Fellow BANK

Annual Report 2022

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Contents

A new digital bank

Fellow Bank is a new Finnish digital bank for a smoother everyday life. We help both personal and business customers manage their day-to-day finances, and we offer a competitive interest return on deposits. We take pride in providing our customers with an uncomplicated, clear and responsible service.

Fellow Bank Plc was established on 2 April 2022, when Fellow Finance, the leading crowdfunding and peer-to-peer lending platform in the Nordics, merged with the company that continued Evli Bank's deposit banking operations. In the new bank, the core competences of the two merged companies complement each other. Fellow Finance's solid experience in lending and developing digital services was combined with Evli's strong expertise in deposit banking operations and risk management of a credit institution. Fellow Bank continued to serve Evli's more than 10,000 deposit customers and Fellow Finance's more than 30,000 active loan customers. This provided a good starting point for banking operations and for building growth. At the end of 2022, the number of customers was approximately 48,200.

Our mission is to offer the smoothest everyday digital banking services on the market for individuals and SMEs. This means catering for the entire path, from becoming a customer to paying bills, applying for a loan and managing a loan. For the customer, banking at Fellow Bank is so fast and smooth that it is almost effortless.

Our vision is to be the bank that enables the smoothest everyday life for selected customer segments. In banking services, our focus is initially on the Finnish market, but in the next few years, our proven infrastructure and our know-how gained from lending in other markets will enable us to grow internationally, especially in Germany and Denmark.

Our strategy is based on four cornerstones, which give us a solid foundation to create a competitive advantage and grow our business:

Superior customer experience:
We combine easy-to-use digital services with personal customer service that is knowledgeable and easy to understand.

Profitable products for selected customer segments:
Our service selection is tailored especially for individuals who appreciate easy-to-use everyday basic banking services and flexible financing; for SMEs that need flexible banking and financial services; and for savers looking for safe and competitive interest income.

Operational efficiency:
With a digital operating model, modern IT systems and a targeted range of services, combined with efficient organization and competent personnel, we aim for high operational efficiency.

A financially solid, trustworthy Finnish bank:
We are a trustworthy Finnish bank with committed and strong anchor owners. At the core of our operations is responsibility in lending and clarity in our customer communication.

When implementing the strategy, we are guided by the values we have created together. We focus on solving real problems – so that our customers' everyday lives become smoother. We innovate with an open-minded approach. We take responsibility for serving our customers in the best possible way, and we expect each employee to do their part towards achieving our common goals. We value all customers equally, and we appreciate the contribution and expertise of everyone in the workplace. In this way, we create a strong company culture and a good team spirit, which enable us to take firm steps towards our vision.

Vision

The bank for the smoothest everyday life

Values

We solve real problems
We innovate
We take responsibility
We value everyone

Strategic cornerstones

Superior customer experience
High operational efficiency
Profitable products for selected customer segments
Financially solid, trustworthy Finnish bank

Mission

We offer the smoothest everyday digital banking services on the market for individuals and SMEs

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 -2.4 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 totaling 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

Highlights of 2022

April 2022

Fellow Bank is born in the merger of Fellow Finance and Evli Bank

Launch of a completely new mobile and net bank for customers

July 2022

The purchase of the entire share capital of Mobify Invoices Oy to complement the features of the mobile bank and strengthen our mobile development

August 2022

Start of cooperation with Raisin, a German Fintech, which brought Fellow Bank's time deposit products to German savers in the weltsparen.de online service

August 2022

Agreement with Paytrail, Finland's leading provider of electronic payment services, which expands Fellow Invoice and Fellow Business Invoice payment methods to more than 20,000 online stores

September 2022

Cooperation agreement with Talenom, enabling Fellow Bank's banking and financial services to be available to Talenom's accounting customers in a unique service package

Ocotber 2022

Issuance of an unsecured Tier 2 debenture loan with a principal amount of EUR 6.1 million to strengthen solvency and enable strong growth of the credit portfolio

December 2022

Piloting the credit card, which is implemented in cooperation with Enfuce

Key figures at the end of 2022

Loan portfolio: 164 million EUR	Deposits: 247 million EUR	Capital adequacy ratio: 16,8 %
Active customers: 48 200	Income: 10,2 million EUR	Net Promoter Score (NPS): 57

Calculation of key ratios

IFRS key ratios

Earnings per share (EPS), undiluted, EUR = $\frac{\text{Profit for the year}}{\text{Share split-adjusted average number of outstanding shares during period}}$ x 100

Adjusted earnings per share (adjusted EPS), undiluted, EUR = $\frac{\text{Adjusted profit for the year}}{\text{Share split average number of outstanding shares during period}}$ x 100

Alternative key ratios

Loanportfolio: 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.

Cost-income ratio, % = $\frac{\text{Equity}}{\text{Balance sheet total – prepayments received}}$ x 100

Return on equity (ROE), % = $\frac{\text{Profit for the year}}{\text{Equity (average)}}$ x 100

Share of impairment of receivables in the loan portfolio, % = $\frac{\text{Impairment of receivables (annualized)}}{\text{Loan portfolio at the end of the period}}$ x 100

EU solvency regulation (CRR) key ratios

Total capital (TC), % = $\frac{\text{Minimum liquidity buffer}}{\text{Net cash and collateral outflows within 30 days}}$ x 100

Total capital (TC), % = $\frac{\text{Own funds total (TC)}}{\text{Risk-weighted assets (RWA) total}}$ x 100

Common Equity Tier 1 (CET1) capital ratio, % = $\frac{\text{Common Equity Tier 1 (CET1) capital}}{\text{Risk-weighted assets (RWA) total}}$ x 100

Leverage ratio, % = $\frac{\text{Tier 1 (T1) capital}}{\text{Exposures total}}$ x 100

Net stable funding ratio (NSFR), % = $\frac{\text{Available amount of stable funding}}{\text{Required amount of stable funding}}$ x 100

Board of Directors' Report

Fellow Bank Plc ("Fellow Bank" or "the company") 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 ("the merger"). 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. With respect to the year 2021 and the period between 1 January and 1 April 2022, the events concerning the parent company and its income statement, balance sheet, cash flow statement and notes presented in this Board of Directors' Report and these financial statements are all information of Evli Bank. In the consolidated 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. The consolidated income statement, balance sheet, cash flow statement and notes for 2021 and the period between 1 January and 1 April 2022 presented in this Board of Directors' Report and in these financial statements are figures of the Fellow Finance Group. The figures comply with the IFRS standards and have been adjusted afterwards to comply with the presentation method required by the regulations and guidelines issued by the Financial Supervisory Authority for the financial reporting of credit institutions.

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

EUR 1000	1.4.2022
Total assets	250 932
Total liabilities	244 484
Equity	6 449

At the time of the merger, Evli Bank's assets mainly consisted of cash assets, and its liabilities consisted of deposit liabilities to the public and public-sector entities. Evli Bank's profit before taxes for banking operations for the period between 1 January and 1 April 2022 was EUR -0.5 million due to interest expenses on deposits and the impact of business expenses. The table below shows the condensed income statement of the banking business for the beginning of the year before the merger. However, due to the IFRS reverse acquisition, the profit is not included in the Fellow Bank Group's H1 2022 profit.

EUR 1000	1.1.–1.4.2022
Total income	-161
Total operating costs	-335
Realised and expected credit losses	-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.

2022 financial year in brief

- The launch of banking operations and the merger with Evli Bank were operationally very successful.
- The loan portfolio grew to EUR 163.8 million (18.1) during the financial year exceeding the targeted level of EUR 150 million. Because of the strong increase in the loan portfolio, the amount of expected credit losses grew to EUR 4.4 million (0.6). In the profit, expected credit losses are taken into account in a front-loaded manner in relation to returns. Realised credit losses were EUR 3.9 million (1.4).
- Deposits totalled EUR 246.8 million (0) at the end of the review period.
- The profit before taxes showed a loss, at EUR -9.7 million (-1.5), as expected because of non-recurring costs related to the merger and investments in the start-up of banking operations and customer acquisition. Non-recurring costs amounted to EUR 1.9 million.
- The company invested heavily in the development of its digital banking services. These new services were well received by customers, as indicated by a customer satisfaction survey (Net Promoter Score: 57) and strong growth in the number of customers and new lending.
- As a result of the start-up of Fellow Bank's operations, the Group's number of personnel increased to 73 (12/2021: 66).

CONSOLIDATED KEY FIGURES (EUR 1000)	2022	2021	2020
Net interest income	9 053	2 650	3 504
Net commission income and expenses	1 511	4 497	4 076
Total operating costs	-11 601	-6 663	-4 197
Realised and expected credit losses	-8 321	-1 989	-3 703
Profit before taxes	-9 684	-1 464	-321
* Cost to income ratio, %	113	93	55
Balance sheet total	291 661	22 418	28 232
* Return on equity (ROE), %	neg.	neg.	neg.
Capital adequacy ratio (TC), %	16,8	-	-
* Common Equity Tier 1 (CET1) capital ratio, %	12,6	-	-
Number of employees at end of period	73	66	54
* Earnings per share (EPS), euros	-0,14	-0,22	-0,04
* Credit losses / loan portfolio, %	5,1	11,0	14,1

* The formulae for calculating the key figures and alternative key figures are presented in chapter The formulae of key figures.

Company's business

Fellow Bank is a new Finnish digital bank for a smoother everyday life serving personal and business customers with their day-to-day finances, and offering a competitive interest return on deposits. Services are uncomplicated, clear and responsible.

The strategy is based on four cornerstones: superior customer experience, operational efficiency, profitable products for selected customer segments, and financial solidity, domesticity and responsibility.

In the 2022 financial year, the company's service selection included personal and SME customers lending services and savings account products. The company's service selection is constantly being developed. In terms of banking services, the company will initially focus on the Finnish market, but in the future years of infrastructure and know-how accumulated from lending in other markets also enable international growth.

Key events in the financial year

The most important event of the financial year was the Merger and its implementation at the beginning of April. As a result, Fellow Bank's banking business in its current form started. When banking business started, mobile and online banks was launched to customers. A selection of digital services distribution channels have been developed during the financial period on a wide range of fronts:

- In July, the company acquired the entire share capital of Mobify Invoices Oy to complement the features of the mobile bank and strengthen the mobile development.
- In August, the company announced a distribution agreement with Paytrail, Finland's largest payment service provider, which will further expand Fellow Invoice payment method to more than 20,000 Finnish online stores.
- In September, the company announced 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 bank's digital services were developed during the financial year, and in January-February 2023 payment accounts and credit card were launched to customers.

In the summer, the company launched a cost-saving program. In connection with the program, the company had change negotiations in the autumn, which included the entire personnel of the group's parent company in Finland. As a result of the change negotiations, 13 jobs were terminated and 2 for rearranging the task.

Business environment

During the financial year, the economic environment, which is recovering from the coronavirus pandemic, was challenged by the Russian invasion of Ukraine. The war has increased uncertainty in the operating environment and has caused the prices of raw materials and energy to increase, in addition to causing interruptions related to components and logistics.

Inflation also accelerated rapidly, and interest rates began to increase. In December 2022, 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 corporate investment. The era of negative interest rates came to an end and the ECB decided on several key interest rate increases during autumn 2022. In total, the key interest rate was raised from zero to 2.0% during the financial year in order to curb inflation. The 3-month Euribor, which is also used as the reference rate for lending, rose from -0.6% to 2.1% during the financial year. The ECB's interest rate hikes are likely to continue in the spring, but the slowing economic growth and wider interest rate differentials in the euro area will bring additional challenges. Uncertainty in the business environment is expected to continue during 2023.

Despite the economic uncertainty, the employment rate has so far developed favourably. The deteriorating economic situation and the reduction in real disposable income may affect the capacity of households to repay their loans according to the original plan.

In the Finnish market, 3.1% more consumer loans were granted than last year. The growth rate of household deposits slowed to 2.4% (in 2021: 5.1%). With the rise in interest rates, deposit interest rates also increased substantially for the first time in years.

Financial performance

Performance in the financial year was driven by the start-up of Fellow Bank's operations and the increase in own balance sheet loan portfolio, as well as customer acquisition and the establishment of operations in line with the new organisation.

The Group's income for the financial year – including interest margin, net fee and commission income, investment income and other operating income – was EUR 10.2 million (7.2). The strong growth of the loan portfolio also increased the amount of expected credit loss provisions to EUR 4.4 million (1.4). In the profit, expected credit loss provisions are taken into account in a front-loaded manner in relation to returns. Realised credit losses were EUR 3.9 million (1.4).

Consolidated operating expenses were EUR 11.6 million (6.7) due to EUR 1.9 million non-recurring costs 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 moderately positive impact on the development of the bank's net interest income.

Balance sheet and financing

The Group's balance sheet total stood at EUR 292.0 million (22.4) at the end of the reporting period.

Assets, EUR 292.0 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 8.2 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 28.3 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..

Risks and capital adequacy

Fellow Bank operates in a constantly changing market environment, which subjects the company to risks caused by changes in the business environment and the company's own operations. Risk-taking is managed with principles and limits approved by the company's Board of Directors. Fellow Bank has defined a capital adequacy management process the aim of which is to secure the adequacy of the company's risk tolerance in relation to all the material risks of its operations.

Risk management

Risk management refers to actions aimed at systematically surveying, identifying, analysing and preventing risks. The objective of risk management is to:

- ensure the sufficiency of our own assets in relation to risk positions;
- maintain the financial result and the variation in valuations within the set objectives and limits;
- price risks correctly to reach sustainable profitability.

The main areas of risk management are: credit risk; market risk including interest rate risk, liquidity risk and financial risk; and strategic and operational risks.

Principles and organisation

The company's Board of Directors has primary responsibility for the Group's risk management. The Board of Directors confirms the principles and responsibilities of risk management, the Group's risk limits and other general guidelines according to which the risk management and internal control are organised. The aim is to manage risks through risk assessments and measures carried out on the basis of the assessments, systematic follow-up, and analysis of the operating environment and the market.

The aim of the risk control function is to promote systematic and proactive risk management that allows the company's business to be developed in a safe manner. In the company's organisation the Risk control function operates directly under the supervision of the CEO and reports to the Board of Directors, CEO and other members of the management.

Fellow Bank's risk management strategy is based on the objective, business strategy, risk management policy and guidelines adopted by the Board of Directors for the company, and risk reporting on key business areas. Fellow Bank focuses on retail banking operations and offers selected banking and financial services to both personal and business customers through its own balance sheet and through its partners. The company does not have customer or investment risk concentrations that exceed its financial capacity.

The Board of Directors sets the level of risk appetite by approving risk strategies for each risk area and the necessary risk limits and monitoring thresholds. The implementation of the risk strategy is regularly monitored through the management and reporting of risk limits and monitoring thresholds, which are carried out independently of the business area. The company maintains its capital adequacy at a safe level. The company's capital adequacy and risk tolerance are strengthened by profitable business activities, and also by debt and equity instruments that increase own funds. The Board of Directors is kept regularly informed about the different risks of the company and their levels. The Board of Directors also approves the authorisations and framework for risk-taking by defining permissible risk limits for credit and market risks. Within the authorisations, the responsibility for day-to-day risk monitoring and control rests with the senior management. The risk reporting practices meet the requirements set for risk management, taking into account the nature and scope of the company's operations. Independent control functions have been established in the company to ensure effective and comprehensive internal control.

Independent functions:
- Risk control function
- Compliance function responsible for ensuring compliance with the regulations
- Internal Audit function.

Risk management, ensuring regulatory compliance and internal audit

The company's Board of Directors has primary responsibility for the Group's risk management. The Board of Directors confirms the principles and responsibilities of risk management, the Group's risk limits and other general guidelines according to which the risk management and internal control are organised. The Risk Control function oversees daily business operations and compliance with the risk limits granted to the business units, as well as compliance with risk-taking policies and guidelines. The Risk Management function reports its observations to the Management Team and the company's Board of Directors. The independent Risk Management function is responsible for ensuring and monitoring that the company's risk management is adequate in relation to the nature, scope, diversity and risks of the company's business, and that all new and material risks not previously identified are brought within the scope of the risk management of the company's business areas.

The purpose of the Compliance function is to ensure compliance with regulations in the company by supporting the senior management and the business units in applying the provisions of the law, official regulations and internal guidelines. The Compliance function also participates in identifying, managing and reporting on any risks of insufficient compliance with regulations. The Risk Management and Compliance functions report directly to the CEO.

The Internal Audit assesses the functioning of the Group's internal control system, the appropriateness and efficiency of the functions and compliance with instructions. It does this by means of inspections that are based on the internal audit action plan adopted annually by the Board of the company.

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.

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 management

Fellow Bank has defined a capital adequacy management process the aim of which is to secure the adequacy of the company's risk tolerance in relation to all the material risks of its operations. In order to achieve this objective, Fellow Bank identifies and assesses all risks relevant to its operations and, based on these, calibrates its risk tolerance to correspond with Fellow Bank's overall risk position. The capital adequacy management process plays a key role in defining the company's overall risk position.

The internal capital requirements determined through the capital adequacy management process are based on the capital requirements of Pillar I of capital adequacy regulation and risks not included in Pillar I, such as balance sheet interest rate risk and business risk. In its internal assessment process, the company estimates the amount of capital that is sufficient to cover also those unexpected losses that arise from risks not included in Pillar I.

The company's Board of Directors has primary responsibility for the capital adequacy management. The Board of Directors confirms the general principles for organizing the capital management process.

The Board of Directors confirms the risk strategies and sets target levels for capital that cover all material risks arising from business operations and from changes in the external operating environment. The company's capital adequacy management is the responsibility of the Board of Directors, which also sets the risk limits for the company's operations. Every year, the Board of Directors reviews the risks related to the company's capital adequacy management, the capital plan and the limits set for the risks.

Capital adequacy and own funds

In capital adequacy calculation Fellow Bank uses the Standardised Approach for the credit risk calculation and the basic indicator approach for operational risks.

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**

Liquidity Coverage Ratio and stable funding

Liquidity risk can be defined as a disparity in the balance of incoming and outgoing cash flows. The risk may materialise 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.

Sufficient liquidity is ensured by the limit set by the company's Board of Directors to the company's cash assets. The company prepares for the repayment of future debts by limiting new lending in the upcoming years as necessary, thereby ensuring its liquidity position. The company's liquidity remained stable during 2022.

The Group's Liquidity Coverage Ratio was 370% at the end of the review 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**

General meeting, Board of Directors, CEO and auditor

At Evli Bank Plc's Extraordinary General Meeting of Shareholders held in Helsinki on 22 December 2021, an arrangement between Evli Bank and Fellow Finance Oy was agreed upon through which Evli Bank was divided, through a partial demerger, into a new group that focuses on asset management and will be listed, and a company that will continue banking operations and with which Fellow Finance was merged. In the context of this arrangement, the General Meeting decided on the matters related to the implementation of the merger and on increasing Fellow Bank's share capital immediately after the implementation of the merger. More information about the arrangement and the decisions of the General Meeting of Shareholders is provided in a stock exchange release issued by Evli Bank on 25 March 2022.

