual report, the comparison period for income statement figures is 2021 and for balance sheet figures 31 December 2021.

At the time of the merger, Evli Bank's business mainly consisted of receiving and managing deposits (deposit portfolio 1 April 2022: EUR 244.0 million) and, to lesser extent, lending (loan portfolio 1 April 2022: EUR 5.3 million). At the time of the merger, Evli Bank's assets and liabilities were as follows:

EUR 1,000	**1 April 2022**
Assets total	250,932
Liabilities total	244,484
Equity	6,449

At the time of the merger, Evli Bank's assets consisted mainly of cash and cash equivalents and Liabilities to the public and public sector entities. The result before taxes of Evli Bank's banking business from January 1 to April 1, 2022 was EUR -0.5 million, due to the effect of deposit interest expenses and operating expenses. The table below shows the summary income statement of the banking operations in question for the beginning of the year before the merger. However, due to the IFRS reverse acquisition, the result in question is not included in the 2022 result of the Fellow Bank group.

EUR 1,000	**1 Jan-1 Apr 2022**
Total income	-161
Operating expenses total	-335
Impairment of receivables	-1
Profit before taxes	-497

The company's business model changed significantly after the merger. Consequently, the figures from the time before the merger are not comparable. The company stopped issuing new peer-to-peer loans and crowdfunding loans in March 2022. However, the company continues to manage its existing peer-to-peer loan portfolio. Under the new business model, loans are granted from Fellow Bank’s balance sheet.

Financial targets and outlook for 2023

In 2022, Fellow Bank built the foundation for growth and profitability in the coming years. The operation is stabilised and the result has developed in a positive direction.

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 credit risk management. The growth of lending is supported by more comprehensive banking services for our customers and new digital service channels.

The bank's revenues are estimated to grow from 2022.

It is estimated that the financial performance will continue to be favorable, and on a monthly basis we will reach a positive profit level during the first half of 2023.

The target for the group´s total capital adequacy ratio is 16 percent. The aim is to strengthen the company's capital during 2023.

Teemu Nyholm, CEO:
Growth continued and profitability improved in the second half

In April 2022, we launched banking operations when Fellow Finance merged with the company that continued Evli Bank's banking business. Our first operational year as a bank was successful and in line with our objectives, and the bank's services have been well received by customers.

Profit performance was positive in the second half of the year. Our profit for the second half was still loss-making at EUR -2.3 million, but a substantial improvement compared to the first half, when the loss was EUR -7.4 million. The profit for the second half was still burdened by front-loaded credit loss reservations caused by the strong growth of the loan portfolio, and non-recurring costs associated with the expansion of banking operations. Our loan portfolio developed as expected, increasing to EUR 163.8 million by the end of the year. Our deposit portfolio remained stable at the target level and was EUR 246.8 million at the end of the financial year. The bank's liquidity position is strong: its liquid assets stood at EUR 126.5 million at the end of the year. The bank's capital adequacy was also at a solid level of 16.8%.

In terms of business areas, business customer base continued to grow steadily throughout the year. Our competitiveness and visibility improved as a result of banking operations, and this was clearly reflected in corporate lending, where many new customers started to use our financial services. In the second half, our lending volumes exceeded those of the first half by 43%. We also achieved the targeted increase of 46% in our loan portfolio for personal customers. Overall, we succeeded in increasing the number of bank customers, with the number of active customers totalling 48,200 at the end of the year.

Our operations are founded on strong risk management. After the start-up of our banking operations, we systematically focused lending on customers with lower credit risk. The bank's credit loss levels have remained at the forecast level, and we have not seen any significant weakening in liquidity within our customer base.

During 2022, the economic environment deteriorated due to the tightened geopolitical situation and the resulting acceleration of inflation. Despite the uncertain macroeconomic outlook, we expect employment to remain at a good level, and the operating conditions for small and medium-sized enterprises to remain relatively stable. We anticipate that the increase in inflation and the weakening of consumer purchasing power will turn around during 2023. Therefore, we believe that the liquidity of our customer base will remain at a good level, though we will continue to monitor macroeconomic and client liquidity developments closely in our credit risk management. The general rise in interest rates seen in 2022 supports the bank's profitability due to the improvement in the interest margin.

Our mission is to provide the most user-friendly everyday digital banking services to private individuals and small and medium-sized enterprises. Our strategic development projects have progressed as planned during our first year of operation. Our goal is to evolve from a finance provider into a comprehensive provider of everyday digital banking services for our selected customer segments. In connection with the start-up of our banking operations, we launched the mobile and online banks, which have received positive feedback from customers on their ease of use. The digital services combined with readily accessible personal customer service have delivered good results: our customer satisfaction was high in 2022 (Net Promoter Score: 57).

We continued systematically to develop the bank's digital services both during and after the review period. In early January 2023, we launched a credit card for our customers and during February 2023, we will launch payment accounts. These will provide a strong foundation for the bank's digital services in the future. In 2023, we will bring more new and innovative digital banking services to our customers, enabling us to differentiate and increase our competitive advantage on the market.

In September, we announced our first major cooperation agreement to provide BaaS banking services in collaboration with Talenom. This will allow Talenom's corporate customers to benefit from user-friendly banking services integrated directly into the financial management software. The banking services will be launched for Talenom's corporate customers during the first quarter. Our e-commerce payment solution has also been well received in the market. In August, we announced a distribution agreement with Paytrail, Finland's largest payment service provider, which will further expand our Fellow Invoice payment method to more than 20,000 Finnish online stores. Both initiatives support our strategy to use digital channels in acquiring new customers.

In our banking operations, we succeeded in recruiting the necessary highly competent and motivated employees during the year. Our personnel have shown admirable commitment and flexibility in the challenging start-up phase of banking operations. The scaling of our operations will not require a significant increase in the number of employees.

We aim to achieve a positive profit level during the first half of 2023. This requires the accumulation of a loan portfolio of around EUR 160-170 million, considering the bank's expense level and current lending interest rates.

We launched a cost reduction program in the summer and succeeded in reducing the bank's fixed costs in terms of personnel costs and operating costs. Our goal is to further improve the operational efficiency of our bank, and our long-term strategic objective is to be the most operationally efficient bank on the market. We decided to wind down our business in Poland and we aim to complete the arrangements to discontinue the Polish business during the first half of 2023. In international markets, we will focus on developing our operations in Denmark and Germany.

In September, we strengthened the bank's capital adequacy by issuing a EUR 6.1 million Tier 2 debenture. Our capital adequacy ratio at the end of the year was 16.8%. As a result of our improved profitability and stabilised banking operations, we set our capital adequacy target at 16% (18%), well above the regulatory minimum.

