

FELLOW FINANCE PLC FINANCIAL STATEMENTS BULLETIN
JANUARY-DECEMBER 2021



FELLOW FINANCE



FELLOW FINANCE PLC: FINANCIAL STATEMENTS BULLETIN JANUARY-DECEMBER 2021

Financing volumes continued to grow strongly, the result was burdened by non-recurring costs related to the transition to banking operations

JANUARY-DECEMBER 2021 IN BRIEF

- Revenue decreased by three percent and was 10,7 million euros (11,1).
- Operating profit (EBIT) was -0.9 million euros (0,9).
- The amount of financing brokered increased by 60 percent from the previous year and totalled EUR 215.0 million (130.7).
- On December 22, 2021, the Extraordinary General Meeting decided to merge the company with Evli Bank Plc, which will continue its banking operations. If the merger is completed as planned, the company will continue its operations as Fellow Bank Plc from the beginning of April 2022 and create a new digital and customer-oriented bank in Finland.
- In preparation for future banking operations, the company strengthened its personnel and the number of employees increased to a total of 66 (54) by the end of the year.

JULY-DECEMBER 2021 IN BRIEF

- Revenue decreased by two percent and was 5.2 million euros (5,3).
- Operating profit (EBIT) was -1,4 million euros (0,8).
- The amount of financing brokered increased by 59 percent from the corresponding period of the previous year and totalled EUR 142.3 million (84.3).
- The result was significantly burdened by non-recurring expenses related to the merger with Evli Bank Plc and increased personnel expenses.
- The company invested in the development of new services and preparations for future banking operations: the company launched an e-commerce payment solution in thousands of Finnish online stores and a mobile application for its private customers.

Fellow Finance adopted to IFRS reporting for the financial year ended 31 December 2020. Previously, the company's consolidated financial statements and semi-annual reports have been prepared in accordance with Finnish Accounting Standards (FAS). The figures in parentheses in this report refer to the audited comparative period of the IFRS consolidated financial statements, i.e., the same period in 2020, unless otherwise stated.

**KEY RATIOS**

CONSOLIDATED KEY FIGURES, 1000 eur	2021	2020
Revenue (EUR 1,000)	10 687,7	11 069,7
EBITDA	-374,4	1 296,6
EBITDA margin %	-3,5%	11,7%
Operating profit (EBIT)	-869,1	887,9
Operating profit (EBIT) -margin %	-8,1%	8,0%
Profit for the period	-1 564,2	-290,1
Return on equity (ROE), %	-25,1%	-4,4%
Equity ratio, %	52,6%	46,7%
Personnel	66	54
Earnings per share (EPS)	-0,22	-0,04
Earnings per share, diluted (EPS)	-0,22	-0,04
Return on investment (ROI), %	-13,3%	-1,9 %

FINANCIAL GOALS AND PROFIT FORECAST FOR YEAR 2022

On December 22, 2021, Fellow Finance's Extraordinary General Meeting approved a merger in which the company will merge with Evli Bank Plc, which will continue its banking operations. Fellow Bank Plc, which will be formed upon the completion of the merger, will provide more detailed information on its financial targets and guidelines for 2022 after the completion of the merger. The proposed Effective Date of the Merger is April 2, 2022. Due to significant changes in Fellow Finance Plc business, the company will not provide more detailed financial guidance for 2022. Information on the long-term financial targets of Fellow Bank Plc, which will be formed upon the completion of the merger, is presented in the merger and listing prospectus published by Evli Bank Plc on December 7, 2021.

**TEEMU NYHOLM, CEO:****Strong growth in financing volumes continued and we prepared to commence banking operations, but earnings were burdened by non-recurring costs related to the merger.**

In 2021 our financing volumes continued to grow steadily and recover from the downturn caused by the COVID-19 pandemic in 2020. Towards the end of the year, our monthly financing volumes surpassed the company's previous record levels. However, our revenue for the full year fell slightly short of the previous year due to a reduction in interest income from lending through our own balance sheet, a temporary interest rate cap enacted as a result of the pandemic and the focus on financial instruments with lower profit margins in the financing brokered by us. Our profit was burdened by non-recurring costs related to the merger arrangement with Evli Bank Plc and increased personnel expenses. Consequently, the company's result was negative in 2021, although without the above-mentioned non-recurring items, the result would have been slightly positive.