Evli Bank's Annual General Meeting was held in Helsinki on 9 March 2022. The Annual General Meeting approved the 2021 financial statements and discharged the Board members and CEO from liability. The Annual General Meeting resolved to distribute a dividend of EUR 1.06 per share for the financial year 1 January 2021 to 31 December 2021, making a total of EUR 25 228 883.20.

Until 1 April 2022, the Board of Directors of Evli Bank consisted of Henrik Andersin (Chairman), Fredrik Hacklin, Sari Helander, Robert Ingman and Teuvo Salminen. Maunu Lehtimäki was the CEO.

Until 1 April 2022, **Fellow Finance's** Board of Directors consisted of Kai Myllyneva (Chairman), Harri Tilev, Michael Schönach, Karri Haaparinne and Tero Weckroth. Teemu Nyholm was the CEO. The general meeting of Fellow Finance's shareholders held on 25 May 2022 adopted the financial statements for 2021 and for 1 January to 1 April 2022 (final account) and discharged Fellow Finance's former Board members and CEO from liability.

In addition, the Extraordinary General Meeting of Shareholders held on 22 December 2021 elected six (6) members to **Fellow Bank's** Board of Directors. Markku Pohjola, Teuvo Salminen, Lea Keinänen, Kai Myllyneva, Jorma Pirinen and Tero Weckroth were elected as ordinary members of the Board of Directors for a term that started on the date of registration of the implementation of the merger and ends at the close of the Annual General Meeting following the implementation date.

Fellow Bank's Board of Directors held a constitutive meeting 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 is the Deputy to the CEO.

PricewaterhouseCoopers Oy, an auditing firm, is the auditor elected by the company, with Jukka Paunonen, Authorised Public Accountant, as the principally responsible auditor.

Shares and shareholders

Combination of Evli Bank's share series

On 22 December 2021, the Extraordinary General Meeting of Shareholders decided to combine Evli Bank's series A and series B shares into a single share class. The 20 votes per share conferred by the series A shares were converted into one vote per share conferred by the share of the combined series, so that each share in the company has one (1) vote after the combination of the share classes.

Authorising the Board of Directors to decide on the purchase of treasury shares

The General Meeting of Shareholders authorised the Board of Directors to decide on the purchase of treasury shares in one or more tranches as follows: The total number of treasury shares to be purchased may not exceed 8 700 000 shares. The number of shares corresponds to a total of approximately 10 per cent of all shares in the company after the merger between the company and Fellow Finance Plc has been completed and the private placement in connection with the merger has been implemented. Under the authorisation, treasury shares may only be acquired with unrestricted equity. Treasury shares may be acquired at the price formed for them in public trading on the acquisition date or at a price otherwise determined by the market. The Board of Directors shall decide how treasury shares are acquired. Treasury shares may be acquired in a proportion other than that of the shares held by shareholders (directed acquisition).

Authorising the Board of Directors to decide on the issue of shares

The General Meeting of Shareholders authorised the Board of Directors to decide on the issue of shares and special rights entitling to shares as defined in chapter 10, section 1 of the Limited Liability Companies Act, in one or more tranches, either against payment or free of charge.

Based on the authorisation, the number of shares issued or transferred, including shares received on the basis of special rights, may total a maximum of 4 350 000 shares. The number of shares corresponds to approximately 5 per cent of all shares in the company after the merger between the company and Fellow Finance Plc has been completed and the private placement in conjunction with the merger has been implemented.

The authorisation enables the Board of Directors to decide on all the terms and conditions of the share issue and of the granting of special rights entitling to shares, including the right to deviate from shareholders' pre-emptive subscription rights. The Board of Directors may decide to issue either new shares or any treasury shares held by the company.

The authorisation cancels the previous unused authorisations to issue shares and stock options, and any other authorisations regarding issuance of special rights providing entitlement to shares. The authorisation is valid from the implementation of the merger between the company and Fellow Finance Plc until the next Annual General Meeting, but not later than 30 June 2023.

Fellow Bank's share and changes after the merger

Trading in series B shares in Fellow Bank Plc on the main list of the Nasdaq Helsinki began on 4 April 2022under the ticker symbol FELLOW. One series B share entitles its holder to one vote at a General Meeting of Shareholders. 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% of all the shares and votes conferred by shares in the parent company.

During the financial year, Fellow Bank purchased the entire share capital of Mobify Invoices Oy ("Mobify"). 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.

	Number of own shares held	Number of shares in circulation
1.1.2021	**328 998**	**23 780 422**
Purchase of own shares	-77 015	77 015
Other amendments		
31.12.2021	**251 983**	**23 857 437**
Total number of shares		24 109 420
1.1.2022	**251 983**	**23 857 437**
Merger consideration shares		43 041 750
Share issue shares		20 005 924
Purchase of shares in subsidiaries		1 175 088
Other amendments	-31 613	31 613
31.12.2022	**220 370**	**88 111 812**
Total number of shares		**88 332 182**

The closing price of Fellow Bank's share was EUR 0.36 on 30 December 2022, the last trading day of the financial year. From 2 April 2022 onwards, its lowest trading price was EUR 0.33, with the highest trading price being EUR 0.58. Fellow Bank's market capitalisation was EUR 32.1 million at the end of the financial year.

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, personnel and locations

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

On 4 July 2022, Fellow Bank announced its purchase of all shares in Mobify Invoices Oy ("Mobify"). Mobify is a Finnish company that offers an easy-to-use mobile app for comprehensive financial management. The functionalities of the Mobify app will be gradually integrated into Fellow Bank's digital service offering. The entire personnel (7 people) of Mobify transferred to the Fellow Bank Group. This will further accelerate 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 4 July 2022.

The Group had 73 employees at the end of December 2022 (12/2021: 66). Its number of employees increased by 11% within the financial year. The growth consisted both of employees who transferred from Evli Bank to Fellow Bank in the merger and of newly recruited employees. Of its employees, 65 (57) were based in Finland in the offices in Helsinki and Turku and 8 (9) in other countries of operation.

Corporate governance and remuneration statement

Fellow Bank publishes the Corporate Governance Statement and the Remuneration Policy and Statement on its website at the same time as the Annual Report Link.

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. The credit loss reservation of the loan portfolio was EUR 3.2 million.

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.

The Board’s suggestion for distribution of proceeds

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.

Helsinki, 27 February 2023

Board of Directors
Fellow Bank Plc

Group´s Financial statements 1.1.-31.12.2022

Notes to the Consolidated Financial statements

Consolidated Income statement

	Note	2022	Adjusted 2021
Interest income		11 101	3 415
Interest expenses		-2 048	-766
Net interest income	K3	**9 053**	**2 650**
Fee income	K4	3 885	7 443
Fee expenses	K4	-2 374	-2 946
Net fee and commission income		**1 511**	**4 497**
Net income from investing activities	K5	-349	0
Other operating income	K6	24	41
Total income		**10 239**	**7 188**
Operating expenses			
Personnel expenses	K7	-5 378	-3 248
Other administrative expenses	K8	-4 487	-2 646
Depreciation and amortization	K9	-691	-495
Other operating expenses	K10	-1 046	-274
Total operating expenses		**-11 601**	**-6 663**
Realized and expected credit losses	K11	-8 321	-1 989
Profit before taxes		**-9 684**	**-1 464**
Income taxes	K12	-901	-101
Result for the year		**-10 585**	**-1 564**

	Note	2022	Adjusted 2021
Other comprehensive income/loss			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		15	6
Other comprehensive income after taxes		15	6
Comprehensive income, total		**-10 570**	**-1 558**
Result for the year attributable to			
Equity holders of parent company		-10 585	-1 564
Total comprehensive income attributable to			
Equity holders of parent company		-10 570	-1 558
Earnings per share	K13		
Earnings per share (EPS), basic, EUR		-0,14	-0,04
Earnings per share (EPS), diluted, EUR		-0,14	-0,04

Consolidated Balance sheet

	Note	2022	Adjusted 2021
Assets			
Cash and equivalents	K15	120 528	0
Claims on credit institutions	K16	5 941	3 457
Claims on the public and public sector entities	K17	154 656	13 439
Intangible assets and goodwill	K18	8 157	1 403
Property, plant and equipment	K19	140	268
Other assets	K20	1 438	2 560
Accrued income and prepayments	K21	210	177
Income tax assets	K22	461	81
Deferred tax assets	K22	129	1 032
Assets total		**291 661**	**22 418**

	Note	2022	Adjusted 2021
Liabilities			
Liabilities to the public and public sector entities	K23	246 810	0
Debt securities issued to the public	K24	0	8 402
Subordinated liabilities	K25	6 203	0
Other liabilities	K26	8 796	1 567
Accrued expenses and deferred income	K27	3 867	583
Income tax liabilities	K22	0	77
Liabilities total		**265 675**	**10 629**
Equity	K28		
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

	Note	Attributable to the equity holders of the parent					
	Note	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total	Total equity
Equity on 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**	**-10 570**	**-10 570**
Reverse acquisition*		6 446	6 056			12 502	12 502
Share issue		11 715				11 715	11 715
Other changes**			500			500	500
Share based payments					51	51	51
Equity on 31.12.2022		**18 286**	**19 917**	**17**	**-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.
**Other changes from 2022 include the part of the purchase price paid in shares related to the acquisition of Mobify Invoices Oy, which is presented in the section Reserve for invested unrestricted equity.

	Note	Attributable to the equity holders of the parent					
	Note	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total	Total equity
Equity on 1.1.2021		**125**	**13 361**	**-4**	**-300**	**13 182**	**13 182**
Result for the year					-1 564	-1 564	-1 564
Other comprehensive income				6		6	6
Total comprehensive income				**6**	**-1 564**	**-1 558**	**-1 558**
Share based payments					165	165	165
Equity on 31.12.2021		**125**	**13 361**	**2**	**-1 699**	**11 790**	**11 790**

Consolidated Cash flow statement

	2022	Adjusted 2021
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 activities 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	-141 982	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	11 700	1 000
Cash flow from operating activities	**114 461**	**6 122**

	2022	Adjusted 2021
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	3 457
Cash and cash equivalents at the end of period	**126 469**	**3 457**

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

G1. Accounting principles for the Consolidated Financial statements

Basic information on the company

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.

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 Financial statements 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 Fellow Bank Group consisted 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 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.

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. The company's home country is Finland and its domicile is Helsinki. The legal form of the company is a public limited company.

Copies of the Financial Statements and Interim Reports are available on the Bank´s website www.fellowpankki.fi.

Basis for preparation of the financial statements

The consolidated financial statements have been prepared in compliance with IFRS (International Financial Reporting Standards), approved for application in the EU, and IAS (International Accounting Standards) valid at the end of 2021, together with their respective SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) interpretations. The notes to the consolidated financial statements also include information required by Finnish accounting and limited liability company legislation and the supplementary requirements of authorities´requirements.

The consolidated financial statements have been prepared for a period of 12 months from 1 January to 31 December 2022. The accounting policies apply to 2022. The accounting policies for comparative figures are presented in the 2021 Financial Statements.

As a result of the business model that changed with the merger, the figures for the comparison periods are not comparable. Although there was a significant change in the company's earnings logic, however, the accounting principles in many respects remained unchanged. In the old business model, to the Fellow Finance group affiliated subsidiary Lainaamo Oy acted as one of the investors in peer-to-peer loans. Lainaamo Oy's the financial assets and liabilities on the balance sheet, as well as the related income and expenses, were recorded in at the Fellow Finance group, with the same accounting principles that Fellow Bank is using now.

The figures of the consolidated financial statements are presented in thousands of euros unless otherwise indicated, and the figures are rounded to the nearest thousand, and therefore the sum of individual figures may deviate from the presented total sum. The consolidated financial statements are presented in euros, which is the operating and presentation currency of the Company and the Group.

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 Group Financial Statement report, the income statement, balance sheet, cash flow statement and accompanying information for the years 2021 and 1.1.-1.4.2022 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.

Goodwill

During the financial year, the group has implemented a new accounting principle regarding goodwill.

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

Income statement reclassifications 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).

EUR THOUSAND	1.1.-31.12.2021 Fellow Finance historical
Revenue	10 688
Other operating income	41
Materials and services	-2 946
Personnel expenses	-3 248
Depreciation, amortisation 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**

EUR THOUSAND	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
Total	**6**
Other comprehensive income after taxes	**6**
COMPREHENSIVE INCOME, TOTAL	**-1 558**

Fellow Finance balance sheet reclassifications 31 December 2021

Balance sheet reclassifications from 1.1.-31.12.2021

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).

EUR THOUSAND	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**

EUR THOUSAND	1.1.-31.12.2021 Fellow Bank 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	
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**

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.

Consolidation principles

In addition to the parent company, the consolidated financial statements include all the companies in which Fellow Bank Plc has control (subsidiaries). Fellow Bank Plc has control in a company if it is exposed to, or has rights to, the variable returns of an investee, and can affect the amount of returns it receives by using its power related to the investee.

Companies acquired during the financial year are consolidated to the consolidated financial statements from the moment they are acquired, and consolidation ends when Fellow Bank loses its control over the company. The consolidated financial statements have been prepared using the acquisition method. The consideration transferred, the identifiable assets of the acquired entity and liabilities taken for liability are valued at fair value at the time of acquisition. Any goodwill shall be recorded in the amount by which the cost exceeds the Group's share of the fair value of acquired assets and liabilities at the time of acquisition. Expenditure related to acquisition has been recorded as an expense.

The financial statements of subsidiaries are adjusted if necessary to correspond with the principles applied in the preparation of the consolidated financial statements. All intra-group transactions, assets and liabilities, and income and expenses from transactions between Group companies, are eliminated as part of the consolidation process.

Segment reporting

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.

Currencies and foreign Group companies

The bookkeeping and reporting of Group companies is carried out in the currency of their operating environment (operating currency). The consolidated financial statements are presented in euros, which is the operating l and presentation currency of the parent company. The importance of international operations to the group's financial position is minor. During the accounting period, the group had active business operations abroad in Germany, Denmark and Poland. In the fiscal year, it was decided to focus on international markets only on Danish and German business.

In the consolidated financial statements, the income statements of foreign subsidiaries are converted into euros at the average rate of the financial year, and balance sheets are converted at the exchange rate of the balance sheet date. The difference in average exchange rates resulting from different exchange rates in the comprehensive income and balance sheet is recognised in other comprehensive income. The conversion differences arising from the consolidation of foreign subsidiaries and from post-acquisition cumulative changes in equity items are recognised in other comprehensive income.

Transactions denominated in foreign currencies are recognised in the operating currency using the exchange rate of the transaction date. Monetary items are translated into operating currency using the exchange rates at the end of the reporting period. Non-monetary items are measured at the exchange rate on the date of the transaction. Foreign currency transactions are translated into the operating currency using the exchange rates prevailing on the date of the transaction. Monetary items are translated into the operating currency using the exchange rates at the end of the reporting period. Foreign exchange gains and losses incurred from payments related to transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate prevailing on the balance sheet date, are recognised in profit or loss. Foreign exchange gains and losses are presented in the income statement under net income from securities transactions.

Financial assets and liabilities

The Group's financial assets and liabilities are classified in accordance with IFRS 9 Financial Instruments.

Financial assets

According to the IFRS 9 Financial Instruments standard financial assets are measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

In connection with the initial recognition, the financial assets are classified into one of the following three categories:

Financial assets that are classified at fair value through other comprehensive income

- The company has no financial assets to be recognized at fair value through comprehensive income.

Financial assets that are classified at fair value through profit or loss

- The company has no financial assets to be recognized at fair value through comprehensive income.

The Group's financial assets measured at amortised cost until April 1, 2022:

- Short- and long-term loan receivables
- Accounts receivables
- Receivables from receivables from customer accounts
- Cash and cash equivalent

The company's lending took place until April 1, 2022 from the balance sheet of the subsidiary Lainaamo Oy. Lainaamo Oy acted as one of the loan investors on the peer-to-peer lending and crowdfunding platform maintained by the Company. In April 2022, the credit portfolio of Lainaamo Oy's balance sheet was sold to the parent company Fellow Bank.

The Group's financial assets measured at amortised costs as of April 2, 2022:

- Cash and cash equivalents
- Claims on credit institutions
- Claims on the public and public sector entities

The reclassifications of items are described in more detail in the New accounting principles section.

The classification and measurement of financial assets are based on the business model and an assessment of cash flow characteristics (SPPI test).

Assessment of business models

Fellow Bank has defined the business models it applies to financial instruments based on their intended purpose. The business model reflects how a group of financial instruments is managed in a business unit in order to meet financial objectives. The business model is not assessed on an individual instrument basis; instead, it is based on classes of financial assets grouped by the management. The business models defined by Fellow Bank depend on how well the company manages a financial asset class and whether the management intends to hold financial assets to collect cash flows, for trading, or both. According to the business model applied to financial assets by Fellow Bank, financial instruments are managed in order to collect contractual cash flows. The Merger that took place in April 2022 did not change the business model from the point of view of the accounting treatment of financial assets.

The solely payments of principal and interest (SPPI) test

The objective of the SPPI test is to evaluate the contractual cash flow characteristics of a cash asset, and to pass the SPPI test, cash flows must be solely payments of principal and interest. Fellow Bank assesses the contractual terms of financial assets in order to determine whether they pass the SPPI test.

If the contractual terms of the financial assets contain other terms that are not related to the primary loan arrangement and that do not consist only of principal payment and payment of interest on the remaining principal, the financial assets will be measured at fair value through profit or loss. If a financial asset does not pass the SPPI test, the agreement terms must cause a greater than minor exposure to risks or volatility in contractual cash flows. Fellow Bank's financial assets pass the SPPI test and their contractual terms meet the SPPI criteria.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if the item is held as part of a business model that aims to hold financial assets in order to collect contractual cash flows, and the cash flows are solely payments of principal and interest. Such items in Fellow Bank include e.g. loans to customers and purchased peer-to-peer loan portfolios.

Financial assets measured at amortised cost are initially recognised at fair value inclusive of expenses immediately caused by the acquisition, such as loan broker commissions. After initial recognition, the items are measured at amortised cost using the effective interest rate method. This refers to the interest rate at which the future payments that are expected to become payable or receivable during the financial instrument's expected exercise period are discounted at the financial instrument's net book value. Fellow Bank does not grant significantly long loans, such as mortgages. The book value is adjusted by a credit loss provision using the expected credit loss measurement model (see next section on impairment of financial assets).

Reclassification and derecognition of financial assets

Financial instruments are reclassified only if a business unit's business model changes substantially. The Merger that took place in April 2022 did not change the business model from the point of view of the accounting treatment of financial assets. Financial assets and liabilities are recorded according to the trading date. Previously recorded profits and losses are not modified retroactively. Financial assets and liabilities shall be offset and presented in net terms on the balance sheet only when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. There are no offset items in the consolidated balance sheet.

A financial asset is derecognised from the balance sheet only when the contractual rights to the asset's cash flows cease to exist, the contract is terminated, or the asset is transferred to another party and the transfer fulfils the requirements of derecognition.