Although our capital adequacy is supported by positive profit performance, to enable stronger growth, we are exploring arrangements to strengthen our equity during 2023. In 2023, we will focus on profitable growth and achieving a positive profit level. We will increase our credit portfolio in accordance with the requirements set by capital adequacy, taking account of macroeconomic uncertainties in credit risk management.

In addition, we will continue to develop our digital banking services. Our expanded service selection will allow us to provide our customers with innovative digital banking services that generate competitive advantage, combined with first-class customer service. I would like to thank our customers, shareholders, and personnel for the past year. We will continue our endeavours towards building the most user-friendly everyday bank.

Teemu Nyholm
CEO

January–December 2022 in brief

- Launching banking operations and merger with Evli Bank were operationally excellent.
- Loan portfolio increased during the period to EUR 163.8 million (18.1), exceeding the target level of 150 million euros. Because of the strong growth of loan portfolio, the amount of frontloaded expected credit loss reservations in relation to returns grew to EUR 4.4 million (0.6). Realized credit losses were EUR 3.9 million (1.4).
- Deposits totalled EUR 246.8 million (0) at the end of the reporting period.
- Profit before taxes showed a loss, at EUR -9.7 million (-1.5), as expected because of non-recurring costs related to corporate restructuring and investments in the start-up of banking operations and customer acquisition. Non-recurring costs were EUR 1.9 million.
- The company invested strongly in developing digital banking services. New services have received a positive response from customers, which was reflected in the measured customer satisfaction (Net Promoter Score: 57) and strong growth in number of customers and lending volumes.
- As a result of the start-up of Fellow Bank's operations, the Group's number of employees increased to 73 (12/2021: 66).

July–December 2022 in brief

- The loss of -2.4 million euros in the second half of 2022 was clearly lower than in H1 2022 as a result of the increase in the loan portfolio and the cost savings implemented by the company. In addition, the non-recurring costs related to the business arrangement were mainly focused at the first half of the year.
- In July-December, the loan portfolio increased by EUR 49.3 million and the deposits increased by EUR 23.4 million.
- In October, the bank's capital adequacy was strengthened by issuing a 6.1 million eur Tier 2 debenture loan.

Business environment

The economic environment, which is recovering from the coronavirus pandemic, was challenged by the Russian attack on Ukraine. The war has increased uncertainty in the operating environment, raised the prices of raw materials and energy.

Inflation also accelerated rapidly, and interest rates began to increase. In December, the annual inflation rate for consumer prices was 9.1% in Finland, with the ECB's long-term target being 2%. Inflation and rising interest rates reduce consumers' purchasing power and confidence in economic development, in addition to curbing companies' investments. The era of negative interest rates came to an end, and the ECB decided on several increases in key interest rates during the fall of 2022. During the period, the key interest rate was raised from zero to 2.0 percent in total to curb inflation, and interest rate increases are indicated to continue in 2023. The 3 month Euribor, also used as a reference interest rate for loans, rose from -0.6 percent to 2.1 percent during the period. 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 2023 as well.

Despite the economic uncertainty, the employment rate has developed favorably for the time being. 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 the Finnish market, consumer loans were granted 3.1 percent more than last year. The growth rate of household deposits slowed to 2.4 percent (in 2021: 5.1 percent). With the rise in interest rates, deposit rates also saw a significant rise after a gap of years.

Financial performance

In January-December, financial development was driven by the launch of Fellow Bank's operations and the resulting increase in the loan portfolio of the company's own balance sheet, the acquisition of new customers and the establishment of functions in line with the new organization.

Total income for the reporting period – including net interest income, net fee and commission income, net invest income and other operating income – was EUR 10.2 million (7.2). The strong growth of the loan portfolio also increased the amount of frontloaded expected credit loss reservations in relation to returns EUR 4.4 million (1.4). Realized credit losses were EUR 3.9 million (1.4).

Total operating expenses increased to EUR 11.6 million (6.7) due to non-recurring costs (EUR 1.9 million) related to corporate restructuring and investments related to the start-up of banking operations.

The direct impacts of the uncertainties in the business environment on Fellow Bank’s operations and demand have been minor. The increase in the interest rate level will have a positive but moderate impact on the development of the bank’s net interest income.

The July-December loss of -2.4 million euros was significantly lower than the loss of the first half of the year (-7.4). The loss was reduced due to increased profits due to the growth of the loan portfolio, the rise in interest rates and the cost-saving program launched in the summer.

Balance sheet and financing

The Group’s balance sheet total stood at EUR 294.0 million (22.4) at the end of the reporting period.

Assets, EUR 291.7 million, mainly consisted of cash (EUR 120.5 million) and loans granted to customers (Claims on the public and public sector entities) (EUR 154.7 million). Intangible assets, EUR 8.9 million, include EUR 6.0 million goodwill generated in business acquisitions and EUR 1.9 million of capitalized product development costs. During the period, EUR 0.8 million (EUR 1.3 million) of product development expenses were capitalized.

The Group’s liabilities, EUR 265.7 million, mainly consisted of liabilities to the public and public-sector entities (EUR 246.8 million).

In October 2022, Fellow 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 Fellow Bank's other commitments, which belongs to the secondary capital referred to in the solvency regulations applicable to Fellow 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.

At the end of the review period, the company had no issued bonds. The bond raised in 2019 was due to be paid in May 2022 (EUR 7.6 million).

The Group's equity stood at EUR 26.0 million (11.8). The most significant part of the increase in equity was the directed share issue carried out in connection with the Merger, in which Evli Oyj, Taaleri Oyj and TN Ventures Oy capitalized Fellow Bank with a total of 11.7 million euros.

Risk position

Fellow Bank's business risks mainly consist of credit and counterparty risk as well as operational risks. In addition, the business involves a small amount of market risk, which mainly consists of the interest rate risk of the bank's financial balance. Risk-taking is managed with principles and limits approved by the company's board.

The most significant risks in the near term are related to the uncertainties of the financial operating environment, such as the development of interest rates and inflation, which weaken the purchasing power of households and challenge the profitability and willingness of SMEs to invest. Uncertainties can be reflected in Fellow Bank's business as an unfavourable development of volumes and credit losses. The company has no significant liabilities related to Russia. The effects of the Russian war of aggression on Fellow Bank's business are indirect.