In our business areas, Finnish business financing in particular continued its very strong and steady growth. We also started on a good growth course in Finnish consumer financing. On the international markets, our financing volumes remained modest but, in accordance with our plans, we pursued projects to relaunch operations on the Polish and German markets. In Poland, we resumed lending operations in consumer financing towards the end of the year and launched an invoice financing service for SMEs. In Germany, our project with a new partner bank progressed, with the aim of launching business operations in 2022. In accordance with our strategy, we consolidated our business on the international market and wound down our operations in Sweden and the Czech Republic.

In July, we announced our merger agreement with Evli Bank Plc. As part of the arrangement Evli Bank Plc will demerge through a partial demerger into a new asset management group and a company that will carry on Evli's banking services and into which Fellow Finance will merge. The combined company formed in the merger will be Fellow Bank, whose goal will be to launch a new digital bank in Finland that will serve both private customers and SMEs. Our aim is to complete the merger and begin banking operations in early April 2022. Fellow Bank that will be created in the arrangement will be the first Finnish digital bank with a very solvent and strongly capitalized capital, with strong and committed anchor owners.

During the autumn, we defined the business strategy for the future Fellow Bank together with Fellow Bank's new Board of Directors and announced the themes of the new strategy in December. The core of Fellow Bank's strategy is offering customers easy-to-use digital banking services combined with flexible, personal customer service. Furthermore, we will focus on profitable product areas and on selected customer segments that are underserved by traditional banks. The foundation of the bank's business is formed by Fellow Finance's large customer base combined with Evli Bank's deposit customers, which Fellow Bank continues to actively serve. As a bank, we will be able to offer our customers an even wider range of services, thus further expanding our customer base. With a digital service model and modern information systems, we achieve high operational efficiency. Above all, the new business model will improve profitability and competitiveness.

In May, we launched an e-commerce payment solution and during the autumn, we were able to offer our Fellow Invoice payment method comprehensively in thousands of Finnish online stores to both private persons and corporate customers. In August, we also launched a mobile app for our private customers, which will be our primary service channel at Fellow Bank going forward. During the autumn, we prepared for the integration with Evli Bank, developed new banking services and implemented processes required by regulations related to credit institution operations.

On the credit investor side, we concentrated on institutional customer relationships, and we are pleased to report that during the year we gained several significant new institutional investors for our peer-to-peer lending and crowdfunding platform. Furthermore, we succeeded in our strategic objective of increasing the share of lower-risk loans in the financing exposure. Credit risk management will continue to be a key aspect of our operations also in the future, and we were able to substantially reduce the credit losses of loans intermediated through the balance sheet of our subsidiary Lainaaamo Oy in comparison with 2020.



During the latter part of the year, we increased the number of personnel in preparation for the forthcoming banking operations. We recruited new employees in service development and marketing, for example. As a result of the integration with Evli Bank, our organization will be further strengthened with experts in banking operations and risk management.

The year 2022 will be an important period of renewal for the company. Becoming a bank will fundamentally change our business model and grow our organization. We will gradually introduce new banking products and services to our customers during the year. Our large customer base in private and corporate customers and the deposit customer relationships inherited from Evli Bank will provide a strong foundation for our new business model. Providing our customers with a top-quality and flexible service will continue to be at the core of everything we do.

FINANCIAL DEVELOPMENT

Fellow Finance Group's consolidated revenue decreased by three percent from previous financial year to 10,7 (11,1) million euros and consolidated EBIT margin was -8,1 percent (8,0). Operating profit was -0,9 (0,9) million euros.

Parent company's revenue increased by 28 percent from previous financial year 7,2 (5,6) million euros and EBIT was -1,6 (0,1) million euros.

BALANCE SHEET AND FUNDING

At the end of the year, the Fellow Finance Group's balance sheet total was 22,4 (28,2) million euros. Fellow Finance Group's debt receivables were 13,4 (22,1) million euros, which equates to 60 percent (78 percent) of total assets.

Fellow Finance Group's interest bearing debt was 8,5 (13,6) million euros. Liabilities in total were 10,6 (14,8) million euros and equity totalled 11,8 (13,2) million euros.

Fellow Finance Group's equity ratio was 52,6 (46,7) percent. Lainaamo debt capital repayments in 2021 were 3,7 million euros.