Financial liabilities

According to the IFRS 9 Financial Instruments standard financial liabilities are initially recognised at fair value at trade date based on the consideration received inclusive of expenses immediately caused by the acquisition. After initial recognition, financial liabilities such as bonds issued by the Company and other financial liabilities are measured using the effective interest rate method at amortised cost.

In connection with initial recognition, financial liabilities are classified into one of the following items:

Financial assets that are classified at fair value through profit or loss
- The company has no financial assets to be recognized at fair value through comprehensive income.

The Group's financial liabilities measured at amortised cost until April 1, 2022:
- Liabilities to credit institutions
- Liabilities to the public
- Accounts payable

The Group's financial liabilities measured at amortised costs as of April 2, 2022:
- Liabilities to the public and public sector entities
- Debt securities issued to the public

The reclassifications of items are described in more detail in the New accounting principles section.

Derecognition of financial liabilities
The Company must derecognise a financial liability or part of it from its balance sheet only if the liability has ceased to exist, in other words when the obligation specified in the contract is either discharged or cancelled or expires. Fellow Bank derecognises financial liabilities when the obligation specified in the contract is discharged.

Impairment of financial assets

The impairment model applied by the Company is based on calculating expected credit losses (ECL). In the Company, expected credit loss calculation is applied to financial assets measured at amortised cost, the most substantial part of which is loan receivables from customers. Impairments also concern off-balance sheet commitments, such as unused credit facilities related to overdraft facilities. Impairment is not applied to financial assets measured at fair value, unless they are measured at fair value through comprehensive income. A simplified impairment model is applied to accounts receivable.

The key components of the model based on expected losses are assessing substantial credit increases in credit risk, and the expected credit loss calculation model. The calculation model used by the Company is based on the historically verified credit risk of loans by risk class, historically verified quantitative factors that correlate increases in credit risk, and estimates provided by a forward-looking macroeconomic model.

Expected credit losses (ECL) are calculated using the following formula with weighted probabilities: EAD (amount of exposure at the time of default when realisation of collateral is included) * PD (probability of default) * LGD (loss % of exposure). The ECL is an indicator of the Company's estimate of how much less cash flow it will receive on the loan than it should under the contract.

A three-stage model is used to determine credit losses. In the first stage, the likelihood that the debtor will experience payment issues within the following 12 months is estimated. Stage 1 includes items where credit risk is estimated not to have materially increased after initial recognition or the credit risk of the item is estimated to be low. If the debtor's credit risk has materially increased after initial recognition, expected credit loss is estimated for the entire duration of the contract (stage 2). Assets in stage 3 are assets with impaired value regarding which matters have already come to light that will have a negative impact on future cash flows, including the insolvency of the counterparty.

The interest income on financial assets is presented for gross principal for financial assets in stages 1 and 2, and for net principal, i.e., after provisions, for items in stage 3.

Evaluation of substantial increase in credit risk

A key component of the ECL model is the analysis of counterparties' credit risks and changes in credit risks that take place after a loan is granted. For individual loans, the Company monitors various quantitative factors, and macroeconomic trends that are estimated to be of significance in evaluating default risk. In these estimates, factors that are accessible without unreasonable expenses and effort are generally considered. In the event of a substantial increase in credit risk, receivables are classified based on the increase in the risk level of the loan receivable to stages 2 and 3.

Characteristics of loans classified as stage 2

If a loan's credit risk has increased substantially since the loan was issued, the exposure's risk level is raised to stage 2. In stage 2, the expected credit loss of the exposure or loan is estimated for the entire exercise period. The following criteria indicate that credit risk has increased substantially:

- The payments on a receivable are delayed by more than 30 days, for non-technical reasons.
- Changes in the counterparty's financial position, such as a substantial deterioration of creditworthiness and financial status.
- Other characteristics that have a substantial impact on credit risk or the value of collateral.

Characteristics of loans classified as stage 3

Individual loans whose values have verifiably declined are recognised in stage 3. One or several events have come to light with respect to the counterparty that will have a negative impact on future cash flows. These can include one of the following, for example:

- Payments (repayment or interest) are delayed by more than 90 days.
- The debtor's bankruptcy or liquidation, or other significant financial difficulties.
- The debtor is declared insolvent.

Evaluation of elevated credit risk and insolvency

In the Company, the application of elevated credit risk and insolvency criteria are primarily based on (in addition to the above-mentioned criteria) the delay in credit repayment, i.e., the number of days of delay. Technical past due situations are not considered in the evaluation of payment delay. A technical past due situation can be considered to have occurred if it results from an error or system error of the Company, including failure of the payment system, delay in allocation of the payment on the customer's account, or any other similar situation. With respect to exposures, the Company applies the insolvency definition in relation to all the borrower's payment obligations, meaning that if there are defaults for one exposure, then all exposures to that debtor should be considered defaulted. The Company applies product-specific, euro-denominated thresholds to the volume of the default.

In order to evaluate the elevated credit risk associated with larger loans (business financing), the Company regularly monitors other factors that can cause credit risk to increase in addition to delayed payment, including substantial changes in the company's financial position, delays in payment of purchase invoices, and changes in external credit ratings or changes in collateral situation. For these, the Company uses the monitoring services of credit information registers, which provide alerts on defaults and changes in credit rating of credit customers. The Company reviews the situation of the credit portfolio monthly (delayed payments, negative changes in creditworthiness, notified customer defaults, collateral shortfalls and setting of additional collateral), and updates the estimated increase in credit risk for these loans, if necessary.

Recognition of impairment as realised credit losses

An impairment is recognised as a credit loss and written down in the balance sheet when the loan receivable has been sold to a third party at a discounted price, the debtor has been found insolvent in bankruptcy proceedings, it has closed operations, or the receivable has been waived in a voluntary or statutory loan arrangement.

Calculation model for expected credit losses

Expected credit losses is an estimate, with weighted probabilities, of the difference between the following cash flows: contractual cash flows of the exposure – the cash flows that the bank expects to receive from a contract. The following formula is used to define the expected credit loss: ECL (expected credit loss) = PD (probability of default) * LGD (total loss when realisation of collateral is included) * EAD (amount of exposure at the time of default when realisation of collateral is included).

PD, LGD and EAD are evaluated separately for each contract and for each forthcoming year during the lifetime of each evaluated contract. These three components are multiplied together. The income received for each upcoming year (stages 2 and 3) or for only the first year (stage 1) is discounted at the time of reporting and added together. The discount rate applied in the ECL calculation is the effective interest rate of the repayment plan under the original contract.

Determining the probability of default

The probability of default (PD) is the likelihood that the borrower will default on its future obligations within the following 12 months. The probability is defined separately for the subsequent years during the lifetime of the loan. For stage 2 and 3 loans, the annual probability of default is considered for the entire lifetime of the loan, while for stage 1 loans, the probability is considered only for the first year.

For consumer loans and corporate loans, the starting point for the PD percentage is defined as the proportion of non-performing loans of the loans historically issued by the company in each risk category, taking account of the payment history and the amount of time that the loan has already been repaid at the time of reporting. The PD figures are updated every six months. A high overall number of issued loans allows the PD percentage to be evaluated reliably for each risk category.

In addition, in the PD evaluation of stage 2 loans, the debtor's increased likelihood of default at the time of reporting on the basis of the debtor's payment delay at the time, taking into account all the debtor's loans and any payment arrangements that have been agreed upon, is taken into account.

Amount of exposure at the time of default

The amount of exposure associated with a receivable at the time of default is defined as the unpaid principal of the receivable and the interest accrued at the time of reporting. A portion equivalent to the collateral coverage ratio of the collateral connected to the receivable is deducted from this value.

The collateral coverage ratios of the collateral of the receivable are estimated in accordance with separate guidelines on the measurement of collateral, and these are updated regularly.

Furthermore, for credit facility-type receivables, an estimate of the portion of the debtor's unused credit facility that the debtor will draw down during the following year is added to the exposure associated with the receivable. These off-balance sheet exposures and the associated credit loss provision are calculated and reported separately.

Effects of macroeconomic developments on the probability of losses

The determination of the final PD percentage also takes into account the impact of a forward-looking macroeconomic model. In the applicable macroeconomic model, the key variable is the unemployment rate and its development. A forecast produced by the Ministry of Economic Affairs and Employment is used as the basis for the future performance estimate. The Company evaluates macroeconomic trends and forms three scenarios based on them: a basic, negative and positive scenario. The scenarios estimate the probability with which the macroeconomic variable that correlates with the default risk of the target market performs as expected in the future. The effects of the scenarios on the PD percentage based on risk class are weighted in accordance with the Company's view.

Definition of total loss in a default situation

Loss given default (LGD) determines the total loss in a payment default situation.

The most important variables that influence the calculation model with respect to LGD are the likely sale price of non-performing loans to collection agencies based on contracts that are in force with agencies, an evaluation of repayments of loans as a result of collection measures, and the payment delay on the loan at the time of reporting.

Application of the loss allowance model

The probability of losses from stage 1 loans is defined by risk category and adjusted by the weighting of the macroeconomic scenario model. The probability of losses and the overall expected loss given default are applied to the cash flow statement of the loans for the next 12 months, which is discounted to the present value.

In stage 2, the probabilities of credit losses are first determined by risk category, after which they are adjusted by the weighting of the macroeconomic scenario model, and by the coefficient reflecting the observed increase in default risk. The probability of losses and the overall expected loss given default are applied to the loans' discounted cash flow statement for the entire exercise period.

In stage 3, the loans' probability of loss is 100 per cent. The exercise periods of non-performing loans are evaluated and the cash flows, which are adjusted by the overall expected loss, are discounted to the present value.

The results produced by the calculation model are reported regularly in the Group's Management Team and Board of Directors. The Group's financial administration together with the Group risk management evaluates credit risks and maintains the calculation model.

Recognition of actual credit losses

A loan is recognised as an actual credit loss when it is likely that the corresponding amount will no longer be obtained. Generally, the credit losses of unsecured loans are recognised when the receivable falls due and the loan is terminated (generally when the payment delay exceeds 90 days), after which the receivable is sold to a collection agency. Alternatively, a credit loss can be recognised when the debtor is declared insolvent, for example due to filing an application for debt restructuring, or due to other circumstances on the basis of which the debtor is declared insolvent. The credit losses of secured receivables are recognised no earlier than when the collateral has been realised and allocated to the receivable. Even then, the final receivable is not necessarily recognised as a credit loss if a payment plan has been set up for it. Even though the receivable is recognised as a credit loss, the collection will still continue as post-collection. After the recognition of the credit loss of an individual loan, the loan in question is no longer included in the calculation of expected credit losses, and therefore, impairment recognition is no longer carried out on it.

Impairment model for accounts receivable

On its crowdfunding and peer-to-peer lending platform, the Company applies a simplified impairment model in determining the impairment of fee receivables (accounts receivable) charged from borrowers. In the model, impairment is calculated using impairment percentages determined for individual products and markets that are tiered according to the payment delays of the accounts receivable at the time of reporting. The applicable impairment percentages reflect the Company's evaluation of the default risk posed to these accounts receivable as estimated on the basis of realised historical credit losses.

Group income

The group's income consists of net interest income, net fee and commission income, net income from investing activities and other operating income.

Interest income and interest expenses

Interest income and expenses arising from financial assets and liabilities are essentially recorded using the effective interest method in the profit and loss account in net interest income. Fees that form a significant part of the effective interest rate on financial assets or liabilities, such as loan brokers commissions, are recognised using the effective interest method on the income statement under net interest income.

Commission income and expenses

According to the nature of the service, the fees are recognised either over time or at one point in time, as a rule, on a performance basis, at one point in time, when control over the performance obligations of the services has been transferred to the customer.

Account management fees and the continuous commission for loans are recognised as income over time. In these services, the customer benefits from the service as it is produced. Fees for payment reminders are recognised as revenue at one time. A credit loss provision is applied to account management fees and fees for payment reminders because the receipt of these fees is subject to uncertainty.

The opening commissions of the loans are recognised as revenue over time and the payment obligation is fulfilled when the loan is drawn down. The amount of opening fees is small.

Additionally, the company collects other fees for additional services used by the borrower, such as changes in the repayment plan. These are charged to the borrower, as a rule, for the loan when the borrower changes the payment program or is added to the next loan repayment bill as a separate fee.

Fee expenses consist of, among other things, from external data sources utilized in the lending and loan management process and from bank charges of customer reserve accounts in the peer-to-peer lending business.

The Company practiced crowdfunding and peer-to-peer lending business until the Merger. After the merger, no new crowdfunding or peer-to-peer loans have been brokered. In the crowdfunding and peer-to-peer lending business the Company mainly acted as an agent of sold products, in which a loan investor (other party) is arranged to provide services (the loan) to the borrower (the customer). The Company also collects from the borrowers a recurring fee for peer-to-peer loans, which is formed from the difference between the interest received by the loan investor and the interest paid by the borrower (2%). This the fee is charged to the company when the borrower pays the loan interest together with the repayment of the loan capital. From the loan investor the company collects secondary market fees on the loan sold in the secondary market. The Company charges a secondary market fee from loan investors for selling loans on the secondary market. In secondary market trading, the seller of the loan pays the fee, which is deducted from the amount paid to the seller for the sale.

Investment income

Recurring income from investments, valuation profit and losses and sales profit and losses are recorded as investment income. In addition, exchange rate income and expenses are recorded in this group.

Other operating income

Income that does not fall under the previous items is recognised as other operating income.

Intangible and tangible assets

Intangible assets

Intangible assets mainly consist of internally created information systems, related development work and intangible assets related to customer relationships recorded in the balance sheet in connection with business acquisitions. Intangible assets are recognised in the balance sheet at cost if their acquisition cost can be reliably measured and if it is probable that the intangible asset will produce future economic benefits. Expenses that were recognised in accordance with the requirements of IAS 38 Intangible Assets with respect to the own work portion related to IT projects were capitalised under data systems.

Intangible assets are amortised on a straight line basis over their estimated useful economic lives. Amortisation periods of intangible assets: Data systems and licence fees: 3–5 years. The Group evaluates the amortisation periods and amortisation methods at least at the end of each financial year. The amortisation is commenced when an asset is ready to be used. The unamortised acquisition cost of an asset is fully amortised in one single step if it is deemed that the intangible asset is no longer of benefit to the Group. If the benefit is deemed to have declined substantially in relation to the unamortised acquisition cost, then an impairment is recognised.

Separately acquired intangible assets are measured upon initial recognition in the accounts at acquisition cost. After the initial recognition, intangible assets are recognised at acquisition cost less accumulated amortisation and accumulated impairment losses. With the exception of capitalised development costs, internally generated intangible assets are not capitalised, and expenses related to them are reflected in profit or loss for the period in which the expenses were incurred.

Goodwill

The goodwill generated in business combinations is recorded in the amount by which the transferred consideration exceeds the fair value of the acquired net assets. Goodwill is tested annually and when an event or change in circumstances shows that the balance sheet value may not be recoverable. Depreciation according to the plan is not recorded on goodwill.
For impairment testing, goodwill is allocated to cash-generating units, or if it is a subsidiary, the goodwill is included in the acquisition cost of that subsidiary and the subsidiary forms a cash-generating unit. If for a cash-generating unit the amount of recorded goodwill exceeds the recoverable amount, the difference is recorded as a impairment.

Tangible assets

Tangible assets consist mainly of ICT equipment and office furniture. Tangible assets are measured at historical cost less accumulated depreciation and any impairment. Acquisition cost includes the costs that are directly caused by the acquisition of the tangible asset in question.

Tangible assets are depreciated using the straight-line method based on their estimated useful economic lives. Depreciation times of tangible assets: Machinery and equipment: 4 years. The estimated useful lives and residual values are checked at least on the end date of each financial year. If these differ substantially from previous estimates, the depreciation periods are changed accordingly. Depreciation is discontinued when an asset is classified as for sale.

Sales profits or losses arising from the retirement of fixed assets are calculated as the difference between the selling price and the book value and are recognised through profit or loss in other operating income or costs.

Impairment of tangible and intangible assets

In connection with the financial statements, the management reviews the impairment of tangible and intangible assets. Impairment tests require the management team's discretion and assessment of the amount of money accrued by the asset in the future, its financial useful life and used discount rate.

Right-of-use assets and lease liabilities

According to IFRS 16, a lease is a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the inception of a contract and in situations in which the terms of a contract are amended, the Company evaluates whether the contract contains a lease. Fellow Bank assesses control of use on the basis of the following criteria in accordance with IFRS 16: the contract contains an identified asset in which substantially all the economic benefits from use of the identified asset are directed to Fellow Bank, and Fellow Bank has the right to direct the use of the asset. The lease term begins at the starting time specified in the lease. The date of termination of the lease is the date of termination according to the lease. If the lease is of an indefinite duration, the date of termination is evaluated on a lease-by-lease basis. The evaluation is based on the Company's strategic situation and on costs that would arise if a leased asset were replaced by another asset.

IFRS 16 contains two exemptions that facilitate recognition and measurement. Fellow Bank has elected that leases with a term of 12 months or less and right-of-use assets of a value of no more than approximately EUR 5,000 are not recognised in the balance sheet. These short-term leases and right-of-use assets of low value are directly expensed during the lease term.

Right-of-use assets

Fellow Bank's leases that are capitalised in the balance sheet are based on the Company's leased premises and parking spaces. At the starting time of the lease, right-of-use assets are measured at acquisition cost, which is based on the original nominal value of the lease liability. After the original measurement of fixed assets, fixed assets are measured at original cost less accumulated depreciation and actual impairment. Right-of-use assets are depreciated during the lease term and the depreciation is recognised as expenses in the income statement under depreciation, amortisation and impairment.

Lease liabilities

At the starting time of the lease, the original nominal value of the lease liability consists of the current value of leases payable during the lease term, discounted by the interest rate on Fellow Bank's additional credit. After the original nominal value of the lease liability is determined, lease liabilities are measured at the original nominal value less the principal portion of paid lease payments. The amount of the lease liability is reassessed if future lease payments change because of an index or price change, or as a result of an extension of the lease term, for example. If the amount of the lease liability is adjusted in conjunction with the reassessment, a corresponding adjustment will also be made to the right-of-use assets item. Interest expenses caused by the lease liability are recognised in the income statement under financial expenses.

Lease payments are discounted using the incremental borrowing rate because interest rates are not available for leases. The Group's incremental borrowing rate is determined on the basis of received financing offers and market conditions and is reviewed annually. The business premises lease agreement does not include options to extend, and any options to extend will be taken into account if the management considers it likely that they will be used.

Income taxes

Income taxes comprise current and deferred tax.

The current tax for the period is recognised in the income statement. Current tax is calculated for the period in accordance with the regulations of each country on the basis of the enacted tax rate. The tax liabilities or receivables that are based on the taxable profit for the period are recognised for the amount that is expected to be paid to the tax authorities or to be received from them as credit. The amount is determined using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date in countries in which the Group operates and produces taxable income.

The Group will recognise a deferred tax asset for deductible temporary differences only to the extent that it is probable that taxable income will be produced in the future against which the Group can utilise the temporary difference. The amount of the deferred tax asset and the probability that the deferred taxes can be utilised are re-evaluated at the end of each reporting period.