During Fellow Bank's first year of operation, the strong growth of the credit portfolio increased the amount of credit risk, but the relative credit risk position has nevertheless remained stable. Fellow Bank's customers are both private and SME customers. After ending peer-to-peer and crowdfunding activities, thanks to improved competitiveness, the company has systematically targeted lending towards customers with a lower credit risk. Due to the distributed customer base, there are no individual significant customer risks. At the end of the financial year, the company had one liability, the amount of which exceeded 10 percent of Tier 1 own funds and which has full collateral. The loan portfolio before the reduction of credit loss reservations was EUR 163.8 million at the end of the financial year.

Market risk mainly consists of the interest rate risk of the financial balance and a minor 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 less than a half of its loan base 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 company's own funds would increase by 5.7 percent, due to positive earnings development based on the situation on December 31, 2022. If the interest rate were to decrease by two percentage points, own funds would decrease by 4.7 percent.

Capital adequacy and liquidity

In capital adequacy calculation Fellow Bank uses the Standardised Approach for the credit risk calculation and the basic indicator approach for operational risks. In this Financial Statements Bulletin, the information according to Pillar III is published in relevant parts. Fellow Bank publishes as a separate document the information on solvency and risk management in accordance with the European Parliament and Council Regulation (EU) No. 575/2013, Part II, Section II and the supplementary Regulation (EU) 2019/876, annually in its Capital and Risk Management Report publication.

The figures for Fellow Bank Group's capital adequacy are presented for the situation ending on 31 December 2022. In the comparison period, Fellow Finance group issued the amount of capital necessary for payment institution operations in accordance with the laws and regulations concerning payment institutions. Fellow Finance's own funds were EUR 10.4 million, with the minimum requirement for own funds being EUR 0.5 million at the end of 2021.

Fellow Bank Group's total capital ratio was 16.8% and common equity tier 1 ratio were 12.6%, 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 was strong and mostly consisted of core capital (CET 1) and secondary capital (Tier 2). The group's own funds (TC) were EUR 23.5 million: primary capital (T1) EUR 17.7 million was entirely common equity Tier 1 ratio (CET1) and secondary capital (T2) EUR 5.8 million consisted of debenture loan.

A binding requirement for a leverage ratio of 3% entered into force as part of the updated Capital Requirement Regulation on 28 June 2021. Fellow Bank´s leverage ratio was 6.2% at the end of the review period.

CAPITAL AND RISK POSITION, EUR 1,000	31 Dec 2022
Common Tier 1 Capital before adjustments	28,281
Adjustments to Common Tier 1 Capital	-10,582
Common Tier 1 Capital in total (CET1)	**17,700**
Additional Tier 1 Capital before adjustments	0
Adjustments to Tier 1 Capital	0
Additional Tier 1 Capital in total (AT1)	**0**
Total Capital (T1 = CET1 + AT1)	**17,700**
Tier 2 Capital before adjustments	6,100
Adjustments to Tier 2 Capital	-250
Tier 2 Capital in total (T2)	**5,849**
Total risk weighted exposure amounts	
Credit and Counterparty risk	120,512
Market	756
Operational risk	19,198
Risk weighted exposures in total	**140,466**
Common Equity Tier 1 ratio (CET 1), %	**12.6**

Tier 1 ratio (T1), %	**12.6**
Total Capital Ratio (TC), %	**16.8**

LEVERAGE RATIO, EUR 1,000	31.12.2022
Total Equity	17,700
Total Exposure Amount	283,819
Leverage ratio (LR), %	**6.2**

The bank's liquidity has been at an excellent level during the start-up phase of banking operations. Company´s liquidity coverage requirement was 370% 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 188.3% at the end of the reporting period, with the minimum requirement being 100%. The company has no outstanding bonds. The bond raised in 2019 (EUR 7,6 million) fell due in full in May 2022.

No minimum requirement for own funds and eligible liabilities (MREL) has been set for the company in resolution plan.

LCR JA NSFR, EUR 1,000	31.12.2022
Liquidity	
LCR-ratio (3 months average) %	370
Total high quality liquid assets (3 months average)	129,607
Cash outflow (3 months average)	53,000
Cash inflow (3 months average)	17,729
Total net cash outflow (3 months)	35,271
Net Stable Funding	
Total available stable funding	240,656
Total required stable funding	127,778
NSFR-ratio %	**188.3**

Board of Directors, CEO and auditor

Extraordinary General Meeting of Evli Bank Plc held on 22 December 2021 elected six (6) members to the Board of Directors of Evli Bank. Markku Pohjola, Teuvo Salminen, Lea Keinänen, Kai Myllyneva, Jorma Pirinen and Tero Weckroth were elected as members of the Board of Directors for a term starting on the registration date of the completion of the merger and ending at the end of the first Annual General Meeting following the registration date.

The Board of Directors of Fellow Bank held its constitutive meeting today on 4 April 2022 and elected Markku Pohjola as the chairman of the board, Teuvo Salminen as the vice-chairman of the board and Teemu Nyholm as the CEO. Juha Saari works as the CEO's deputy.

Until 1 April 2022, Fellow Finance's Board of Directors consisted of Kai Myllyneva (Chair), Harri Tilev, Michael Schönach, Karri Haaparinne and Tero Weckroth. Teemu Nyholm served as the CEO.

PricewaterhouseCoopers Ltd was elected as the auditor of the company, with Jukka Paunonen acting as the responsible auditor.

Shares and shareholders

Trading in Series B shares in Fellow Bank Plc on the main list of the Nasdaq Helsinki began on 4 April 2022 under the ticker symbol FELLOW. The number of shares in the company was 88,332,182 at the end of December. The company's share capital stood at EUR 18.3 million at the end of December.

The number of shares held by Fellow Bank at the end of the financial year was 220,370, which corresponds to 0.2 percent of all the parent company's shares and the number of votes they produce.

During the accounting period, the company acquired the entire share capital of Mobify Invoices Oy. The purchase price was paid partly in cash and partly in Fellow Bank shares. Fellow Bank issued a total of 1,175,088 new shares as partial payment of the purchase price.

The closing price of Fellow Bank Plc share was EUR 0.36 on 30 December 2022, the last trading day of the year. Starting from 2 April 2022 its lowest price was EUR 0.33, with the highest price being EUR 0.58. Fellow Bank's market value was EUR 32.1 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 31 December 2022.

		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	3,400,339	3.85
8.	Skandinaviska Enskilda Banken AB (publ) Hgin sivukonttori	2,001,139	2.27
9.	Rausanne Oy	1,149,054	1.30
10.	Ingman Group Oy Ab	1,125,395	1.27

Group structure

The Fellow Bank Group consists of the parent company Fellow Bank Plc and its wholly owned subsidiaries Mobify Invoices Oy, Lainaamo Ltd, Fellow Finance Sp. z o.o., Fellow Finance Estonia OÜ, Fellow Finance Česko s.r.o. and Fellow Finance Deutschland GmbH.