Earnings per share

The undiluted earnings per share are calculated by dividing the profit for the financial year attributable to the parent company's shareholders by the average number of outstanding shares 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.

If the profit for the presented periods is negative, the earnings per share adjusted by the dilutive effect is the same as the undiluted earnings per share.

Employment benefits

Employee benefits consist of short-term employee benefits and benefits related to termination of employment.

Short-term employment benefits such as salaries and fringe benefits, annual holidays and performance bonuses are expected to be paid in full within 12 months from the end of the accounting period during which the employees perform the relevant work. Benefits based on termination of employment consist of severance pay.

Fellow Bank has a share-based incentive program for the group's key personnel, where payments are partly share-based and partly as cash. The monetary contribution aims to cover the costs incurred by the key person from the remuneration taxes and tax-related payments. The benefits granted in the arrangement have been valued at the fair value at the time of their grant and recorded as an expense in the income statement for the period in which the employee has fulfilled the conditions. The amount to be recorded as an expense is based on an estimate of the number of the shares to which the right is expected to arise. The benefits are fully recorded as share-based program and the expense is carried forward over the entire period of the right. The expense is recognised under personnel expenses. On each reporting date, the Company revises its estimates on the amount of shares. The impact of the revision is recorded in income statement. The amount to be recorded as an expense will be adjusted later to correspond to the number of shares finally granted. The requirements of the IFRS 2 Share-based payments standard apply to the incentive system.

Equity

Equity consists of share capital, the invested unrestricted equity reserve, translation differences and retained earnings.

Matters requiring management judgement and estimation

The drawing up of financial statements in accordance with IFRS standards requires that certain accounting assessments are made. In addition, management must use its judgement. Judgement affects the choice of accounting policies and their application, the amount of assets, liabilities, income and expenses to be reported and the notes that must be presented. The management will exercise its judgement on the basis of estimates and assumptions that are based on earlier experience and the best view available to it on the balance sheet date concerning future performance. Estimates and decisions based on judgement are constantly monitored and they are based on actual performance and certain other factors such as expected future events that are reasonably anticipated to occur considering prevailing circumstances. Actual performance may deviate from estimates.

The accounting of expected credit loss in accordance with IFRS 9 is based on internal models that contain an assumption of a change in credit risk and probability of default. Information focusing on the future is also taken into account, as well as an evaluation of the performance of macro variables in various scenarios, and of the probability of each scenario taking place. Furthermore, in the determination of expected credit losses, management judgement is observed in the evaluation of the credit loss provisions of individual corporate loans with overdue payments, while also taking into account the business area management's analysis of the collateral coverage of the security set for loans, of the progress and situation of collection processes, as well as its overall judgement of a debtor's ability to pay.

The values of intangible assets and goodwill are regularly tested for impairment. Impairment testing requires management's judgment and assessment of the assets' futures cash flows and background assumptions.

Discretion has been applied in estimating the end dates of premise leases in order to recognise the leases in accordance with IFRS 16. Information on leases is provided in greater detail in the section Tangible assets.

New and amended standards applicable in future financial years

On the balance sheet date, the company has no information regarding new standards or amendments that are not yet in force, and that are expected to significantly affect the Company's current or future reporting periods and foreseeable future business operations.

G2 Note on risk management

Fellow Bank focuses on retail banking operations and offers selected banking and financial services to both personal and business customers. Customer acquisition is based on both Fellow Bank's own and its partners digital channels. Risk management plays a key role in Fellow Bank's operations from the perspective of business management and managing changes in the operating environment. The primary risk categories are credit risk, operational risk, market risk and liquidity risk.

The Group's internal control, risks and risk management and the Pillar III disclosure requirements pursuant to Part 8 of EU Capital Requirements Regulation (575/2013), are set out in more detail in the Fellow Bank's Capital and Risk Management Report, which is published as a separate report in conjunction with the annual report.

1. Organisation of risk management

The company's Board of Directors has primary responsibility for the Group's risk management. The Board of Directors confirms the principles and responsibilities of risk management, the Group's risk limits and other general guidelines according to which the risk management and internal control are organised.

The company's risk management is responsible for ensuring that the company's major risks are identified, evaluated, and measured and that risks are monitored and managed as part of the day-to-day management of the business areas. The company's Board of Directors regularly assesses the company's risk management strategy, risk tolerance and approach to risk-taking. The aim is to manage risks through risk assessments and measures, systematic follow-up, and analysis of the operating environment and the market. Functions that are independent of the business areas have been organised in a way that ensures efficient and comprehensive risk management and internal control as follows:

- Risk Management function
- Compliance function responsible for ensuring compliance with the rules
- Internal audit function

The aim of the Risk Management function is to promote systematic and proactive risk management that allows the company's business to be developed in a safe manner. In the company's organisation the Risk Management function operates directly under the supervision of the CEO and reports to the Board of Directors, the CEO and other members of the senior management.

The company's risk management is founded on the “three lines of defence” model:

1. The first line of defence consists of the business units. The managers of the business units are responsible for ensuring that risk management is at a sufficient level in each respective unit.
2. The second line of defence consists of the Risk Control and Compliance functions. The Risk Control function oversees compliance with the risk limits granted to the business units, as well as compliance with risk-taking policies and guidelines. The Risk Control function reports its observations to the Credit and Risk Committee, the Management Team and the company's Board of Directors. The Compliance function is responsible for ensuring compliance with regulations in all of the company's operations by supporting the senior management and the business units in applying the provisions of the law, official regulations and internal guidelines, and in identifying, managing and reporting on any risks of insufficient compliance with the rules.
3. The third line of defence is the internal audit. The internal audit assesses the functioning of the Group's internal control system, the appropriateness and efficiency of the functions and compliance with guidelines. It does this by means of audits that are based on the internal audit action plan adopted annually by the Board of the company.

2. Managing capital adequacy and own funds

The objective of Fellow Bank's capital adequacy management is to secure the sufficiency of the company's capital in relation to all material risks of its operations. In order to achieve this goal, the company identifies and evaluates all risks relevant to its operations and, based on these, measures its risk-bearing capacity to match the overall risk position. Capital adequacy management process plays a key role in defining the overall risk position. The capital adequacy management process is based on the capital requirements according to Pillar I of the solvency regulation and external risks, such as the interest rate risk of the financial balance and the business risk.

Fellow Bank continuously monitors that its equity is sufficient to cover the material risks affecting the company. Capital adequacy and operational risks are monitored by means of monthly reports in the Board of Directors and the Management Team. The reporting focuses on overall capital adequacy and Common Equity Tier 1 capital. The company's Board of Directors has confirmed an economic target of at least 16 per cent for the overall capital adequacy ratio. The aim is to ensure the sufficiency of capital also during downturns.
The total capital requirement for banks consists of a minimum capital requirement of 8.0 % in accordance with Pillar I and an additional fixed capital requirement of 2.5 % in accordance with Act on the Credit Institutions. Fellow Bank Group's capital adequacy ratio was 16.8 % and the common equity Tier 1 ratio was 12.6 %, exceeding the banks' total capital requirement (10.5 %).

More detailed information on the Group's capital adequacy is available in the Board of Directors' Report and in the Capital and Risk Management Report.

3. 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 loan customers and other counterparties not being able to meet their contractual obligations, and from issued collateral not covering Fellow Bank's receivables.

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 business, the company has systematically focused lending on customers with lower credit risk, in accordance with the risk appetite set by the government.

Fellow Bank has procedures and guidelines in place for identifying, measuring, managing, and monitoring credit risk. The company's credit risk management is based on the risk appetite specified in the risk management policy confirmed by the company's Board of Directors. In addition, the company's market- and product-specific risk policies specify the minimum criteria that the debtors must meet before a credit can be granted. Fellow Bank applies the standardised approach to the calculation of the credit risk.

Fellow Bank applies a definition of default in accordance with the EBA/GL/2016/07 guidelines. The definition is applied at the debtor level. Default is identified on the basis of the debtor's substantial payment delays, in accordance with the calculation of the days of delay or on the basis of the debtor's unlikeness to pay back. When the credit is overdue for more than 90 days and the debtor is considered default, the loan is placed in stage three in the ECL calculation. However, not all ECL stage three loans are necessarily default. Default means that the debtor's overdue loan obligation exceeds both the absolute and relative thresholds and is overdue for 90 consecutive days. About 2/3 of Fellow Bank's non-performing loans consist of foreign loans, and this position is diminishing. After the end of the financial year, a letter of intent has been signed for the sale of the Polish business. The goal of credit risk management is to limit the effects of risks arising from customer loans to an acceptable level.

In lending to consumer customers, the company applies statistical credit risk assessment methods (credit risk models) for assessing the expected default risk. The credit risk models assess the debtor's estimated default risk based on which the company assigns the debtors one of the five internal risk classes. In addition, the company always assesses the debtor's ability to pay back based on confirmed monthly income, loan expenses and assessment on the other expenses of the debtor's household.

In lending to businesses, the company assesses the debtor's credit risk by means of a careful credit analysis process specified in credit policies. The company uses information collected from external sources when evaluating the creditworthiness and ability to pay of business customers. Loans to business customers are monitored throughout the entire life cycle of the loan agreement. If significant changes are detected in the customer's financial situation, the customership will be taken for more detailed monitoring.

Distribution by risk class

The company classifies all customers into risk classes based on the information available on the counterparty. The classification is based on the bank's internal assessment and external credit rating data. Monitoring is continuous and can lead to a transfer from one risk class to another.

The risk categories in use are defined as follows:

- Risk class 5: Consumer and business customers are included in low risk items.
- Risk class 4: Consumer and business customers are included in moderate risk items.
- Risk class 3: Consumer and business customers are included in increased risk items.
- Risk class 2: Consumer and business customers are included in the second-highest risk items.
- Risk class 1: The highest risk items include consumer and business customers and insolvent customers. Other clients are classified on the basis of the bank's internal risk class assessment.

The unrated risk class item includes loans or proofs of claim for which the company has not determined a credit rating or for which no external credit rating is available.

LOANPORTFOLIO BY RISKCLASSES	31.12.2022	31.12.2021
Riskclass 5	34 592	823
Riskclass 4	69 316	2 724
Riskclass 3	45 486	2 613
Riskclass 2	9 649	3 581
Riskclass 1	4 750	3 165
Non-performing loans		5 211
Loanportfolio	**163 793**	**18 118**

Risk concentrations

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

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

Risk concentrations are managed at Fellow Bank with the help of set limits, and these are monitored actively as part of the management's risk report. Fellow Bank's loan portfolio is focused on personal customers, mainly consisting of smaller loan amounts. With a distributed customer base, the significance of individual large customer risks is minor. At the end of the financial year, the company had one exposure, where the loan amount exceeded 10 percent of Tier 1 own funds, and which has full collateral. Loans to business customers the largest industries are construction, transport and storage, and manufacturing. Most of the business loan portfolio is sales invoice financing. Geographically, the responsibilities are divided in Fellow Bank as follows:

EXPOSURE AND HOME COUNTRY 31.12.2022	Amount of credit	More than 90 days past due
Private individuals Finland	126 393	1 060
Companies and entities Finland	30 993	781
Private individuals EU countries	6 130	4 500
Companies and entities EU countries	277	239
Total	**163 793**	**6 580**

In recent years, Fellow Bank has not had a significant amount of active business in foreign markets. For this reason, the proportion of overdue receivables in the remaining foreign loan portfolio is significantly large. The share of the Polish loan portfolio is 3.4 million euros, of which capital credit loss reservation is 3.2 million euros. Poland's loan receivables are almost entirely included in ECL stage 3.

EXPOSURE AND HOME COUNTRY 31.12.2021	Amount of credit	More than 90 days past due
Private individuals Finland	11 078	628
Companies and entities Finland	1 874	438
Private individuals EU countries	4 895	4 141
Companies and entities EU countries	181	0
Total	**18 118**	**5 207**

Loans with payment delays and changes to repayment schedule

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.

In the event of payment delays by consumer customers, the company aims to assist customers to prevent financial difficulties. Consumer customers may be offered payment holidays and changes to the repayment schedule.

In lending to businesses, the aim is to find solutions well before the customer's possible financial difficulties affect their ability to repay the loan. Lending is guided by a policy on credit risk management and credit risk strategy.

The company regularly monitors overdue loans and reports them to the company's management and Board of Directors. Such loan receivables are also monitored if the customer has significant financial difficulties in fulfilling the repayment. The purpose of monitoring is to detect overdue loans or loans that become problem loans as early as possible.

Collaterals and guarantees

Loans granted by Fellow Bank to personal customers are almost always unsecured. The credit risk of business lending is managed using collateral and guarantees. Guarantees are applied to exposures in order to secure repayment. In business lending, risk is often hedged by agreeing on a personal guarantee with the customer. The key features of the practices and processes for the assessment and management of eligible collateral are set out in the business lending credit policy guidelines. The collateral received is presented in the group's note K30.

Credit risk assessment in the calculation of expected credit losses

The calculation of expected credit losses, i.e. the ECL calculation (Expected Credit Loss) is applied in the company to financial assets valued at amortized cost, of which the most significant item is loans receivable from customers. The calculation of expected credit losses is carried out monthly at the loan level. In the ECL calculation, the expected credit loss is calculated for each loan on a monthly basis based on the probability of default (PD) and the amount of loss caused by default (LGD).

When assessing whether the credit risk related to loan receivables has increased significantly, the change in the risk of defaults occurring during the expected validity period of the financial asset is examined. When making this assessment, the risk of default on the financial asset on the reporting date and the risk of default on the financial asset at the time the loan is granted are compared. A significant increase in credit risk leads to the transfer of the loan from stage 1 to stage 2. A significant increase in credit risk can be caused, for example, by a delay in payments by the borrower for more than 30 days, for reasons other than technical reasons, or changes in the counterparty's financial position, such as a substantial deterioration of creditworthiness and financial position.

Loans are recorded to stage 3 if the credit risk has significantly and provably increased. 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.
The following tables present the company's loan portfolio by market and customer segment and by risk class. Risk class 5 represents the lowest default risk, risk class 1 the highest.

EXPOSURE TO CREDITRISK BY RISK CLASS	STAGE 1	STAGE 2	STAGE 3	TOTAL LOAN RECEIVABLES
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
Loan portfolio	**151 045**	**4 248**	**8 500**	**163 793**
Expected credit losses	-1 825	-1 673	-5 639	-9 137
Claims on the public and public sector entities	**149 221**	**2 575**	**2 861**	**154 656**

EXPOSURE TO CREDIT RISK BY RISK CLASS (31.12.2021)	STAGE 1	STAGE 2	STAGE 3	TOTAL LOANS RECEIVABLE
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
Non-performing loans			5 211	5 211
Gross carrying amount	**12 032**	**874**	**5 211**	**18 118**
ECL reservation	-347	-200	-4 160	-4 708
Net book value	**11 685**	**674**	**1 051**	**13 409**

The calculation of expected credit losses is described in further detail in note K1 to the financial statements, Accounting policies of the consolidated financial statements. More information on the distribution of the credit loss provision and of the different stages of credit risks is provided in note 11, Impairment of receivables.

4. Liquidity risk

Liquidity risk can be defined as a lack of balance in incoming and outgoing cash flows. The risk may materialise 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.

Fellow Bank's liquidity risk management is based on its ability to gain enough competitively priced money for the short and long term. An important part of managing liquidity risk is planning a liquidity position for both the short and long term. Furthermore, establishing a liquidity reserve will prepare for market downturns and possible legislative changes. The company's liquidity reserve target is to cover at least the projected net outflows in a stressed scenario in which deposits flow out. The table below presents the company's contractual payments for financial assets and liabilities. The cash flows include capital and contractual interest. Liquidity risk management is supported by active risk management, balance sheet and cash flow monitoring and internal accounting models. In order to be able to manage its outgoing cash flows, it is crucial that the company continuously manages its liquidity situation.

Sufficient liquidity is ensured by the limit set by the company's Board of Directors to the company's cash assets. Liquidity adequacy is monitored and managed with the help of indicators such as: financing maturity differences, deposit outflow, LCR and NSFR ratios, and increase in financing costs. Liquidity indicators are monitored continuously and reported at least monthly to the management team and the Board of Directors as part of risk reporting. The company prepares for the repayment of future debts by limiting new lending in the upcoming years as necessary, thereby ensuring its liquidity position. The company's liquidity remained stable during 2022.

Monitoring and forecasting changes in market factors and market developments also play an important role in the company's liquidity risk management. If forecasts indicate a decline in market liquidity, the company may set stricter internal limits for liquidity risk management. Liquidity management also includes liquidity reserve management. This ensures that the company has sufficient liquid securities available to cover the collateral needs of its various business areas. Currently, Fellow Bank has no derivative exposures or collateral requirements.

Breakdown of financial assets and liabilities according to maturity

31.12.2022	LESS THAN 3 MONTHS	3-12 MONTHS	1-5 YEARS	5-10 YEARS	YLI 10 YEARS	TOTAL
Assets						
Cash and cash equivalents	120 528					**120 528**
Claims on credit institutions	5 941					**5 941**
Claims on the public and public sector entities	34 233	7 044	61 683	46 831	14 002	**163 793**
Liabilities						
Liabilities to the public and public sector entities	197 863	19 335	31 059	0	0	**248 257**
Lease liabilities	111					**111**
Off-balance sheet commitments	1 455					**1 455**

31.12.2022	LESS THAN 3 MONTHS	3-12 MONTHS	1-5 YEARS	5-10 YEARS	YLI 10 YEARS	TOTAL
Assets						
Cash and cash 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						
Liabilities to the public and public sector entities	810	8 131	0	0	0	**8 941**
Lease liabilities	29	88	119			**236**
Off-balance sheet commitments	1 912					**1 912**

Liquidity risk is measured by a liquidity buffer ratio (liquidity coverage ratio, LCR) and a minimum long-term funding requirement (net stable funding ratio, NSFR). In addition, the development of the liquidity indicators, such as the amount of deposits, the cost of financing and maturity differences, is monitored. The Group's liquidity coverage ratio (LCR) was at a good level, and was 370% at the end of 2022. The net stable funding ratio (NSFR) was 188,3 % in 2022. The company's internal risk limit for the LCR and NSFR indicators is 130%. The statutory limit is 100%. Over the past year, the LCR and NSFR indicators have followed a steady and predictable trend.

5. Market risk

Market risk consists of interest rate risk on the financial account and foreign exchange risk. The financial balance consists of on- and off-balance-sheet items related to lending and borrowing, as well as a liquidity reserve.

Fellow Bank does not trade in shares for trading purposes. No sensitivity analysis of the equity price risk has been presented as it does not have a material effect on the Group's financial position.

Currency risks are maintained at a moderate level to prevent exchange rate fluctuations from causing significant financial losses. The largest currency positions on 31 December 2022 were: PLN (Polish zloty) EUR 0,2 m SEK (Swedish krona) EUR 0,4 m and DKK (Danish krone) EUR 0,9 m A fall of -10% in the exchange rates would cause a valuation loss of EUR 0,15 m.

The exchange rate of the currencies above correlates closely with the exchange rate of the euro, which reduces the risk. Altogether 99% of the loan portfolio was in euros. Other items in the balance sheet do not cause material exchange rate risks to the company.

Interest rate risk

The company's interest rate risk consists mainly of the interest rate risk on the financial account. Interest rate risk is caused by differences in the interest rates and maturities of assets and liabilities. In addition, market interest rates affect the market prices of securities in the portfolio. At the end of the financial year, the company has no securities in the investment portfolio whose valuation could be affected by changes in market interest rates.

The company aims to balance the interest bases of receivables and payables and to reduce unforeseen fluctuations in the interest margin. The pricing of borrowing and lending is a key issue for the development of the company's interest margin. The company currently has fixed-rate loans for less than half of its loan portfolio, and the share is constantly decreasing. New lending is mainly with variable interest rates and tied to the 3-month Euribor.

The amount of interest rate risk is regularly reported to the management team and the Board of Directors. Interest rate risk is monitored and measured regularly by means of interest rate risk limits set by the Board of Directors and by assessing the effects of interest rate shocks on the economic value of equity and net interest income. In the situation at the end of the financial year on 31.12.2022, the sensitivity of the interest rate risk relative to own funds was as follows: If the interest rate level were to rise by two percentage points, the economic value of the company's own funds would increase by 5.7 per cent due to the positive profit development. If interest rates were to fall by two percentage points, the economic value of own funds would fall by 4.7 per cent. The table below shows the standard scenarios determined by the European Banking Authority (EBA) on interest rate risk change sensitivities.

INTEREST RATE SENSITIVITY ANALYSIS	31.12.2022
All rates rise by 200 b.p.	1 336
All rate decline by 200 b.p.	-1 116
Short term rates decline by 250 b.p. and long-term rates decline by 100 b.p.	-9
Short term rates rase by 250 b.p. and long-term rates decline by 100 b.p.	224
Short term rates rase by 250 b.p	603
Short term rates decline by 250 b.p	-403

A more detailed discussion on the disclosure requirements for interest rate risk (Pillar III) is available in the Group's Capital and Risk Management Report.

6. Operational risk

Operational risks mean a direct or indirect danger of financial loss that is caused by insufficient or failed internal processes, systems, personnel or external factors. Operational risks also include legal risks and compliance and data security risks.

The Board of Directors adopts the principles for the management of operational risks on an annual basis. In operational risk management, the company's main objective is to manage reputational risk and ensure business continuity and regulatory compliance in the short and long term. Operational risk management ensures that the company's values and strategy are implemented throughout the business operations. Operational risk management covers all material risks related to the business.

Operational risk management is applied in all the business units of the company by identifying, measuring, monitoring, and assessing the operational risks associated with each unit. Business units also assess the likelihood of risks and their impacts if they materialise. The company-wide process enables management to assess the potential loss arising from operational risk in the event of a risk materialising.

As part of its operational risk management, the company aims to reduce the likelihood of operational risk events through internal guidelines and staff training. Each employee is responsible for managing operational risk in their own duties. Any operational risks that have materialised are reported to the management of the business unit.

New products, services and suppliers of outsourced services are separately approved through the company's formalised approval process before they are introduced. The approval process ensures that the risks associated with new products and services are appropriately identified and assessed. The same approval process will also apply when existing products are developed.

Operational risks are monitored, managed, and reported in the company's risk management. At least annually, the company's management receives the risk assessments of the business units and a report on the materialised risks, which are used to compile a separate report to the Board of Directors. The process created will enable the Board of Directors to gain an overview of the operational risks faced by the business and their potential impact on the company.

7. Responsibility

As a new Finnish digital bank, Fellow 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.

Fellow Bank has high standards when conducting its business. Fellow Bank requires its business units and personnel to have a good understanding of compliance with applicable laws, regulations and standards in all markets and jurisdictions and strictly follows them, in which Fellow Bank operates.

For Fellow Bank, the well-being and commitment of the personnel are in a key position. We measure employee satisfaction regularly and actively make improvements based on the results. Our 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 Fellow 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. Fellow 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.

Notes to the income statement

GK3. NET INTEREST INCOME	2022	Adjusted 2021
Interest income		
Receivables from credit institutions	480	0
Claims on the public and public sector entities	10 622	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	-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**

GK4. FEE AND COMMISSION INCOME AND EXPENSES	2022	Adjusted 2021
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**

Fee and commission expenses	2022	Adjusted 2021
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**

Timing of revenue recognition	2022	Adjusted 2021
At a point of time	1 062	1 039
Over time	2 822	6 404
Total	**3 885**	**7 443**

GK5. NET INVESTMENT INCOME	2022	Adjusted 2021
Financial assets held for trading	0	0
Financial assets at fair value through profit or loss	-118	0
Exchange rates losses	-232	0
Net investment income, total	**-349**	**0**

			2022
Net investment income from securities transactions by instrument	**Gains and losses on sales**	**Changes in fair value**	**Total**
Debt securities			
Shares and derivative contracts	-118	0	-118
Net income from securities transactions, total	**-118**	**0**	**-118**
Exchange rates losses	-232	0	-232
Net investemt income, total	**-349**	**0**	**-349**

			Adjusted 2021
Net investment income from securities transactions by instrument	**Gains and losses on sales**	**Changes in fair value**	**Total**
Debt securities			0
Shares and derivative contracts			0
Net income from securities transactions, total			**0**
Exchange rates losses			**0**
Net investment income, total			**0**

G6. OTHER OPERATING INCOME	2022	Adjusted 2021
Allowance received	0	41
Other income	24	0
Other operating income total	**24**	**41**

G7. PERSONNEL EXPENSES	2022	Adjusted 2021
Salaries and fees	-4 468	-2 733
Pension expenses	-624	-411
Other social security costs	-235	-160
Share based payments	-51	-165
Activation of personnel costs	-0	221
Personnel expenses total	**-5 378**	**-3 248**

Number of personnel, average		
Number of personnel during the period, average	80	66

Board fees	2022	Adjusted 2021
Markku Pohjola	-40	
Fellow Bank Plc, Chairman of the Board, beginning 2 April 2022		
Karri Haaparinne	-8	-8
Fellow Finance Plc, Member of the Board until 1 April 2022		
Lea Keinänen	-27	
Fellow Bank Plc, Member of the Board beginning 2 April 2022		
Kai Myllyneva	-37	-25
Fellow Finance Plc, Member of the Board until 1 April 2022		
Fellow Bank Plc, Member of the Board beginning 2 April 2022		
Jorma Pirinen	-29	
Fellow Bank Plc, Member of the Board beginning 2 April 2022		
Teuvo Salminen	-32	
Fellow Bank Plc, Member of the Board, vice-chairman of the Board beginning 2 April 2022		
Michael Schönach	-8	-8
Fellow Bank Plc, Member of the Board, vice-chairman of the Board beginning 2 April 2022		
Harri Tilev	-8	-18
Fellow Finance Plc, Member of the Board until 1 April 2022		
Tero Weckroth	-35	-8
Fellow Finance Plc, Member of the Board until 1 April 2022		
Fellow Bank Plc, Member of the Board beginning 2 April 2022		
Board fees total	**-223**	**-65**

CEO salaries and fees	2022	Adjusted 2021
Salaries and fees	-125	-190
Share based payments	0	0
CEO salaries and fees total	**-125**	**-190**

Executive group salaries and fees	2022	Adjusted 2021
Salaries and fees	-573	-545
Share based payments	-33	-81
Executive group salaries and fees total	**-606**	**-625**

Share-based incentive system

The board of Fellow Bank Plc has decided on the share-based plan for the group's key personnel from the incentive system, to which the group has applied IFRS 2 Share-based payments standard requirements in the accounting period. The new share bonus system replaces the Fellow Finance option programs in use before the merger, Option Program 2019 and Option Program 2020.

The old option programs were terminated. The target group of the share bonus system includes around 14 key person including members of the management team.
The purpose is to combine the goals of the owners, management and personnel to increase the company's value in the long term, as well as to commit participants to the company and offer them competitive incentive systems based on earning and accumulating company shares, which support Fellow Bank's strategy.

The valuation-based share bonus system 2022 has one earning period that started on July 4, 2022 and ends on March 31, 2024. In the system, it is possible for the target group to earn a share bonus based on the increase in the value of Fellow Bank Plc's shares. One share unit entitles one share to an increase in value. The share units are divided into classes 2022A (approx. 650,000 units) and 2022B (approx. 2,500,000 units). The increase in the value of the share is measured from the starting level of 1.27 euros (2022A) and 0.63 euros (2022B).

The increase in the value of the share units will be converted into Fellow Bank shares after the end of the earning period, and any bonuses will be paid deferred in accordance with the financial industry legislation after the end of the earning period in two equal installments, in April 2025 and April 2026. The payment of the bonus installments is followed by a one-year waiting period, during which the key person cannot hand over the shares paid as a bonus.

The rewards are paid partly in Fellow Bank Plc shares and partly in cash. The monetary shares of the rewards cover the taxes and statutory social insurance contributions incurred by the participants. If the participant's employment or management contract ends before the bonus is paid, the bonus is generally not paid.

	31.12.2022	31.12.2022	31.12.2021	31.12.2021
PROGRAM	**Share bonus system 2022 A**	**Share bonus system 2022 B**	**Option program 2019**	**Option program 2020**
TYPE	**Share unit**	**Share unit**	**Option**	**Option**
Grant date	4.7.2022	4.7.2022	19.6.2019	20.10.2020
Maximum contractual life	31.3.2024	31.3.2024	28.2.2023	1.5.2025
Remaining contractual life, years	1,3	1,3	1,2	3,5
Number of persons at the end of the reporting year	5	10	9	13

	2022	2021
Number of options at the beginning of the financial year	408 073	455 110
Changes during the period		
Granted	2 772 553	28 630
Forfeited	-329 378	-75 667
Exercised	0	0
Number of options at the end of the financial year	**2 851 248**	**408 073**

Effect of Share-based Incentives on the result and financial position during the year	**2022**	**Adjusted 2021**
Expenses for the financial year, share based payments, equity settled	-51	-165

Determination of fair value

Share units are valued at fair value at the time of their grant. The fair value of the 2022 A stock reward system at the time of grant is 0.00/share unit and the fair value of the 2022 B stock reward system at the time of grant is 0.04/ share unit. The fair value of the granted share units has been determined on the grant date using the Black&Scholes pricing model, applying the historical volatility of share prices of industry benchmarks (41.3%) and other parameters in accordance with the terms of the option program.

Option programs during Fellow Finance

The board of directors decided on the incentive system to replace the option programs from the time of Fellow Finance, which ended prematurely before the merger was implemented. The old option programs were recorded as an expense in their entirety when they ended.

G8. OTHER ADMINSTRATIVE EXPENSES	2022	Adjusted 2021
Office expenses	-208	-226
IT and infosystems	-1 464	-538
Business expenses	-21	0
Travel expenses	-18	-16
Car costs	-11	-4
Other HR related expenses	-215	-157
Marketing expenses	-131	-80
Banking and custodian expenses	-75	-14
External services	-2 339	-1 510
Other expenses	-3	-101
Other administrative expenses total	**-4 487**	**-2 646**

Fees paid to the audit firm	2022	Adjusted 2021
Audit	-156	-20
Assignments referred to in section 1 subsection 1 section 2 of the Audit Act	-70	0
Other services	-11	0
Fees paid to the audit firm total	**-237**	**-20**

G9. DEPRECIATION AND IMPAIRMENT	2022	Adjusted 2021
Intangible assets	-541	-338
Tangible assets	-32	-42
Right to use assets	-119	-115
Depreciation and impairment total	**-691**	**-495**

The group has not experienced any depreciation of fixed assets realized during the accounting period.

G10: OTHER OPERATING EXPENSES	2022	Adjusted 2021
Authorities expenses	-369	-15
Rent expenses	-108	-63
Other operating expenses	-568	-196
Other operating expenses total	**-1 046**	**-274**

G11. REALIZED AND EXPECTED CREDIT LOSSES	2022	Adjusted 2021
Realized 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
Realized credit losses on receivables total	**-3 939**	**-1 383**
Expected credit losses change	-4 382	-606
Realized and expected credit losses total	**-8 321**	**-1 989**

Credit losses increased due to the comparison period due to both the strong growth of the credit portfolio and corporate loans that were stated to be defaulted, for which expected the provision for existing credit losses had already been increased significantly. 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.

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.

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

The credit portfolio grew strongly during the financial year both through the granting of new loans and the purchase of peer-to-peer loan portfolios. A small part of the purchased peer-to-peer loans is recorded directly to steps 2-3. Additions due to original issuance and acquisition and deductions due to derecognition also include sales invoice financing quickly changes in the revolving loan stock.

A significant part of phase 3 loan receivables is related to foreign business operations. The amount of Poland's credit portfolio is EUR 3.4 million, of which EUR 3.2 million has been provisioned for bad debts. Poland's loan receivables are almost entirely included in phase 3.

	Stage 1	Stage 2	Stage 3	Total
Loan receivables from customers 1.1.2021	20 189	1 640	4 381	26 210
Transfers from stage 1 to stage 2	-695	553		-142
Transfers from stage 1 to stage 3	-672		611	-60
Transfers from stage 2 to stage 1	173	-339		-166
Transfers from stage 2 to stage 3		-394	366	-28
Transfers from stage 3 to stage 1	18		-79	-61
Transfers from stage 3 to stage 2		5	-7	-2
Increases due to origination and acquisition	11 338	316	4 235	15 889
Decreases due to derecognition	-17 271	-250	-3 767	-21 289
Decreases in the allowance account due to write-offs	-1 049	-658	-528	-2 235
Loan receivables from customers 31.12.2021	**12 032**	**874**	**5 211**	**18 118**

Reconciliation of expected credit losses

The following tables describe the transfers and changes in expected credit losses during the review period. The tables show a reconciliation between the opening and closing balances of the loss deduction.

	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 the ECL calculation model	76	195	312	583
Changes in credit risk	-409	373	495	458
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 discretion. As a result of the changes, the calculation of expected credit losses will take into account the ever more strongly weakening economic cycle, as well as the level of prices and interest rates the expected impact of the increase on customers' ability to pay.

	Stage 1	Stage 2	Stage 3	Total
ECL-reservation 1.1.2021 Adjusted	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			-51	-51
Transfers from stage 3 to stage 2	0	2	-4	-2
Increases due to origination and acquisition	83	42	277	401
Changes due to credit risk during the stage (net) and 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**

Macroeconomic model assumptions used in the ECL calculation

The following table presents the company´s reporting period and comparison period macroeconomic model scenarios applied in the Company’s ECL calculation, and the probabilities observed in the scenario weightings. The macroeconomic model applied by the Company is based on the trend in the gross domestic product rate.

		Gross domestic product %				
MACROECONOMIC DEVELOPMENT SCENARIOS	**Scenario weightings**	**2022**	**2023**	**2024**	**2025**	**2026**
Positive	20,00 %	2,6	2,5	3,1	3,3	3,4
Basic scenario (TEM)	**60,00 %**	**2,1**	**0,5**	**1,1**	**1,3**	**1,4**
Negative	20,00 %	1,6	1,5	0,9	0,7	0,7

In its negative scenario the Company has anticipated a situation in which the war in Ukraine is still having a significantly negative impact on macroeconomic performance during 2023 and 2024, also reflecting the gross domestic product rate. However, the Company anticipates that the likelihood of this development is relatively small.

SENSITIVITY ANALYSIS OF EXPECTED CREDIT LOSSES

The table presents the sensitivity analysis of the ECL credit loss provision based on different scenarios.

EXPECTED CREDIT LOSSES IN DIFFERENT SCENARIOS	2022	Adjusted 2021
Positive	9 105	3 480
Basic scenario (TEM)	**9 137**	**3 483**
Negative	9 170	3 487

K12. INCOME TAXES	2022	Adjusted 2021
Income taxes	-13	-200
Deferred tax receivables	-888	100
Taxes for previous period	0	-1
Income taxes total	**-901**	**-101**

Tax rate reconcilation	2022	Adjusted 2021
Result before taxes	-9 684	-1 464
Tax calculated at parent’s tax rate of 20%	1 937	-293
Tax for previous years	0	-1
Effect on different tax rates in foreign subsidiaries	-51	96
Non-deductible expenses	-11	0
Change in deferred taxes from previous financial periods	-925	0
Unrecognized deferred tax assets for losses	-1 937	0
Other tax items	86	97
Taxes on income statement	**-901**	**-101**

DEFERRED TAXES	1.1.2022	Recognised in profit or loss	31.12.2022
Leases	1	1	2
Share-based payments	68	10	78
Expected credit losses	925	-925	0
Other adjustments	38	13	51
Deferred taxes total	**1 032**	**-901**	**129**

	Adjusted 1.1.2021	Recognised in profit or loss	Adjusted 31.12.2021
Leases	1	0	1
Share-based payments	35	33	68
Expected credit losses	832	93	925
Other adjustments	64	-27	38
Deferred taxes total	**932**	**100**	**1 032**

Fellow Bank's fiscal status changed as part of the merger that took effect on April 2, 2022, which means that the company operates under a credit institution license. Before the merger took effect, the company operated under a payment institution license.

With the change, the provisions related to the company's credit losses are directly deductible in the company's taxation, taking into account the maximum amount set by law for deductible expenses related to the provision recorded. As a result of obtaining a credit institution license, the company's accounting does not create a temporary difference between accounting and taxation regarding the provision for credit losses. As a result of the change, the deferred tax receivables recorded in previous financial periods related to credit losses have also been written off during the 2022 financial year, as a result of which the group will report a tax expense for the financial year despite the loss.

The cumulative losses of the Fellow Bank Group, including the losses confirmed in the taxation of the previous fiscal years of the group companies and the estimated fiscal losses for the past fiscal year, are a total of 9,194,61.51 euros at the time of preparing the financial statements, and their average expiration period is 10 years. The group has not recorded a deferred tax asset for its cumulative confirmed losses.

G13: 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	**-0,14**	**-0,04**
Earnings per share, diluted	**-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. 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.

G14. CLASSES OF FINANCIAL ASSETS AND LIABILITIES AND FAIR VALUES

		31.12.2022		
Assets	**Amortised cost**	**Total**	**Measured at fair value**	**Value hierarchies**
Cash and cash 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
Classes of financial assets and liabilities and fair values 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
Debt securities issued to the public	0	0	0	3
Subordinated liabilities	6 203	6 203	6 203	3
Total	**253 013**	**253 013**	**253 013**	

		Adjusted 31.12.2021		
Assets	**Amortised cost**	**Total**	**Measured at fair value**	**Value hierarchies**
Cash and cash 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
Subordinated liabilities	0	0	0	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.