Personnel and locations

The Group had 73 (66) employees at the end of December 2022. Its number of employees increased by 11% year-on-year. The growth consisted of both employees who transferred to the Fellow Bank from Evli Bank during the Merger and new recruitments. Of its employees, 65 (57) were based in Finland and 8 (9) in other countries of operation.

Material events after the review period

On January 17, 2023, the company's board of directors decided on a new share-based incentive system for the group's key personnel, and on the planning of employee share issue for all personnel. The performance-based share-based incentive system for key personnel has three earning periods, the first of which rewards are based on the group's 2023 result, implementation of strategic projects, customer satisfaction (NPS) and set personal goals. In the earning period 2023, the target group includes approximately 11 key personnel, including the CEO and other members of the management team. In the planned personnel issue and additional share system (matching) offered to the entire staff, the staff would have the opportunity to subscribe for the company's shares at a reduced price and, by subscribing, would earn the right to receive additional shares from the company at a later date.

The shareholders' nomination committee proposes to the 2023 annual general meeting that the number of board members be confirmed at seven (7), and that Lea Keinänen, Jorma Pirinen, Markku Pohjola, Teuvo Salminen and Tero Weckroth be re-elected to the board. The nomination committee proposes to elect Sami Honkonen and Johanna Lamminen as new board members. Among the current members of the board, Kai Myllyneva is no longer a candidate for the board.

The company has entered a letter of intent to sell the Polish business. The size of Poland's loan portfolio at the end of December 2022 was EUR 3.4 million.

Board of Directors proposal for the distribution of profit and AGM

Fellow Bank focuses on profitable growth and business development within the framework of targeted capital adequacy. The company does not plan to distribute dividends in the short or medium term.

The parent company´s distributable assets on December 31, 2022 totalled EUR 3,176,807.99. The Board of Directors proposes to the Annual General Meeting of Shareholders that no dividend will be distributed for the financial year 2022.

The company's Annual General meeting of Shareholders will be held in Helsinki on April 20, 2023. The Financial Statements report will be available to the public in week 11.

Outlook for the 2023 financial year

In 2022, Fellow Bank built the foundation for growth and profitability in the coming years. The operation is stabilised and the result has developed in a positive direction.

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 credit risk management. The growth of lending is supported by more comprehensive banking services for our customers and new digital service channels.

The bank's revenues are estimated to grow from 2022.

It is estimated that the financial performance will continue to be favorable, and on a monthly basis we will reach a positive profit level during the first half of 2023.

The target for the group´s total capital adequacy ratio is 16 percent. The aim is to strengthen the company's capital during 2023.

Helsinki, 16 February 2023

Board of Directors
Fellow Bank Plc

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TABLES AND NOTES

Consolidated comprehensive income statement

EUR 1,000	Note	1-12/2022	1-12/2021 (adjusted)	7-12/2022	7-12/2021 (adjusted)
Interest income		11,101	3,415	7,742	1,356
Interest expenses		-2,048	-766	-1,153	-306
Net interest income	**3.**	**9,053**	**2,650**	**6,590**	**1,050**
Fee income		3,885	7,443	1,435	3,958
Fee expenses		-2,374	-2,946	67	-1,699
Net fee and commission income	**4.**	**1,511**	**4,497**	**1,502**	**2,259**
Net income from investments		-349	0	-248	0
Other operating income		24	41	24	0
Total income		**10,239**	**7,188**	**7,868**	**3,309**
Personnel expenses		-5,378	-3,248	-2,821	-1,739
Other administrative expenses		-4,487	-2,646	-2,710	-1,990
Depreciation and amortization		-691	-495	-367	-245
Other operating expenses		-1,046	-274	-125	-68
Total operating expenses		**-11,601**	**-6,663**	**-6,024**	**-4,043**
Impairment of receivables	**5.**	-8,321	-1,989	-4,147	-885
Profit before taxes		**-9,684**	**-1,464**	**-2,303**	**-1,619**
Income taxes		-901	-101	-136	-15
Result for the year		**-10,585**	**-1,564**	**-2,439**	**-1,635**
Other comprehensive income/loss					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		15	6	7	2
Comprehensive income, total		**-10,570**	**6**	**-2,431**	**-1,633**
Result for the year attributable to					
Equity holders of parent company		-10,585	-1,564	-2,439	-1,635
Total comprehensive income attributable to					
Equity holders of parent company		-10,570	-1,558	-2,431	-1,633
Earnings per share	**6.**				
Earnings per share (EPS), basic, EUR		-0.14	-0,04	-0.03	-0.23
Earnings per share (EPS), diluted, EUR		-0.14	-0,04	-0.03	-0.23

Consolidated balance sheet

EUR 1,000	Note	31.122022	31.12.2021 (adjusted)
Assets			
Cash and equivalents		120,528	0
Claims on credit institutions		5,941	3,457
Claims on the public and public sector entities	**7./8.**	154,656	13,439
Intangible assets	**11.**	8,157	1,403
Property, plant and equipment		140	268
Other assets		1,438	2,560
Accrued income and prepayments		210	177
Income tax assets		461	81
Deferred tax assets		129	1,032
Assets total		**291,661**	**22,418**
Liabilities			
Liabilities to the public and public sector entities		246,810	0
Debt securities issued to the public		0	8,402
Subordinated liabilities		6,203	0
Other liabilities		8,796	1,567
Accrued expenses and deferred income		3,867	583
Deferred tax liabilities		0	77
Liabilities total		**265,675**	**10,629**
Equity			
Equity attributable to equity holders of the parent			
Share capital		18,286	125
Fund of invested non-restricted equity		19,917	13,361
Retained earnings		-12,218	-1,696
Equity attributable to equity holders of the parent		**25,985**	**11,790**
Liabilities and equity total		**291,661**	**22,418**

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 1.1.2022	**125**	**13 361**	**2**	**-1 699**	**11 790**	**11 790**
Result for the year				-10 585	**-10 585**	**-10 585**
Other comprehensive income			15		**15**	**15**
Total comprehensive income			**15**	**-10 585**	**-10 572**	**-10 572**
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 on 31.12.2022	**18 286**	**19 917**	**18**	**-12 233**	**25 985**	**25 985**

* 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, Fellow Bank Plc.

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 1.1.2021	125	13,361	-4	-300	13,182	**13,182**
Result of the year				-1,564	-1,564	**-1,564**
Other comprehensive income			6		6	**6**
Total comprehensive income	**0**	**0**	**6**	**-1,564**	**-1,557**	**-1,557**
Share based payments				165	165	**165**
Equity 31.12.2021	**125**	**13,361**	**2**	**-1,699**	**11,790**	**11,790**

Consolidated cash flow statement

EUR 1,000	1-12/2022	1-12/2021 (adjusted)
Cash flow from operating activities		
Profit (loss) for the period	**-10,585**	**-1,564**
Adjustments for items not included in cash flow		
Depreciation and impairment	572	495
Credit losses	7,488	1,989
Income taxes	901	101
Other adjustments	0	760
Adjustments total	**8,961**	**3,344**
Cash flows from operating from operating before changes in operating assets and liabilities	**-1,623**	**1,780**
Increase (-) or decrease (+) in operating assets		
Claims on the public and public sector entities	-142,482	2,240
Other assets	-444	1,103
Increase (-) or decrease (+) in operating liabilities		
Liabilities to the public and public sector entities	246,810	0
Other liabilities	12,200	1,000
Cash flow from operating activities	**114,461**	**6,122**
Investing activities		
Investments in tangible assets	-22	-11
Investments in intangible assets	-972	-1,300
Acquisitions of subsidiaries	-772	0
Cash flow from investing activities	**-1,765**	**-1,311**
Cash flow from financing activities		
Repayment of bond	-7,380	-5,130
Issue of debenture loan	6,100	0
Paid directed share issue	11,715	0
Repayments of lease liabilities	-119	-115
Cash flow from financing activities	**10,317**	**-5,245**
Change in cash and cash equivalents	**123,012**	**-434**
Cash and cash equivalents at the beginning of period	3,457	3,769
Translation differences	0	121
Cash and cash equivalents at the end of period	**126,469**	**3,457**
Cash and equivalents are formed by the following items:		
Cash and cash equivalents	120,528	0
Claims on credit institutions	5,941	3,769
Cash and cash equivalents at the end of period	**126,469**	**3,769**

The growth of loan and deposits portfolio increased strongly cash flows from operating activities.

NOTES TO THE FINANCIAL STATEMENTS BULLETIN FOR 1 JANUARY TO 31 DECEMBER 2022

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

Fellow Bank was formed through the merger of Evli Bank Plc's banking company ("Evli Bank") and Fellow Finance Plc ("Fellow Finance") on 2 April 2022. Before the merger, Evli Plc ("Evli"), a new group focusing on asset management, was separated from Evli Bank through a partial demerger.

Evli Bank was the legal acquirer in the merger. In IFRS reporting, the arrangement is treated as a reverse acquisition in which Fellow Finance is the accounting acquirer and Evli Bank is the accounting acquiree. In this half-year report, income statement, balance sheet, cash flow statement and notes for 2021 and 1 January to 1 April 2022 are related to the Fellow Finance Group. The figures comply with the IFRS and the presentations is subsequently revised in accordance with the regulations and guidelines issued by the Financial Supervisory Authority for the financial reporting of credit institutions.

The company's business model changed significantly after the merger. Consequently, the figures from the time before the merger are not comparable. The company stopped issuing new peer-to-peer loans and crowdfunding loans in March 2022. However, the company continues to manage its existing peer-to-peer loan portfolio. Under the new business model, loans are granted from Fellow Bank's balance sheet and the company receives all related income streams. In the old business model, Fellow Finance acted as a credit broker and received only a limited profit share from the granted credits.

During the accounting period, the company acquired the entire share capital of Mobify Invoices Oy. The purchase price was paid partly in cash and partly in Fellow Bank shares.

The Fellow Bank Group consists of the parent company Fellow Bank Plc and its wholly owned subsidiaries Mobify Invcoices Oy, Lainaamo Ltd, Fellow Finance Sp. z o.o., Fellow Finance Estonia OÜ, Fellow Finance Deutschland GmbH and Fellow Finance Česko s.r.o.

Fellow Bank has been authorised by the Financial Supervisory Authority to engage in credit institution operations. In Germany, it has a credit intermediation licence (Kreditvermittelungslizens). Its subsidiary Lainaamo Ltd is registered in the creditor register maintained by the Regional State Administrative Agency for Southern Finland. Fellow 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. In the future, the company's focus in international markets will be only on developing our operations in Denmark and Germany.

Fellow Bank Plc is listed on the main list of the Nasdaq Helsinki. Fellow Bank Plc's head office is located at Pursimiehenkatu 4 A, 00150 Helsinki, Finland.

Note 2. Accounting policies

The Financial Statements Bulletin has been prepared in accordance with IAS 34 *Interim Financial Reporting*. In the financial statements bulletin, the figures in the tables are presented in thousands of euros, unless otherwise stated.

The Financial Statements Bulletin does not include all the supplementary information presented in the consolidated financial statements for the fiscal year ended 31 December 2021, and the annual information must be read together with the consolidated financial statements. As a result of the changed business model due to the merger, the figures for the comparison periods are not comparable. Even though there were significant changes in the company's earnings logic and cost structure, the principles of preparing the financial statements have remained unchanged in many respects. In the old business model, Lainaamo Ltd, a subsidiary of the Fellow Finance group, acted as one of the investors in peer-to-peer loans. The financial assets and liabilities on Lainaamo Ltd's balance sheet, as well as the related income and expenses, were recorded in the Fellow Finance Group using the same accounting principles that Fellow Bank is using now.

Fellow 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 Fellow Bank Group and the management's reporting.

The preparation of Financial Statements Bulletin data requires management to make estimates and assumptions that affect the application of the preparation principles and the amounts of recorded assets, liabilities, income and expenses. Actual results may differ from these estimates. When preparing the Financial Statements Bulletin, the significant accounting estimates and judgment-based decisions made by the management, other than the new preparation principles presented in the next paragraph, are the same as those applied in the consolidated financial statements prepared for the financial year ending on December 31, 2021.

The Financial Statements Bulletin figures are unaudited.

New accounting principles

Application of the presentation method in accordance with the regulations and guidelines set by the Financial Supervisory Authority for financial reporting

Fellow Bank presents financial information in accordance with the regulations and guidelines set by the Financial Supervisory Authority for financial reporting by credit institutions. In this Financial Statement Bulletin, the income statement, balance sheet, cash flow statement and accompanying information for the years 2021 and 1 January to 1 April 2022 are figures of the Fellow Finance group. The figures comply with IFRS regulation, and they have been subsequently adjusted to the presentation method according to the regulations and instructions set by the Financial Supervisory Authority for financial reporting by credit institutions. The reclassifications of income statement and balance sheet items according to the regulations and guidelines set by the Financial Supervisory Authority for credit institutions' financial reporting are shown in the tables below.