G15.CASH AND CASH EQUIVALENTS	**31.12.2022**	**Adjusted 31.12.2021**
Current account in the Bank of Finland	120 528	0
Cash and cash equivalents total	**120 528**	**0**

G16. RECEIVABLES FROM CREDIT INSTITUTIONS	**31.12.2022**	**Adjusted 31.12.2021**
Repayable on demand	5 941	3 457
Receivables from credit institutions total	**5 941**	**3 457**

G17. CLAIMS ON THE PUBLIC AND PUBLIC SECTOR ENTITIES	**31.12.2022**	**Adjusted 31.12.2021**
Enterprises and public sector entities	30 253	1 549
Households	122 449	9 294
Foreigners	1 954	2 597
Claims on the public and public sector entities total	**154 656**	**13 440**

G18. INTANGIBLE ASSETS 2022	Goodwill	Development of IT software	Customer relationships	Other intangible assets	Total
Acquisition cost at 1.1.	0	2 773	0	121	2 894
Increases	0	913	0	0	913
Acquisitions	5 957	180	240	0	6 377
Acquisition cost before depreciations	5 957	3 866	240	121	10 184
Accumulated depreciation 1.1.	0	-1 399	0	-91	-1 490
Depreciation	0	-517	-24	0	-541
Accumulated depreciation 31.12.	0	-1 913	-24	-91	-2 027
Acquisition cost at 31.12.	5 957	3 866	240	121	10 184
Accumulated depreciation 31.12.	0	-1 913	-24	-91	-2 027
Book value 31.12.	**5 957**	**1 953**	**216**	**30**	**8 157**

INTANGIBLE ASSETS ADJUSTED 2021	Goodwill	Development of IT software	Customer relationships	Other intangible assets	Total
Acquisition cost at 1.1.	0	1 461	0	121	1 582
Increases	0	1 311	0	0	1 311
Acquisition cost before depreciations	0	2 773	0	121	2 894
Accumulated depreciation 1.1.	0	-1 108	0	-84	-1 192
Depreciation	0	-292	0	-7	-299
Accumulated depreciation 31.12.	0	-1 399	0	-91	-1 490
Acquisition cost at 31.12.	0	2 773	0	121	2 894
Accumulated depreciation 31.12.	0	-1 399	0	-91	-1 490
Book value 31.12.	**0**	**1 373**	**0**	**30**	**1 403**

Goodwill	31.12.2022	Adjusted 31.12.2021
Merger of Evli Pankki Oyj's banking business and Fellow Finance Oyj	5 338	0
Acquisition of Mobify Invoices Oy	619	0
Total	**5 957**	**0**

Goodwill impairment test

The amount of goodwill at the end of 2022 was EUR 6.0 million (0) for the Fellow Bank group. In goodwill impairment testing, the balance sheet value of goodwill is compared to the amount of money that can be collected from the business. The amount of money that can be recovered is determined based on the market value of Fellow Bank at the closing date. Impairment testing found no need for a write-down.

G19: TANGIBLE ASSETS 2022 MACHINERY AND EQUIPMENT	Machinery and equipment	Right-of-use property
Acquisition cost at 1.1.	278	460
Increases	22	0
Decreases	0	0
Acquisition cost before depreciations	300	460
Accumulated depreciation 1.1.	-240	-230
Depreciation	-32	-119
Accumulated depreciation 31.12.	-272	-349
Acquisition cost at 31.12.	300	460
Accumulated depreciation 31.12.	-272	-349
Tangible assets total, 31.12.	**28**	**111**

G19: TANGIBLE ASSETS 2021 MACHINERY AND EQUIPMENT	Machinery and equipment	Right-of-use property
Acquisition cost at 1.1.	267	460
Increases	11	0
Decreases	0	0
Acquisition cost before depreciations	278	460
Accumulated depreciation 1.1.	-199	-115
Depreciation	-41	-115
Accumulated depreciation 31.12.	-240	-230
Acquisition cost at 31.12.	278	460
Accumulated depreciation 31.12.	-240	-230
Tangible assets total, 31.12.	**37**	**230**

Lease liabilities	31.12.2022	Adjusted 31.12.2021
Long-term lease liabilities	114	114
Short-term lease liabilities	122	122
Lease liabilities, total	**236**	**236**

G20. OTHER ASSETS	31.12.2022	Adjusted 31.12.2021
Receivables on payment transfers	179	0
Commission receivables	1 255	2 514
Other assets	183	46
Other assets total	**1 438**	**2 560**

G21. ACCRUED INCOME AND PREPAYMENTS	31.12.2022	Adjusted 31.12.2021
Interest receivables	1	0
Prepayments	171	177
Accrued income and prepayments total	**172**	**177**

G22: TAX ASSETS AND LIABILITIES	31.12.2022	Adjusted 31.12.2021
Tax assets		
Deferred tax assets	129	1 032
Current income tax receivables	461	81
Tax assets and liabilities total	**590**	**1 113**

G23. LIABILITIES TO THE PUBLIC AND PUBLIC SECTOR ENTITIES	31.12.2022	Adjusted 31.12.2021
Deposits	246 810	0
Liabilities to the public and public sector entities total	**246 810**	**0**

G24.DEBT SECURITIES ISSUED TO THE PUBLIC	31.12.2022	Adjusted 31.12.2021
Bonds	0	8 402
Debt securities issued to the public total	**0**	**8 402**

G25. SUBORDINATED LIABILITIES	31.12.2022	Adjusted 31.12.2021
Debentures	6 203	0
Subordinated liabilities total	**6 203**	**0**

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.

G26. OTHER LIABILITIES	31.12.2022	Adjusted 31.12.2021
Lease liabilities	111	114
Personnel related	7	0
Accounts payable	360	743
Liabilities on peer-to-peer loans to investors	5 684	0
Other liabilities	2 635	710
Other liabilities total	**8 796**	**1 567**

Liabilities to peer-to-peer loan investors and the increase in other liabilities mainly consisted of cash flows between borrowers and peer-to-peer loan investors related to peer-to-peer loans, which Fellow Bank processes as part of its own funds with the credit institution license. During Fellow Finance, the corresponding funds were kept in separate off-balance sheet customer asset accounts, the risks and benefits did not belong to Fellow Finance, in which case the accounts were off-balance sheet items.

G27. ACCRUED EXPENSES AND DEFERRED INCOME	31.12.2022	Adjusted 31.12.2021
Interest payable	1 447	63
Tax payable	4	0
Personnel related	857	514
Accrued expenses	1 559	6
Accrued expenses and prepayments total	**3 867**	**583**

Other accrued liabilities consist of usual expense provisions and purchased credit base from the related periodization, which is discharged when the loan portfolio is removed from the balance sheet.

G28. EQUITY	31.12.2022	Adjusted 31.12.2021
Restricted equity		
Share capital 1.1.	125	125
Reverse acquisition	6 446	0
Share issue	11 715	0
Share capital 31.12.	18 286	125
Total restricted equity	**18 286**	**125**
Unrestricted equity		
Reserve for invested unrestricted equity	19 917	13 361
Other reserves	0	0
Retained earnings	-1 636	-132
Dividends	0	0
Result for the year	-10 585	-1 564
Total unrestricted equity	**7 698**	**11 665**
Total equity	**25 985**	**11 790**

G29. OFF-BALANCE SHEET ITEMS	31.12.2022	Adjusted 31.12.2021
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).

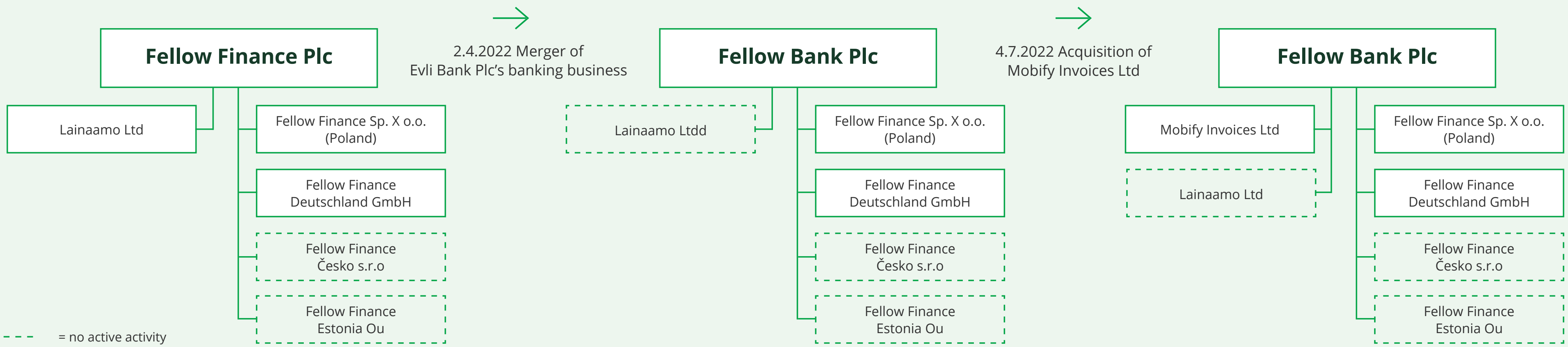
G30. COLLATERALS RECEIVED	31.12.2022
Real estate collateral	4 419
Guarantees received	238
Other	15 839
Collaterals received total	**20 496**

Information on received guarantees is only available for the ended financial period. In the future the information is also presented for the comparison period.

G31. GROUP STRUCTURE

Subsidiaries consolidated into the group		31.12.2022	Adjusted 31.12.2021
Subsidiaries	**Domestic**	**Group ownership**	**Group ownership**
Lainaamo Ltd	Finland	100,0 %	100,0 %
Mobify Invoices Ltd	Finland	100,0 %	0,0 %
Fellow Finance Estonia Oü	Estonia	100,0 %	100,0 %
Fellow Finance Česko s.r.o	Czech Republic	100,0 %	100,0 %
Fellow Finance Polska Sp. z o.o.	Poland	100,0 %	100,0 %
Fellow Finance Deutschland GmbH	Germany	100,0 %	100,0 %

Changes in the structure of the Fellow Bank Group during the 2022 financial year



G32. 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.

	31.12.2022	Adjusted 31.12.2021
Assets	0	0
Liabilities	512	152
Income	0	0
Expenses	0	124
Total	**513**	**276**

G33. BUSINESS COMBINATIONS

Evli Bank Plc's banking business and Fellow Finance Plc's merger

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 BUSINESSES	EVLI PANKKI OYJ
Cash and equivalents	245 606
Claims on the public and public sector entities	5 326
Other receivables	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 purhase price	
Total identified balance sheet items	7 167
Goodwill	5 338
Allocation total	**5 338**

In connection with the preparation of the financial statements, the company has adjusted the preliminary values of the acquired assets by 718 thousand euros, the adjustment reduces the goodwill by a corresponding amount.

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 interest expenses on deposits and the impact of business 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 H1 2022 result.

	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.

The Acquisition of Mobify Invoices Oy

On July 4, 2022, Fellow Bank announced the acquisition of the entire share capital of Mobify Invoices Ltd ("Mobify"). 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 personnel (7) transfered to the Fellow Bank group, which will further accelerate the development of Fellow Bank's digital services. The purchase price EUR 1.3 million was paid partly in cash and partly in new shares of Fellow Bank. Fellow Bank issued a total of 1,175,088 new shares as a partial payment of the purchase price. The 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 EUR 0.6 million. 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 purhase price	
Total identified balance sheet items	433
Goodwill	619
Customer relationships	240
Allocation total	**859**

G34. SIGNIFICANT EVENTS AFTER THE 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. The amount of the loan loss provision for the loan portfolio was EUR 3.2 million.

Parent company´s Financial Statements

Parent company income statement

	Note	2022	2021
Interest income		11 154	2 388
Interest expenses		-2 640	-2 107
Net interest income	E2	**8 514**	**281**
Income from equity investments	E3	0	12 887
Fee and commission income	E3	14 442	46 782
Fee and commission expenses	E3	-2 471	-3 862
Net investment income	E4	21 597	3 410
Other operating income	E5	740	4 867
Total operating income		**42 822**	**64 364**
Operating expenses			
Personnel expenses	E6	-7 382	-19 498
Other administrative expenses	E7	-6 838	-11 478
Depreciation and amortization on tangible and intangible assets	E8	-1 077	-2 783
Other operating expenses	E9	-1 802	-2 667
Realized and expected credit losses	E10	-8 011	80
Operating profit		**17 710**	**28 018**
Profit before taxes		**17 710**	**28 018**
Income taxes	E11	-11	-3 634
Profit (loss) for the financial year		**17 699**	**24 385**

Parent company balance sheet

	Note	2022	2021
Assets			
Cash and equivalents	E15	120 528	384 102
Debt securities eligible for refinancing with central banks		0	33 382
Claims on credit institutions	E16	4 847	40 105
Claims on the public and public sector entities	E17	155 080	98 087
Debt securities	E18	0	744
Shares and participations	E19	5 028	67 815
Shares and participation in associates and joint ventures	E20	0	5 354
Derivative contracts	E21	0	26 404
Intangible assets	E22	1 964	4 456
Property, plant and equipment	E23	29	947
Other assets	E24	1 092	72 172
Accrued income and prepayments	E25	193	1 245
Income tax assets	E26	224	0
Assets total		**288 985**	**734 813**

	Note	2022	2021
Liabilities			
Liabilities to credit institutions and central banks	E27	0	8 610
Liabilities to the public and public sector entities	E28	246 810	442 706
Debt securities issued to the public	E29	0	91 015
Derivative contracts and other liabilities held for trading	E30	0	26 293
Other liabilities	E31	8 751	70 829
Accrued expenses and deferred income	E32	3 791	12 045
Subordinated liabilities	E33	6 203	0
Liabilities total		**265 555**	**651 498**
Equity	E34		
Share capital		18 289	30 194
Share premium fund		0	1 839
Fund of invested non-restricted equity		12 452	23 285
Retained earnings		-25 011	3 640
Profit (loss) for financial year		17 699	24 385
Equity total		**23 430**	**83 343**
Liabilities and equity total		**288 985**	**734 841**

Parent company cash flow statement

	2022	2021
Cash flow from operating activities		
Profit (loss) for the period	**17 699**	**28 018**
Adjustments for items not included in cash flow		
Depreciation and impairment	1 077	1 913
Credit losses	8 011	0
Income taxes	11	-1 308
Other adjustments	0	1 762
Adjustments total	**9 100**	**2 367**
Cash flows from operating from operating before changes in operating assets and liabilities	**26 799**	**30 385**
Increase (-) or decrease (+) in operating assets		
Claims on the public and public sector entities	34 186	33 777
Other assets	-179	6 998
Increase (-) or decrease (+) in operating liabilities		
Liabilities to the public and public sector entities	-72 126	-4 913
Other liabilities	-104	5 076
Cash flow from operating activities	**-11 424**	**71 323**

	2022	2021
Investing activities		
Investments in tangible assets	-22	-154
Investments in intangible assets	-526	-215
Acquisitions of subsidiaries	-772	-1 003
Cash flow from investing activities	**-1 319**	**-1 373**
Cash flow from financing activities		
Repayment of bond	-7 380	0
Issue of debenture loan	6 100	0
Dividends paid to company´s shareholders	-25 229	-17 415
Paid directed share issue	11 715	0
Repayments of lease liabilities	0	0
Cash flow from financing activities	**-14 794**	**-17 415**
Change in cash and cash equivalents	**-27 537**	**52 535**
Cash and cash equivalents at the beginning of period	385 161	332 626
Effects on business arragement	-232 249	0
Translation differences	0	
Cash and cash equivalents at the end of period	**125 375**	**385 161**
Cash and equivalents are formed by the following items:		
Evli Bank Plc opening balance 1.1.2022	385 161	
1.1.-1.4. change of cash and cash equivalents	-139 555	
Evli Bank Plc cash and cash equivalents after partial demerger 2.4.2022	**245 606**	
2.4.-31.12. change of cash and equivalents	-120 231	
Cash and cash equivalents 31.12.2022	120 528	
Claims on credit institutions 31.12.2022	4 847	
Fellow Bank Plc cash and cash equivalents at the end of period	**125 375**	

P1: Accounting principles for the Parent Company

Company´s basic information

Fellow Bank Plc ("company") domicile is in Helsinki and registered address is Pursimiehenkatu 4 A, 00150 Helsinki.

The parent company draws up separate financial statements in accordance with the provisions of the Accounting Act and Act on Credit Institutions, the Decree of the Ministry of Finance on financial statements and consolidated financial statements of credit institutions (698/2014) and Regulations and Guidelines 2/2016 of the Finnish Financial Supervisory Authority on accounting, financial statements and management reports for the financial sector.

The principles for preparing the parent company's financial statements correspond to the principles of the Fellow Group, with the exception of the exceptions presented below.
The partial demerger of Evli Bank and the merger of Evli Bank's banking business and Fellow Finance was completed on April 2, 2022. Evli Bank Plc continues as the group's parent company, changing its name to Fellow Bank Plc. In the merger, Evli Bank Plc received assets and liabilities from Fellow Finance Plc on April 2, 2022. Transferred assets and liabilities are recorded at book values.

The parent company's accounting principles follows the accounting principles of Evli Bank Plc's financial statements for the period between January 1 and April 1, 2022. The accounting principles are described in Evli Bank Plc's 2021 financial statements. In particular, the balance sheet items listed below and the related income and expenses are subject to Evli Bank Plc's accounting principles from January 1 to April 1, 2022:

- Credit certificates entitling to central bank financing
- Receipt certificates
- Shares and stakes in ownership/associate companies
- Derivative contracts
- Bonds issued to the general public
- Derivative contracts and other liabilities held for trading purposes

Income taxes

Deferred tax is generally calculated on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The largest temporary differences arise from the depreciation of fixed assets.

Leases

Leases of property, plant and equipment in which substantially all the company's risks and rewards of ownership are classified as finance leases. In financial statement, leases payable under these contracts are treated as rental expenses. Moreover, an asset acquired under a finance lease is not included in the balance sheet.