Fellow Finance income statement reclassifications from 1 January to 31 December 2021

Turnover (10,688) has been reclassified to interest income (3,244) and fee income (7,443). Materials and services (-2,946) have been reclassified to fee expenses (-2,946). Other operating expenses (-2,920) have been reclassified to other administrative expenses (-2,646) and other operating expenses (-274). Financial income (171) has been reclassified to interest income (171). Financial expenses (-758) have been reclassified to interest expenses (-758).

1000 eur	.1.-31.12.2021 Fellow Finance historical
Revenue	10 688
Other operating income	41
Materials and services	-2 946
Personnel expenses	-3 248
Depreciation and impairment	-495
Impairment losses on financial assets	-1 989
Other operating expenses	-2 920
Operating result	-869
Financial income	171
Financial expenses	-766
Result before taxes	-1 464
Income taxes	-101
Result for the year	**-1 564**
Other comprehensive income/loss	
Items that are or may be reclassified subsequently to profit or loss	
Foreign currency translation differences - foreign operations	6
Other comprehensive income after taxes	6
Comprehensive income, total	**-1 558**

1000 eur	1.1.-31.12.2021 Fellow Bank reclassified
Interest income	3 415
Interest expenses	-766
NET INTEREST INCOME	**2 650**
Fee income	7 443
Fee expenses	-2 946
Other operating income	41
TOTAL OPERATING INCOME	**7 188**
Operating expenses	
Personnel expenses	-3 248
Other administrative expenses	-2 646
Depreciation and amortization on tangible and intangible assets	-495
Other operating expenses	-274
Impairment of receivables	-1 989
Total operating expenses	**-1 464**
Profit before taxes	**-1 464**
Income taxes	-101
RESULT FOR THE YEAR	**-1 564**
Other comprehensive income/loss	
Items that are or may be reclassified subsequently to profit or loss	
Foreign currency translation differences - foreign operations	6
Other comprehensive income after taxes	**6**
Comprehensive income, total	6
Other comprehensive income/loss	**-1 558**

Fellow Finance balance sheet reclassifications from 1 January to 31 December 2021

Long-term loan receivables (6,310) and short-term loan receivables (7,129) have been reclassified to receivables from the public and public entities. Trade receivables and other receivables (2,737) have been reclassified to other assets (2,561) and accruals and advances paid (177). Cash and cash equivalents (3,457) have been reclassified to receivables from credit institutions. Lease liabilities (294) have been reclassified to other liabilities. Accounts payable and other liabilities (1,914) have been reclassified to other liabilities (1,331) and accrued liabilities and advances received (583).

1000 eur	**1.1.-31.12.2021 Fellow Finance historical**
ASSETS	
Non-current assets	
Non-current loan receivables	6 310
Intangible assets	1 403
Tangible assets	268
Deferred tax assets	1 032
Total non-current assets	9 014
Current assets	
Current loan receivables	7 129
Trade and other receivables	2 737
Income tax receivables	81
Cash and cash equivalents	3 457
Total currents assets	**13 404**
Total assets	**22 418**
LIABILITIES	
Non-current liabilities	
Lease liabilities	114
Total non-current liabilities	114
Current liabilities	
Liabilities to public	8 402
Trade and other payables	1 914
Lease liabilities	122
Income tax payables	77
Total current liabilities	10 515
TOTAL LIABILITIES	**10 629**
EQUITY	
Equity attributable to equity holders of the parent	
Share capital	125
Fund for unrestricted equity	13 361
Retained earnings	-213
Translation difference	83
Result for the year	-1
Equity attributable to equity holders of the parent	11 790
TOTAL EQUITY	**11 790**
TOTAL EQUITY AND LIABILITIES	**22 418**

1000 eur	**1.1.-31.12.2021 Fellow Pankki reclassified**
ASSETS	
Claims on credit institutions	3 457
Claims on the public and public sector entities	13 439
Intangible assets and goodwill	1 403
Property, plant and equipment	268
Other assets	2 560
Accrued income and prepayments	177
Income tax assets	81
Deferred tax assets	1 032
ASSETS TOTAL	**22 418**
LIABILITIES	
Debt securities issued to the public	8 402
Other liabilities	1 567
Accrued expenses and deferred income	583
Income tax liabilities	77
LIABILITIES TOTAL	**10 629**
EQUITY	
Share capital	125
Fund of invested non-restricted equity	13 361
Translation difference	-1
Retained earnings	-1 695
EQUITY TOTAL	**11 790**
LIABILITIES AND EQUITY TOTAL	**22 418**

Goodwill

Goodwill arising from business combinations is recognised at the amount by which the consideration transferred exceeds the fair value of the acquired net assets. Goodwill is tested annually or whenever events or changes in circumstances indicate that the balance sheet value may not be recoverable. Amortisation according to plan is not recognised for goodwill.

In other respects, no new accounting principles have been introduced in the reporting period that would have a material impact on these Financial Statement Bulletin financial data. In the preparation of the financial information, the same accounting principles and calculation methods have been followed in other respects as in the preparation of the consolidated financial statements of Fellow Finance for the fiscal year ending on December 31, 2021.

Note 3. Net interest income

	1-12/2022	1-12/2021 (adjusted)
Interest income		
Claims on the public and public sector entities	11,101	3,244
Other interest income	0	171
Total interest income using the effective interest method	**11,101**	**3,415**
Interest expenses		
Liabilities to credit institutions and central banks	-219	0
Liabilities to the public and public sector entities	-1,520	-291
Debt securities issued to the public	-283	-456
Other interest expenses	-25	-18
Interest expenses, total	**-2,048**	**-766**
Net interest income	**9,053**	**2,650**

Note 4. Fee and commission income and expenses

	1-12/2022	1-12/2021 (adjusted)
Fee and commission income		
Lending	1,615	0
Peer to peer lending	2,161	7,443
Other fee and commission income	108	0
Fee and commission income, total	**3,885**	**7,443**

	1-12/2022	1-12/2021 (adjusted)
Fee and commission expenses		
Lending	-1,024	0
Peer to peer lending	-1,108	-2,946
Other fee and commission expenses	-242	0
Fee and commission expenses, total	**-2,374**	**-2,946**

	1-12/2022	1-12/2021 (adjusted)
Timing of revenue recognition		
At a point of time	1,062	1,039
Over time	2,822	6,404
Total	**3,885**	**7,443**

All commission income under IFRS 15 is recognised based on when the control regarding payment obligations has transferred to the customer. The Group recognises the amount of revenue from customers that it expects to be entitled to in return for the services provided to the customer. Commissions are recognised 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 recognised during the period	1-12/2022	1-12/2021 (adjusted)
Expected credit losses on receivables		
Realized credit losses on loans granted during the financial year	377	98
Realized credit losses on loans granted before the beginning of the financial year	3 562	1,285
Total	**3,939**	**1,383**
Expected credit losses	4,382	606
Total	**4,382**	**606**
Realized and expected credit losses	**8,321**	**1,989**

Credit losses increased from the comparison period due to both the strong growth of the credit portfolio and corporate loans that were stated to be defaulted. The company has systematically targeted lending towards customers with a lower credit risk.