Notes to the income statement

P2: NET INTEREST INCOME	2022	2021
Interest income		
At fair value through profit or loss	0	338
Interest income from other loans and claims		
Claims on credit institutions	352	69
Claims on the public and public sector entities	10 803	1 529
Other interest income	0	453
Interest income Total	**11 154**	**2 388**
Interest expenses		
Interest expenses from other borrowing		
Liabilities to the public and public sector entities and credit institutions	-2 421	-1 965
Debt securities issued to the public	-106	-137
Subordinated liabilities	-103	0
Other interest expenses	-10	-4
Interest expenses total	**-2 640**	**-2 107**
Net interest income	**8 514**	**281**

P3: FEE AND COMMISSION INCOME AND EXPENSES	2022	2021
Income from equity investments		
Dividends from associated companies	0	1 682
Dividends from financial assets valued at fair value	0	37
Dividends from group companies	0	11 168
Income from equity investments total	**0**	**12 887**
Fee and commission income		
Credit related fees and commissions	831	59
Peer to peer lending	1 225	0
Income from payment transactions	0	33
Insurance brokerage	47	0
Advisory services	0	1 740
Securities brokerage	0	12 410
Securities issue	12 264	0
Mutual funds	0	25 925
Asset management	0	5 904
Custody services	0	464
Other fee and commission income	75	247
Fee and commission income total	**14 442**	**46 782**
Fee and commission expenses		
Lending	-865	0
Peer to peer lending	-158	0
Trading fees paid to stock exchanges	-480	-785
Other fee and commission expenses	-968	-3 077
Fee and commission expenses total	**-2 471**	**-3 862**

P4: NET INVESTMENT INCOME	2022	2021
Financial assets held for trading	25	131
Financial assets at fair value through profit or loss	21 915	1 360
Net income from foreign exchange operations	-343	1 918
Net investment income total	**21 597**	**3 410**

			2022
Net investment income from securities transactions by instrument	**Gains and losses on sales**	**Changes in fair value**	**Total**
Debt securities			
Shares and derivative contracts	22 218	-255	21 963
Net income from foreign exchange operations	-366	0	-366
Net investemt income total	**21 852**	**-255**	**21 597**

			2021
Net investment income from securities transactions by instrument	**Gains and losses on sales**	**Changes in fair value**	**Total**
Debt securities	-143	-291	-433
Shares and derivative contracts	1 515	410	1 925
Net income from foreign exchange operations	1 918	0	1 918
Net investemt income total	**3 291**	**119**	**3 410**

P5: OTHER OPERATING INCOME	2022	2021
Other income	740	4 867
Other operating income total	**740**	**4 867**

P6: PERSONNEL EXPENSES	2022	2021
Wages and salaries	-7 006	-15 659
- of which bonuses	0	-4 005
Other social security costs	-194	-463
- of which relating to bonuses	0	-56
Pension expenses	-505	-2 612
- of which relating to bonuses	0	-341
- defined contribution plans	0	-2 612
Activation of personnel costs	323	0
Personnel expenses total	**-7 382**	**-19 498**

Number of personnel, average	2022	2021
Number of personnel during the period, average	74	151
Number of personnel at the end of the period	66	152
Employees by business segment at the end of the period		
Advisory and Corporate Clients	-	96
Wealth Management and Investor Clients	-	6
Group Operations	-	50
Total	**-**	**152**

Fellow Bank Plc has only one segment to report 31.12.2022 and comparative number describes Evli Bank Plc´s reported segments 31.12.2021

P7: OTHER ADMINSTRATIVE EXPENSES	2022	2021
Office expenses	-746	-1 132
IT and infosystems	-2 736	-5 914
Business expenses	-118	-341
Travel expenses	-63	-70
Car expenses	-1	-33
Other HR related expenses	-258	-645
Marketing expenses	-435	-703
Banking and custodian expenses	-141	-638
External services	-2 341	-1 977
Other administrative expenses total	**-6 838**	**-11 453**

FEES PAID TO THE AUDIT FIRM	2022	2021
Audit	-156	-529
Assignments referred to in section 1 subsection 1 section 2 of the Audit Act	-70	0
Other services	-11	-260
Fees paid to the audit firm total	**-237**	**-789**

P8: DEPRECIATION AND IMPAIRMENT LOSSES	2022	2021
Intangible assets	-1 014	-2 612
Tangible assets	-63	-172
Depreciation, amortization and impairment losses total	**-1 077**	**-2 783**

The group has not experienced any depreciation of fixed assets realized during the accounting period.

P9: OTHER OPERATING EXPENSES	2022	2021
Authorities expenses	-390	-453
Rent expenses	-580	-1 427
Other operating expenses	-832	-812
Other operating expenses total	**-1 802**	**-2 692**

P10. REALISED AND EXPECTED CREDIT LOSSES	2022	2021
Realized credit losses on receivables		
Realized credit losses on loans granted during the financial year	-377	0
Realized credit losses on loans granted before the beginning of the financial year	-3 241	0
Realised and expected credit losses and impairment losses	**-3 618**	**0**
Expected credit losses (ECL) change	-4 392	80
Impairment of receivables total	**-8 011**	**80**

Expected credit losses are taken into account on expected credit losses from receivables from customers and on off-balance sheet commitments.

The increase in expected loan loss provisions was the result of strong growth in the loan portfolio. Fellow Bank has converted the peer-to-peer loan portfolio to its own balance sheet, whereby a provision for expected credit losses is also recorded. In the comparison period, the provision for expected credit losses was recorded only from the loan portfolio of the balance sheet of Lainaamo Ltd, a member of the Fellow Finance group.

P11: INCOME TAXES	2022	2021
Income taxes	0	-3 616
Other direct taxes	-11	0
Taxes for previous period	0	-18
Income taxes total	**-11**	**-3 634**

Notes to balance sheet

P12: CLASSES OF FINANCIAL ASSETS AND LIABILITIES AND FAIR VALUES

31.12.2022			
Assets	**Amortised cost**	**Total**	**Measured at fair value**
Cash and cash equivalents	120 528	120 528	120 528
Debt securities eligible for refinancing with central banks	0	0	0
Claims on credit institutions	4 847	4 847	4 847
Claims on the public and public sector entities	155 080	155 080	155 080
Debt securities	0	0	0
Shares and participations	5 028	5 028	5 028
Derivative contracts			
Other assets	1 092	1 092	1 092
Total	**286 576**	**286 576**	**286 576**

Liabilities	**Amortised cost**	**Total**	**Measured at fair value**
Liabilities to credit institutions and central banks	0	0	0
Liabilities to the public and public sector entities	246 810	246 810	246 810
Debt securities issued to the public	0	0	0
Derivative contracts and other liabilities held for trading	0	0	0
Subordinated liabilities	6 203	6 203	6 203
Non-financial liabilities	8 751	8 751	8 751
Total	**261 764**	**261 764**	**261 764**

31.12.2021			
Assets	**Amortised cost**	**Total**	**Measured at fair value**
Cash and cash equivalents	384 102	384 102	384 102
Debt securities eligible for refinancing with central banks	33 382	33 382	33 382
Claims on credit institutions	40 105	40 105	40 105
Claims on the public and public sector entities	98 087	98 087	98 087
Debt securities	744	744	744
Shares and participations	49 394	49 394	49 394
Derivative contracts	26 404	26 404	26 404
Total	**632 219**	**632 219**	**632 219**

Liabilities	**Amortised cost**	**Total**	**Measured at fair value**
Liabilities to credit institutions and central banks	8 610	8 610	8 610
Liabilities to the public and public sector entities	442 706	442 706	442 706
Debt securities issued to the public	91 015	91 015	90 172
Derivative contracts and other liabilities held for trading	26 293	26 293	26 293
Total	**568 624**	**568 624**	**567 781**

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.

P13: MATURITIES OF FINANCIAL ASSETS AND LIABILITIES	2022 LESS THAN 3 MONTHS	2022 3-12 MONTHS	2022 1-5 YEARS	2022 5-10 YEARS	2022 OVER 10 YEARS	2022 TOTAL	2021 LESS THAN 3 MONTHS	2021 3-12 MONTHS	2021 1-5 YEARS	2021 5-10 YEARS	2021 OVER 10 YEARS	2021 TOTAL
Assets												
Financial liabilities at amortized cost												
Cash and cash equivalents	120 528					**120 528**	384 102	0	0	0	0	**384 102**
Claims on credit institutions	4 847					**4 847**	40 105	0	0	0	0	**40 105**
Claims on the public and public sector entities	34 233	7 044	61 683	46 831	14 002	**163 793**	23 596	21 756	52 735	0	0	**98 087**
Financial assets at fair value through profit or loss												
Debt securities eligible for refinancing with central banks						**0**	8 021	9 934	15 428	0	0	**33 382**
Debt securities						**0**	0	0	392	352	0	**744**
Shares and participations						**0**	42 671	2 959	358	2 835	572	**49 394**
Derivative contracts						**0**	23 854	671	1 879	0	0	**26 404**
Accrued interest						**0**	282	59	0	0	0	**341**
Liabilities												
Financial liabilities at amortized cost												
Liabilities to credit institutions						**0**	8 610	0	0	0	0	**8 610**
Liabilities to public	197 863	19 335	31 059	0	0	**248 257**	442 706	0	0	0	0	**442 706**
Debt securities issued to the public						**0**	938	10 709	75 198	4 170	0	**91 015**
Subordinated liabilities	6 203					**6 203**	23 746	669	1 879	0	0	**26 293**
Financial liabilities at fair value through profit or loss						**0**	46	0	0	0	0	**46**
Accrued interest, debt	1 455					**1 455**	12 029	6 005	3 067	0	0	**21 100**
Off-balance sheet commitments												

'Debt securities, loans and other claims, derivatives and financial liabilities at amortized cost are reported in the maturity class according to the maturity of the instrument. Shares and participations are reported so that quoted shares in the trading book and quoted mutual funds are in the shortest maturity period. Unquoted shares are reported according to the estimated liquidation period, and venture capital- and real estate funds are reported according to the expected ending day of the fund.

P14: ASSETS AND LIABILITIES DENOMINATED IN DOMESTIC AND FOREIGN CURRENCY	2022 DOMESTIC CURRENCY	2022 FOREIGN CURRENCY	2022 TOTAL	2021 DOMESTIC CURRENCY	2021 FOREIGN CURRENCY	2021 TOTAL
Assets						
Financial assets at amortized cost						
Cash and cash equivalents	120 528		**120 528**	384 102	0	**384 102**
Claims on credit institutions	4 846	1	**4 847**	39 723	381	**40 105**
Claims on the public and public sector entities	155 080		**155 080**	98 087	0	**98 087**
Financial assets at fair value through profit or loss						
Debt securities eligible for refinancing with central banks	0		**0**	34 126	0	**34 126**
Debt securities	0		**0**	0	0	**0**
Shares and participations	5 028		**5 028**	48 250	1 144	**49 394**
Derivative contracts	0		**0**	26 106	298	**26 404**
Other asset items	3 501		**3 501**	102 104	491	**102 595**
Total	**288 984**	**1**	**288 985**	**732 500**	**2 314**	**734 813**
Liabilities						
Financial liabilities at amortized cost						
Liabilities to credit institutions	0		**0**	8 610	0	**8 610**
Liabilities to the public and public sector entities	246 810		**246 810**	430 839	11 867	**442 706**
Debt securities issued to the public	0		**0**	91 015	0	**91 015**
Financial liabilities at fair value through profit or loss			**0**	25 995	298	**26 293**
Subordinated liabilities	6 203		**6 203**			**0**
Other liabilities items	12 520	23	**12 543**	82 298	546	**82 844**
Total	**265 533**	**23**	**265 555**	**638 757**	**12 711**	**651 468**

P15: CASH AND CASH EQUIVALENTS	31.12.2022	31.12.2021
Balances with central banks	120 528	384 079
Other	0	23
Cash and cash equivalents total	**120 528**	**384 102**

P16: RECEIVABLES FROM CREDIT INSTITUTIONS	31.12.2022	31.12.2021
Repayable on demand	4 847	1 059
Other than repayable on demand	0	39 046
Receivables from credit institutions total	**4 847**	**40 105**

P17: CLAIMS ON THE PUBLIC AND PUBLIC SECTOR ENTITIES	31.12.2022	31.12.2021
Other than repayable on demand		
Enterprises and housing associations	23 693	22 554
Financial and insurance corporations	0	1 368
Households	129 433	66 863
Foreign countries	1 954	7 302
Other than repayable on demand total	**155 080**	**98 087**
Claims on the public and public sector entities total	**155 080**	**98 087**

P18: DEBT SECURITIES	Publicly quote	Other	2022 Total
Issued by other than public corporations			
Fair valued			
Bonds issued by banks			0
Other debt securities			0
Issued by other than public corporations	**0**	**0**	**0**
Debt securities total	**0**	**0**	**0**

	Publicly quote	Other	2021 Total
Issued by other than public corporations			
Fair valued			
Bonds issued by banks	33 382	58	33 441
Other debt securities	0	686	686
Issued by other than public corporations	**33 382**	**744**	**34 126**
Debt securities total	**33 382**	**744**	**34 126**

DEBT SECURITIES BY BALANCE SHEET CATEGORY	2022	2021
Debt securities eligible for refinancing with central banks		
Other	0	33 382
Debt securities		
Other	0	744
Total	**0**	**34 126**
Debt securities by country		
Finland	0	21 715
Sweden	0	5 346
Denmark	0	7 065

P19: SHARES AND PARTICIPATIONS

			2022
	Publicly quote	Other	Total
Shares and participations			
Valued at fair value through profit or loss			0
Held for trading			0
Other			0
Shares and participations total	**0**	**0**	**0**

			2021
Shares and participations			
Valued at fair value through profit or loss			
Held for trading	2	0	2
Other	42 082	7 310	49 391
Shares and participations total	**42 084**	**7 310**	**49 394**

P20: SHARES AND PARTICIPATION IN ASSOCIATES AND JOINT VENTURES	2022	2021
At the beginning of the period	5 354	4 354
Effects on business arragement	-5 354	0
Additions/Disposals	0	1 001
At the end of the period	**0**	**5 354**
Shares and participations in companies belonging to Group		
At the beginning of the period	18 465	18 463
Effects on business arragement	-14 679	0
Write-downs	-49	0
Additions	1 292	2
At the end of the period	**5 028**	**18 465**

P21: DERIVATIVE CONTRACTS

Overall effect of risks associated with derivative contracts

Nominal value of underlying, gross

	REMAINING MATURITY					2022	REMAINING MATURITY					2021
HELD FOR TRADING	**LESS THAN 1 YEAR**	**1-5 YEARS**	**5-10 YEARS**	**FAIR VALUE (+/-)**	**ASSETS**	**LIABILITIES**	**LESS THAN 1 YEAR**	**1-5 YEARS**	**5-10 YEARS**	**FAIR VALUE (+/-)**	**ASSETS**	**LIABILITIES**
Interest rate derivatives												
Interest rate swaps					0	0	4 480	70 529	3 190	0	1 975	1 975
Equity-linked derivatives												
Futures					0	0	2 180	1 040	0	0	353	353
Options bought					0	0	0	0	0	0	0	0
Options sold					0	0	0	0	0	0	0	0
Currency-linked derivatives					0	0	4 073 234	8 264	0	111	24 076	23 965
Held for trading total	**0**	**0**	**0**	**0**	**0**	**0**	**4 079 894**	**79 833**	**3 190**	**111**	**26 404**	**26 293**
Derivative contracts total	**0**	**0**	**0**	**0**	**0**	**0**	**4 079 894**	**79 833**	**3 190**	**111**	**26 404**	**26 293**

Equity derivatives in the banking book hedge the equity risk in equity-linked bonds issued to the public. The interest rate derivatives hedge the interest rate risk in liabilities in the balance sheet.

Currency derivatives comprise commitments made against clients and the associated hedges, and contracts made to hedge currency risk in the balance sheet. The net open risk position of the total amount is small. The largest part of the contracts are in SEK (2,763MEUR), and in NOK (662 MEUR)

P22: INTANGIBLE ASSETS

2022	Goodwill	Leasehold improvements FAS	Development of IT software	Other intangible assets	Total
Acquisition cost at 1.1.	1 168	1 401	21 536	2 331	**26 436**
Increases	0	0	526	0	**526**
Effects on business arragement	-1 168	-1 401	-17 510	-2 331	**-22 411**
Acquisition cost before depreciations	0	0	4 551	0	**4 551**
Accumulated depreciation 1.1.	-760	-1 390	-17 734	-2 096	**-21 980**
Depreciation	-60	-11	-388	-53	**-511**
Effects on business arragement	760	1 390	15 535	2 096	**19 781**
Accumulated depreciation 31.12.	-60	-11	-2 587	-53	**-2 711**
Acquisition cost at 31.12.	0	0	4 551	0	**4 551**
Accumulated depreciation 31.12.	-60	-11	-2 587	-53	**-2 711**
Book value 31.12.	**0**	**0**	**1 964**	**0**	**1 964**

2021	Goodwill	Leasehold improvements FAS	Development of IT software	Other intangible assets	Total
Acquisition cost at 1.1.	1 168	1 401	21 321	2 331	**26 221**
Increases	0	0	215	0	**215**
Acquisition cost before depreciations	1 168	1 401	21 536	2 331	**26 436**
Accumulated depreciation 1.1.	-520	-1 259	-15 704	-1 886	**-19 369**
Depreciation	-240	-132	-2 030	-210	**-2 612**
Accumulated depreciation 31.12.	-760	-1 390	-17 734	-2 096	**-21 980**
Acquisition cost at 31.12.	408	11	3 802	235	**4 456**
Accumulated depreciation 31.12.	-760	-1 390	-17 734	-2 096	**-21 980**
Book value 31.12.	**408**	**11**	**3 802**	**235**	4 456

P23: TANGIBLE ASSETS

2022	Machinery and equipment	Other tangible assets	Total
Acquisition cost at 1.1.	1 668	601	**2 269**
Increases	22	0	**22**
Effects on business arragement	-1 419	-594	**-2 013**
Acquisition cost before depreciations	272	7	**279**
Accumulated depreciation 1.1.	-1 323	0	**-1 323**
Depreciation	-19	0	**-19**
Effects on business arragement	1 099	-7	**1 092**
Accumulated depreciation 31.12.	-243	-7	**-250**
Acquisition cost at 31.12.	272	7	**279**
Accumulated depreciation 31.12.	-243	-7	**-250**
Book value 31.12.	**29**	**0**	**29**

2021			
Acquisition cost at 1.1.	1 514	601	**2 115**
Increases	154	0	**154**
Acquisition cost before depreciations	1 668	601	**2 269**
Accumulated depreciation 1.1.	-1 151	0	**-1 151**
Depreciation	-172	0	**-172**
Accumulated depreciation 31.12.	-1 323	0	**-1 323**
Acquisition cost at 31.12.	346	601	**947**
Accumulated depreciation 31.12.	-1 323	0	**-1 323**
Book value 31.12.	**346**	**601**	947

P24: OTHER ASSETS	31.12.2022	31.12.2021
Securities sale receivables	0	1 518
Commission receivables	910	2 768
Securities broking receivables	0	55 665
Other receivables	182	12 221
Other assets total	**1 092**	**72 172**

P25: ACCRUED INCOME AND PREPAYMENTS	31.12.2022	31.12.2021
Interest	6	341
Staff-related	39	8
Other items	148	896
Accrued income and prepayments total	**193**	**1 245**

P26: TAX ASSETS AND LIABILITIES	31.12.2022	31.12.2021
Deferred tax assets	0	0
Income tax assets	224	0
Deferred tax liabilities	0	30
Income tax liabilities	0	0
Tax assets and liabilities total	**224**	**30**

P27: LIABILITIES TO CREDIT INSTITUTIONS AND CENTRAL BANKS	31.12.2022	31.12.2021
Credit Institutions		
Other than rebayable on demand	0	8 610
Liabilities to credit institutions and central banks total	**0**	**8 610**

P28: LIABILITIES TO THE PUBLIC AND PUBLIC SECTOR ENTITIES	31.12.2022	31.12.2021
Liabilities to public		
Repayable on demand	246 810	442 706
Liabilities to the public and public sector entities total	**246 810**	**442 706**

P29: DEBT SECURITIES ISSUED TO THE PUBLIC	31.12.2022	31.12.2021
Bonds	0	91 015
Debt securities issued to the public total	**0**	**91 015**
Changes in bonds issued to the public		
Issues	0	4 200
Repurchases	0	34 300