Expected credit losses include both receivables from customers and off-balance sheet commitments. The increase in expected credit losses was mainly the result of a strong increase in the loan portfolio. Fellow Bank has purchased a peer-to-peer loan portfolio for its own balance sheet, where expected credit loss is recorded. In the comparison period, the credit loss was only recorded from the loan portfolio of Lainaamo Oy, a member of the Fellow Finance group.

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 s by impairment stage. The off-balance sheet commitments and related ECL reservations are shown in Appendix 9.

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 (31.12.2022)	**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**

Of the loan receivables, EUR 3.4 million are related to the business in Poland. Credit loss reservation of these receivables is EUR 3.2 million. The majority of Poland's loan receivables are included in stage 3. Non-performing loan receivables are presented for the financial year 2022 by risk category in stage 3.

Exposure to credit risk by risk category (31.12.2021)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Risk class 5	782	42		823
Risk class 4	2,603	121		2,724
Risk class 3	2,425	187		2,613
Risk class 2	3,279	302		3,581
Risk class 1	2,944	222		3,165
In default			5,211	5,211
Cross carrying amount	**12,032**	**874**	**5,211**	**18,118**
ECL-reservation	-347	-200	-4,160	-4,708
Net carrying amount	**11,685**	**674**	**1,051**	**13,409**

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 1.1.2022	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 31.12.2022	**1,825**	**1,673**	**5,639**	**9,137**

The growth of the credit base, both through the granting of new loans and the purchase of peer-to-peer loan portfolios, increased expected credit losses.

The update of the calculation model and parameters increased the amount of expected credit losses during the financial period by a total of 0.6 million euros. Model and parameter changes require management consideration. With the changes, the calculation of expected credit losses will take into account the deteriorating economic situation and the expected impact of price and interest rate increases on customers' ability to pay.

Reconciliation of expected credit losses	Stage 1	Stage 2	Stage 3	Total
ECL- reservation 1.1.2021	607	396	3,156	4,159
Transfers from stage 1 to stage 2	-25	131		106
Transfers from stage 1 to stage 3	-30		416	386
Transfers from stage 2 to stage 1	2	-65		-63
Transfers from stage 2 to stage 3		-125	276	150
Transfers from stage 3 to stage 1	0		-51	-51
Transfers from stage 3 to stage 2		2	-4	-2
Increases due to origination and acquisition	83	42	277	401
Decreases due to derecognition	-253	-6	401	141
Decreases in the allowance account due to write-offs	-37	-174	-309	-520
ECL- reservation 31.12.2021	**347**	**201**	**4,162**	**4,707**

Note 6. Earnings per share

	2022	2021 (adjusted)
Profit attributable to the shareholders of the parent	-10,585	-1,564
Weighted avarage number of the shares*	77,009,574	43,041,750
Share and option rights for share-based incentive programs**	2,851,248	0
Earnings per share, basic, EUR	**-0.14**	**-0,04**
Earnings per share, diluted, EUR	**-0.14**	**-0,04**

* The weighted average of the following numbers of shares has been calculated in earnings per share:
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.

** Share-based incentive plans have no diluting effect when the company's result is loss-making. The undiluted earnings per share are calculated by dividing the profit for the financial period attributable to the parent company's shareholders by the average number of outstanding shares during the period excluding own shares acquired and held by the group during the period. When calculating the diluted earnings per share, the figures used in the calculation of the undiluted earnings per share are adjusted in order to take account of the after-tax impact of any items recognised through profit or loss in relation to ordinary shares, and also the weighted average number of the ordinary shares that would have also been outstanding if all dilutive potential ordinary shares had been converted into shares.

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

31.12.2022

Assets	Amortised cost	Total	Measured at fair value	Value hierarchies
Cash and equivalents	120,528	120,528	120,528	3
Claims on credit institutions	5,941	5,941	5,941	3
Claims on the public and public sector entities	154,656	154,656	154,656	3
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	3
Subordinated liabilities	6,203	6,203	6,203	3
Total	**253,013**	**253,013**	**253,013**	

31.12.2021 (adjusted)

Assets	Amortised cost	Total	Measured at fair value	Value hierarchies
Cash and equivalents	0	0	0	3
Claims on credit institutions	3,457	3,457	3,457	3
Claims on the public and public sector entities	13,439	13,439	13,439	3
Total	**16,896**	**16,896**	**16,896**	

Liabilities	Amortised cost	Total	Measured at fair value	Value hierarchies
Liabilities to the public and public sector entities	0	0	0	3
Debt securities issued to the public	8,450	8,450	8,402	3
Total	**8,450**	**8,450**	**8,402**	

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. The Company does not currently have any level 2 instruments.

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. These include all of the Company's loan receivables, as the Company has exercised significant judgement in determining their fair value.

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.

31.12.2022	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	44,223	35,775	96,445	29,898	4,797	211,139
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

31.12.2021 (adjusted)	under 3 months	3-12 months	1-5 years	5-10 years	over 10 years	Total
Assets						
Cash and equivalents	0					0
Claims on credit institutions	3,457					3,457
Claims on the public and public sector entities	9,987	4,717	7,843	2,096	35	24,677
Liabilities						
Debt securities issued to the public	810	8,131	0	0	0	8,941
Lease liabilities	29	88	119			236
Off balance sheet commitments	1,912					1,912

The company has no outstanding bonds. The bond raised in 2019 (EUR 7.6 million) fell due in full in May 2022.

Note 9. Off-balance sheet commitments

	31.12.2022	31.12.2021 (adjusted)
Off-balance sheet items		
Unused credit facilities	1,455	1,912
Total	**1,455**	**1,912**

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 36 thousand (EUR 34 thousand).

Note 10. Related party transactions

Related party refers to key persons in a leading position in Fellow 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 Fellow Bank's deposit liabilities and related interest. In the comparison period, business transactions include related party investments in Fellow Finance's bonds and related interest expenses.

Related party transactions	31.12.2022	31.12.2021
Assets	0	0
Liabilities	512	152
Income	0	0
Expenses	0	124
Total	**513**	**275**

Note 11. Business combinations

Acquisition of Evli Bank Plc's banking business

On 14 July 2021, Fellow Finance Plc and Evli Bank Plc announced that they had agreed, by means of a merger agreement, on an arrangement through which Evli Bank would be divided, through a partial demerger, into Evli Plc, a new group that focuses on asset management and will be listed, and a company that will continue Evli Bank’s banking operations and with which Fellow Finance will merge.

The demerger and merger were entered into the Trade Register maintained by the Finnish Patent and Registration Office on 2 April 2022, the day of implementation. In conjunction with the implementation of the merger, the name of Evli Bank Plc was changed to Fellow Bank Plc.

In the merger, the legal acquiring party was Evli Bank. In IFRS reporting, the arrangement is treated as a reverse acquisition, where Fellow Finance is the accounting buyer and Evli Bank is the accounting object of the transaction. The goodwill generated in the merger is considered to reflect the significant benefits arising from the merger, especially from combining the ability to receive deposits enabled by Evli Bank's credit institution license and to lend from own balance sheet with Fellow Finance's customer base and technology, in addition to the skilled personnel who transferred from Evli. The amount of non-recurring expenses related to the merger was 1.9 million euros and they have been recorded under other administrative expenses and other operating expenses.

The acquisition has been treated in the consolidated financial statements as a business combination using the acquisition cost method. The consideration paid for the acquisition was 12,505 thousand euros. The consideration is based on Fellow Finance's share price on April 2, 2022 (3.15 euros) and the calculated number of shares that Fellow Finance would have had to issue in order to achieve the post-merger ownership structure (3,969,786).

Acquired business operations	Evli Bank Plc
Cash and equivalents	245,606
Claims on the public and public sector entities	5,326
Other assets	718
Assets total	**251,650**
Liabilities to the public and public sector entities	244,000
Other liabilities	484
Liabilities total	**244,484**
Acquired net assets	**7,167**
Consideration paid for the acquisition	**12,505**
Allocation of the purchase price	
Total identified balance sheet items	7,167
Goodwill	5,338
Allocation of the purchase price	**5,338**

The profit before taxes of Evli Bank's banking business (IFRS 5 continuing operations) from January 1 to April 1, 2022 was EUR -0.5 million due to deposit interest expenses and operating expenses. The table below shows the summary income statement of the continuing operations in question for the beginning of the year before the merger. However, due to the IFRS reverse acquisition, the result in question is not included in Fellow Bank's 2022 result.

1000 eur	1.1.-1.4.2022
Total income	-161
Operating expenses total	-335
Impairment of receivables	-1
Profit before taxes	-497

After the merger, the Company's business model changed substantially. For this reason, it is not possible to reliably estimate what the result of the group's reporting period would have been if the acquisition had taken place on January 1, 2022.

Acquisition of Mobify Invoices Oy

On July 4, 2022, Fellow Bank announced the purchase of the entire share capital of Mobify Invoices Oy. Mobify is a Finnish company that offers an easy-to-use mobile application for comprehensive financial management. The functionalities of the Mobify application will be gradually integrated into Fellow Bank's digital service offering. Mobify's entire staff (7) became part of the Fellow Bank group, which further accelerates the development of Fellow Bank's digital services. The purchase price of EUR 1.3 million was paid partly in cash and partly in Fellow Bank shares. Fellow Bank issued a total of 1,175,088 new shares as partial payment of the purchase price. Control of the company was transferred to Fellow Bank on July 4, 2022.

The acquisition has been treated in the consolidated financial statements as a business combination using the acquisition cost method. Of the purchase price, EUR 0.4 million has been allocated to existing balance sheet items and EUR 0.2 million to customer relationships. Goodwill amounted to 0.6 million euros. The goodwill reflects the significant benefits arising from the merger in the development of the digital services of the entire Fellow Bank group.

Acquired businesses	**Mobify Invoices Oy**
Cash and equivalents	189
Claims on the public and public sector entities	124
Intangible assets	180
Other assets	4
Accrued income and prepayments	5
Assets total	**502**
Liabilities to the public and public sector entities	0
Other liabilities	69
Liabilities total	**69**
Acquired net assets	**433**
Consideration paid for the acquisition	**1,292**
Allocation of the purchase price	
Total identified balance sheet items	433
Goodwill	619
Customer relations	240
Allocation of the purchase price	**859**

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

On January 17, 2023, the company's board of directors decided on a new share-based incentive system for the group's key personnel, and on the planning of employee share issue for all personnel. The performance-based share-based incentive system for key personnel has three earning periods, the first of which rewards are based on the group's 2023 result, implementation of strategic projects, customer satisfaction (NPS) and set personal goals. In the earning period 2023, the target group includes approximately 11 key personnel, including the CEO and other members of the management team. In the planned personnel issue and additional share system (matching) offered to the entire staff, the staff would have the opportunity to subscribe for the company's shares at a reduced price and, by subscribing, would earn the right to receive additional shares from the company at a later date.

The shareholders' nomination committee proposes to the 2023 annual general meeting that the number of board members be confirmed at seven (7), and that Lea Keinänen, Jorma Pirinen, Markku Pohjola, Teuvo Salminen and Tero Weckroth be re-elected to the board. The nomination committee proposes to elect Sami Honkonen and Johanna Lamminen as new board members. Among the current members of the board, Kai Myllyneva is no longer a candidate for the board.

The company has entered a letter of intent to sell the Polish business. The size of Poland's loan portfolio at the end of December 2022 was EUR 3.4 million.

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 Fellow Bank and which are not based on the financial reporting regulations applied by Fellow 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.

Expense ratio, % $= \dfrac{\text{Total income}}{\text{Total operating expenses}}$

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

Return on equity (ROE), % $= \dfrac{\text{The result of the financial year, (annualized)}}{\text{Equity on avarage}}$

Note B. Dictionary

Fellow Bank, bank, company	Fellow Bank Plc
Loan portfolio	The gross book value of the loan portfolio, which is calculated by subtracting the expected credit losses from the claims on the public and public sector entities on the balance sheet.
Credit losses	Impairment of receivables in the income statement
Expected credit loss	Expected credit loss in the balance sheet
Total capital ratio	Capital adequacy ratio (TC) according to CRR
Common equity tier 1	Tier 1 capital ratio (CET1) according to CRR
Leverage ratio	Minimum leverage ratio according to CRR
Liquidity coverage requirement	Liquidity coverage requirement (LCR) according to CRR