P30: DERIVATIVE CONTRACTS AND OTHER LIABILITIES HELD FOR TRADING	31.12.2022	31.12.2021
Derivative contracts	0	26 293
Derivative contracts and other liabilities held for trading total	**0**	**26 293**

P31: OTHER LIABILITIES	31.12.2022	31.12.2021
Securities broking liabilities	0	61 566
Securities purchase liabilities	0	789
Income tax payable	0	63
Personnel related	0	392
Other short-term liabilities	8 582	7 299
Prepayments of cash customers	0	338
VAT payable	169	382
Other liabilities total	**8 751**	**70 829**

P32: ACCRUED EXPENSES AND DEFERRED INCOME	31.12.2022	31.12.2021
Personnel related	820	8 797
Tax payables	0	2 264
Interest expenses	1 447	46
Other accrued expenses	1 525	937
Accrued expenses and deferred income total	**3 791**	**12 045**

P33: SUBORDINATED LIABILITIES	31.12.2022	31.12.2021
Debentures	6 203	0
Subordinated liabilities total	**6 203**	**0**

P34: EQUITY	31.12.2022	31.12.2021
Restricted equity		
Share capital 1.1.	30 194	30 194
Merger of Fellow Finance Plc	125	0
Effects on business arragement	-23 745	0
Directed share issue	11 715	0
Share capital 31.12.	**18 289**	**30 194**
Share premium fund 1.1.	1 839	1 839
Effects on business arragement	-1 839	0
Share premium fund 31.12.	**0**	**1 839**
Total restricted equity	**18 289**	**32 033**
Unrestricted equity		
Fund of invested non-restricted equity 1.1.	23 285	23 285
Effect of partial demerger	-23 285	0
Directed share issue	500	0
Merger of Fellow Finance Plc	11 952	0
Fund of invested non-restricted equity 31.12.	**12 452**	**23 285**
Retained earnings 1.1.	28 025	21 055
Effect of partial demerger	-27 807	0
Dividends	-25 229	-17 415
Result for the year	17 699	24 385
Retained earnings 31.12.	**-7 312**	**28 025**
Total unrestricted equity	**5 141**	**51 310**
Total equity	**23 430**	**83 343**

P34: EQUITY	31.12.2022	31.12.2021
Calculation of distributable equity		
Retained earnings 1.1.	28 025	21 055
Effect of partial demerger	-27 807	
Dividends	-25 229	-17 415
Result for the year	17 699	24 385
Reserve for invested unrestricted equity	12 452	23 285
Capitalized development expenditure	-1 964	0
Total	**3 176**	**51 310**

Share capital of the company	31.12.2022	31.12.2021
The company's shares are quoted on the Nasdag Helsinki under the trading code FELLOW.		
No. of shares (FELLOW)	88.332.182	24.109.420
Total	**88.332.182**	**24.109.420**

Each share carries one vote at a General Meeting of Shareholders

Own shares held by the credit institution

On December 31, 2022 the company hold a total of 220.370 own shares.

P35: SECURITIES LENDING	2022	2021
Market value of securities lending at 31.12., lent in	0	2 264
Market value of securities lending at 31.12., lent out	0	0

P36: ASSETS PLEDGED AS COLLATERAL	2022			2021		
ASSETS	Fair value of encumbered assets	Fair value of unencumbered assets	of which usable as collateral	Fair value of encumbered assets	Fair value of unencumbered assets	of which usable as collateral
Cash and cash equivalents	0	120 528	118 066	0	384 102	379 546
Debt securities eligible for refinancing with central banks	0	0	0	33 382	0	0
Claims on credit institutions	0	4 847	4 847	39 046	1 059	1059
Claims on the public and public sector entities	0	155 080	0	0	98 087	0
Debt securities	0	0	0	0	744	0
Shares and participations	0	0	0	0	49 394	0
Total	**0**	**280 456**	**122 913**	**72 428**	**533 386**	**380 605**

USAGE OF COLLATERAL	2022	2021
Markeplace collateral, stock- and derivatives trades	0	1 638
Collateral for OTC derivatives trades	0	34 743
Collateral for securities lending	0	2 665
Bank Of Finland, collateral for daily limit account	0	33 382
Total	**0**	**72 428**

RECEIVED COLLATERAL ON BALANCE SHEET	Fair value of collateral received 2022	2021
Received cash	0	38 264

P37: OFF-BALANCE SHEET COMMITMENTS	2022	2021
Rental liabilities up to one year	0	1 712
Rental liabilities over one year and less than 5 years	0	5 564
Rental liabilities over 5 years	0	106
Leasing liabilities not later than one year	**0**	0
Leasing liabilities over year not later than five year	**0**	0
Commitments given to a third party on behalf of a customer*	**0**	398
Irrevocable commitments given in favour of a customer	**0**	2 565
Guarantees on behalf of others	**0**	14
Unused credit facilities, given to clients	**1 455**	18 123
Total	**1 455**	**21 100**

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 26 thousand (EUR 34 thousand).

*Commitments given on behalf of a customer for a third party include collaterals for derivatives positions given on behalf of customers. The customers have covered their derivatives collateral to Evli Bank (2021) in full. Other irrevocable commitments given on behalf of a customer comprise subscription commitments guaranteed on behalf of customers.

Signatures on the Financial Statements and the Annual Report

Helsinki, February 27, 2023

Markku Pohjola
Chairman of the Board

Teuvo Salminen
Deputy Chairman of the Board

Kai Myllyneva

Jorma Pirinen

Lea Keinänen

Tero Weckroth

Teemu Nyholm
CEO

Auditor's Note

Based on the auditing an audit report has been issued today.

Helsinki, March 15, 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)

Auditor's Report

(Translation of the Finnish Original)

To the Annual General Meeting of Fellow Bank Plc

Report on the Audit of the Financial Statements

Opinion

In our opinion
- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited
We have audited the financial statements of Fellow Bank Plc (business identity code 0533755-0) for the year ended 31 December 2022. The financial statements comprise:
- the statement of comprehensive income, consolidated balance sheet, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's income statement, balance sheet, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note G8 to the Financial Statements.

Our Audit Approach

Overview

Materiality
- Overall group materiality: € 1.5 million, which represents about 0,5 % of total assets

Audit Scope
- The scope of group audit included the parent company, which covers the most significant part of the group's balance sheet and income statement items

Key audit matters
- Loans and receivables from customers
- Fellow Bank business combination in the group financial statements
- Accounting for the transferred assets and liabilities of Fellow Finance in the receiving parent company

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 1.5 million
How we determined it	About 0,5 % of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We chose about 0,5 % which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.
We determined the type of work that needed to be performed at group companies by us, as the group engagement team. Audits were performed in group companies which were considered significant either because of their individual financial significance or due to their specific nature, covering the majority of revenue, assets and liabilities of the group. Analytical procedures were performed to cover the remaining group companies.

Key Audit Matters

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

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Loans and receivables from customers Group note G17	
Loans and receivables from customers amounted to EUR 154,7 million. The calculation of expected credit losses in accordance with IFRS 9 Financial Instruments is based on the valuation models used by Fellow Bank and on expert estimates. The calculation involves assumptions, estimates and management judgement, in particular regarding the probability of expected credit losses and the determination of significant increases in credit risk. The components of the expected loss calculation are updated and refined based on actual credit risk developments, the development of the calculation process, and regulatory changes and requirements. Due to the significance of the carrying amount of receivables involved, the complexity of the calculation methods used and management judgement, the valuation of receivables is addressed as a key audit matter. This is also a key audit matter with respect to our audit of the parent company financial statements.	We obtained an understanding of the loan origination process, credit risk management and the impairment allowances for loans and advances to customers. Based on risk, we selected individual loans and performed detailed credit file reviews and assessed their credit risk. For ECL models, we involved our modelling specialists to assess the methodology, challenge the underlying assumptions and to independently reperform the calculation for a sample of loans. We have also assessed the disclosures related to impairment of loans.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Fellow Bank business combination in the group financial statements Group note G33	
Fellow Bank business combination was completed on April 2, 2022. Under IFRS, the transaction was accounted for as a reverse acquisition, where Fellow Finance was the accounting acquirer and Evli Bank the acquiree. The consideration transferred as well as the assets acquired and the liabilities assumed in a business combination were measured at acquisition date fair values. The management judgement related specifically to the identification of the acquired intangible assets and determination of the related fair values. Fellow Bank business combination was a key audit matter because the fair valuation included judgment and because of the significance of the acquisition to the financial statements.	Our audit procedures in respect of Fellow Bank business combination included, among others: • Evaluation of the criteria for reverse acquisition accounting applied in the business combination. • Involvement of our valuation team to assist us in evaluation of - the valuation processes and methodologies used - the fair valuation of the consideration transferred - the identification and fair valuation of acquired assets and assumed liabilities. Evaluation of the adequacy of the disclosures of the business combination.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Accounting for the transferred assets and liabilities of Fellow Finance in the receiving parent company Parent company notes E1, E20, E22, E23 and E34	
Accounting for the transferred assets and liabilities of Fellow Finance in the receiving parent company Parent company notes E1, E20, E22, E23 and E34 *The accounting principles and disclosures about the transferred assets and liabilities of Fellow Finance are included in the parent company's notes.* In the merger of Fellow Finance, the assets and liabilities were transferred into the receiving Fellow Bank by using carrying values as of April 2, 2022. The total book value of net assets transferred amounted to EUR 12,1 million. The accounting for the transfer in the receiving parent company was a key audit matter because the transferred assets and liabilities had significant impact on the equity and balance sheet of Fellow Bank.	Our audit procedures in respect of the accounting for the transferred assets and liabilities included, among others: • Assessment of the compliance of the merger against the Limited Liability Act and the merger plan. • Evaluation of the appropriateness of the transferred assets and liabilities by comparing them to the merger plan. Testing of the carrying amounts of transferred assets and liabilities by comparing the balances in the receiving entity to the balances in the merging entity.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 13 March 2017. Our appointment represents a total period of uninterrupted engagement of 6 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.
In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

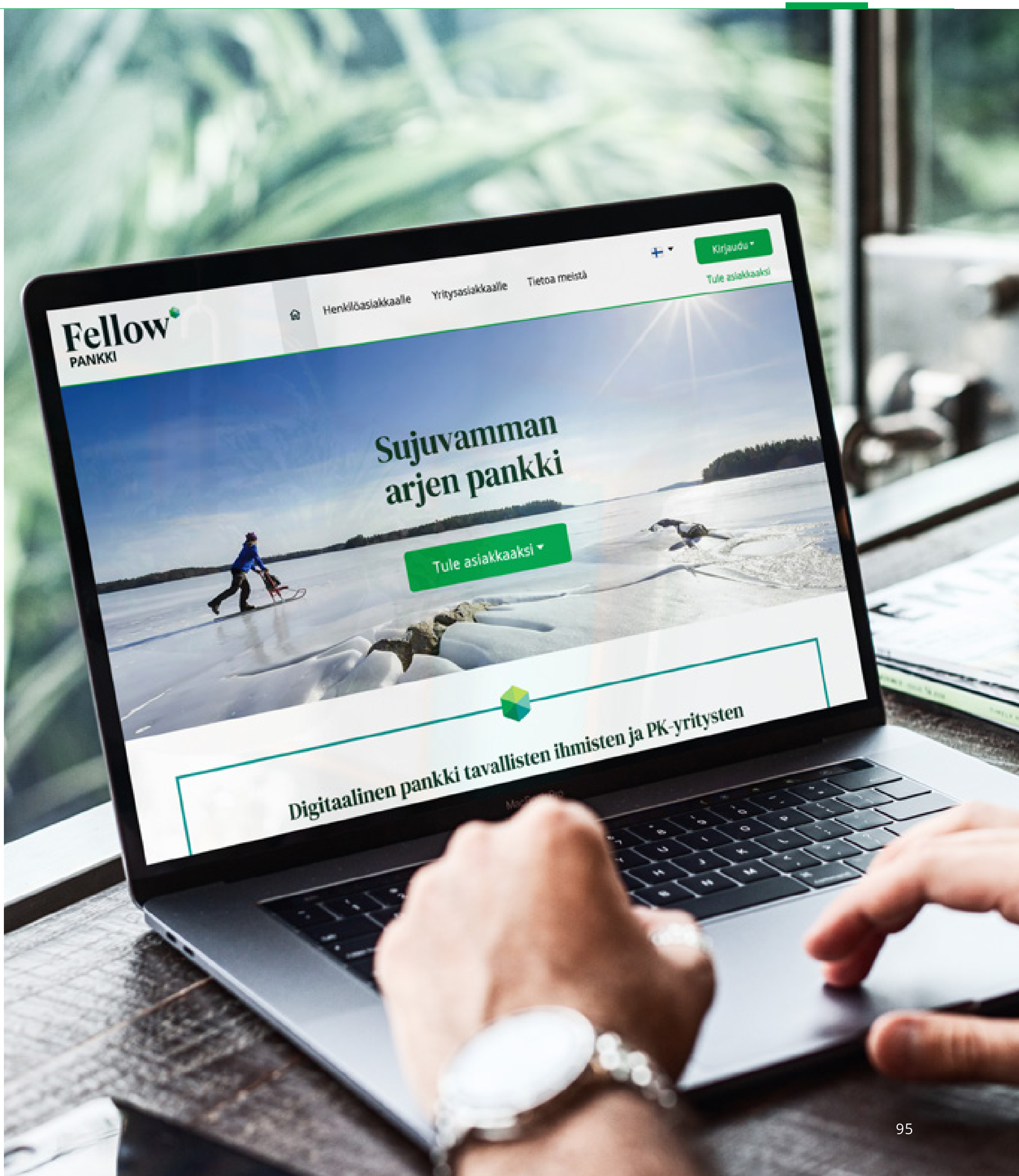
If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 15th of March 2023
PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)

Governance

In addition to legislation and other regulations, Fellow Bank's operations and administration are guided by the Articles of Association and the company's values and internal operating principles. Fellow Bank also complies with the Corporate Governance Code 2020. The code can be viewed on the internet at www.cgfinland.fi/en.



General Meeting

Fellow Bank's highest decision-making power is exercised by the shareholders at the General Meeting. General Meetings are held at least once a year. In addition to the General Meeting, Fellow Bank's corporate governance model consists of the Board of Directors and the CEO. The Group's Management Team assists the CEO in the operative management of the company.

Board of Directors

The Board of Directors is responsible for Fellow Bank's administration and appropriate organisation of operations. The Board of Directors has overall authority to decide on all matters related to the company's administration and other matters which, under the law or the Articles of Association, do not belong to the General Meeting or the CEO.

The Board of Directors meets regularly at least six times per year. If necessary, the Board of Directors can meet more often. The Board of Directors is quorate when more than half of the members are present. The Board of Directors is elected by the General Meeting.

In accordance with the Articles of Association, the company's Board of Directors shall consist of at least four (4) and at most eight (8) regular members whose term shall expire at the close of the Annual General Meeting that follows their election.

The company's corporate governance principles and a general description of governance before the merger have been published in a separate document, Fellow Bank Plc's Corporate Governance Statement, which can be found on the company's website, www.fellowbank.com

Fellow Bank Oyj began operations on April 2, 2022.
In 2022, the company's board of directors included the following persons:

Markku Pohjola
(Chairman of the Board)
b. 1948
B.Sc. (Econ.)

Teuvo Salminen
(Deputy Chairman of the Board)
b. 1954
M.Sc. (Econ.)

Lea Keinänen
b. 1966
graduate in business and marketing and MBA

Kai Myllyneva
b. 1969
M.Sc. (Econ.)

Jorma Pirinen
b. 1959
graduate in business and marketing and MBA

Tero Weckroth
b. 1971
MBA

The Board's committees

Audit Committee

The Audit Committee is responsible for assisting the Board of Directors in ensuring that the company has an adequate internal control system covering all operations and that the company's risk management has been arranged appropriately, and it also monitors the financial statements reporting process.

The Chairman of the Audit Committee was Teuvo Salminen. The members of the committee were Jorma Pirinen and Tero Weckroth.

Personnel Committee

The Personnel Committee, which also acts as the Compensation Committee, is responsible for assisting the company's Board in the preparation of matters related to the terms of employment and remuneration of management and employees. The Personnel Committee monitors and assesses the company's wellbeing at work, personnel satisfaction and development.

The Chairman of the Personnel Committee was Markku Pohjola. The members were Lea Keinänen and Kai Myllyneva.

Shareholders' Nomination Board

Fellow Bank Plc's Shareholders' Nomination Board prepares proposals regarding the election and remuneration of the members of the Board for the Annual General Meeting. In accordance with the charter of the Shareholders' Nomination Board, each of the four largest shareholders of the company shall appoint a member to the Shareholders' Nomination Board. The shareholders who are entitled to appoint a member are determined annually on the basis of the company's shareholder register maintained by Euroclear Finland Oy on the last working day of August each year

Composition of the Nomination Committee as of 26 September 2022:

- Maunu Lehtimäki (Chairman), who was appointed by Evli Plc with 15,288,303 shares
- Karri Haaparinne, who was appointed by Taaleri Plc with 15,288,303 shares
- Henrik Andersin, who was appointed by Oy Scripo Ab with 4,754,100 shares
- Harri Tilev, who was appointed by Oy T&T Nordcap Ab with 3,938,616 shares
- In addition, Markku Pohjola, the Chairman of the Board of Fellow Bank, serves as an expert in the Nomination Committee without being a member.

CEO and Management Team

The CEO is responsible for the day-to-day management of the company in accordance with the Limited Liability Companies Act and the instructions, orders and authorisations issued by the Board. The CEO also ensures that the company's accounting practices are in compliance with the law and that the company's financial management has been arranged in a reliable manner.

The Board of Directors shall appoint the CEO and shall decide on the remuneration of the CEO and the other terms and conditions of the CEO's service contract.

The Management Team assists the CEO in the operational management. Teemu Nyholm was the CEO in 2022 (b. 1975, M.Sc. (Tech.) and B.Sc. (Econ. & Bus. Adm.)

The members of the Management Team in 2022 were:

Teemu Nyholm
b. 1975
CEO
M.Sc. (Tech.) and
B.Sc. (Econ. & Bus. Adm.)

Antoni Airikkala
b. 1985
Director, Deposit and
Investor Customers
M.Soc.Sc.

Riikka Järvinen
b. 1974
Marketing Director
M.Sc. (Econ. & Bus. Adm.)
Member of the Management Team
as of 19 April 2022.
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Kukka Lehtimäki
b. 1988
CFO (as of 2 May 2022)
M.Sc. (Econ. & Bus. Adm.)
Christina Wallenius was the interim CFO
until 1 May 2022.

Juha Saari
b. 1979
Director, Personal Customers;
Deputy CEO
Secondary-school graduate

Miikka Silvonen
b. 1989
Director, Business Customers
M.Sc. (Econ. & Bus. Adm.)

Piia Vuoti
b. 1977
General Counsel (as of 8 August 2022)
LL.M., Trained on the bench
Linda Magnusson was the General Counsel
until 13 May 2022.

Fellow BANK

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