CAPITAL ADEQUACY

Fellow Finance's capital adequacy management has been organized according to the laws regulating Payment Institutions. The base of the capital adequacy management is that payment institution's own assets, together with their quality and allocation are on a sufficient level to cover the risks that payment institution carries continuously. To calculate the required amount of assets, Fellow Finance uses transaction-based calculation method. A transaction is included in the calculation when an investor transfers money via platform to the borrower and when borrower do repayment to the investor. Fellow Finance Plc's total capital was 10,4 million euros when the minimum adequate capital requirement was 0,48 million euros at the end of the financial period.

ESSENTIAL EVENTS AFTER FINANCIAL PERIOD 2021

There have been no significant changes in the Company's business since the end of the financial year.



GROUP STRUCTURE

The Fellow Finance Group consists of the parent company Fellow Finance Plc and its wholly owned subsidiaries Lainaaamo Oy, Fellow Finance Sp. z o.o., Fellow Finance Estonia OU, Fellow Finance Česko s.r.o and Fellow Finance Deutschland GmbH.

During the period under review, the company stopped issuing new peer and crowdfunding loans in the Swedish and Czech markets. However, the company will continue to manage its outstanding loan portfolio in that market. There were no significant changes in the group structure during the period under review.

PERSONNEL AND LOCATIONS

At the end of December, the Group had 66 (54) employees. The number grew by 22 percent from the corresponding period of the previous year. A total of 57 (47) people worked in Finland and a total of nine (seven) in other operating countries.

ANNUAL GENERAL MEETING

Fellow Finance Plc's Annual General Meeting of Shareholders was held in Helsinki on 31st of March 2021. The Annual General Meeting approved the financial statements for 2020 and granted release from liability of the members of the Board of Directors and CEOs (Jouni Hintikka between 1 January – 30 June 2020 and Teemu Nyholm between 1 July – 31 December 2020).

The Annual General Meeting made a resolution not to pay a dividend and minority dividend for financial year 2020.

The Annual General Meeting decided to re-elect Kai Myllyneva (Chairman) and Harri Tilev to the Board of Directors and that Michael Schönach, Karri Haaparinne and Tero Weckroth were elected as new members to the Board of Directors. It was decided that the annual remuneration of 20 000 euros will be paid to the Chairman of the Board of Directors and 15 000 euros to the members of the Board of Directors.

The Annual General Meeting resolved to elect Timo Helle, APA, as the auditor of the company.

The Extraordinary General Meeting of Fellow Finance Plc held in Helsinki on December 22, 2021, approved an arrangement between Evli Bank and Fellow Finance Oy, where Evli will demerge through a partial demerger into a new asset management group that will be listed and a company that will carry on Evli's banking services and into which Fellow Finance will merge.

Shareholder resolutions regarding share issues and repurchase of won shares are addressed in the section "Share and shareholders".

THE BOARD, CEO AND AUDITORS

The Company's Board of Directors was formed during the half-year period by Kai Myllyneva as a chairman of the Board of Directors and Jorma Alanne, Harri Tilev ja Esa Laurila as board members until the Annual General Meeting 31st March 2021. The Annual General Meeting 31st March 2021 decided that the Board of Directors is formed by Kai Myllyneva as the chairman of the Board of Directors and Harri Tilev, Michael Schönach, Karri Haaparinne and Tero Weckroth as board members until next Annual General Meeting. During the half-year period the board met 20 times and the participation percentage was 100 percent except for two meeting where one board member could not participate in the meeting. The company's Auditor is APA Timo Helle (Grant Thornton). The company's CEO in the reporting period has been Teemu Nyholm.

SHARES AND SHAREHOLDERS

The company's number of shares on 31, December 2021 was 7 173 625. The Company's share is listed on Nasdaq First North Growth Market Finland under the trading code FELLOW. The share capital of the Company was 125 000 euros in the end of the half-year period. Fellow Finance did not own shares at the end of the period.

The closing price of the share on the last trading day of the half-year period 30, December 2021 was 2,84 euros. The lowest trading price for half-year period was 2.57 euros and the highest 4,17 euros. Fellow Finance market capitalization at the end of the financial year was 20,7 million euros.

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to authorize the Board of Directors to decide on the repurchase of the company's own shares in one or more tranches using the company's unrestricted equity as follows. The maximum number of shares to be repurchased is 100 000. The shares will be repurchased otherwise than in proportion to the holdings of the shareholders in public trading on the Nasdaq Helsinki Ltd at the market price at the time of acquisition. The authorization is valid until the end of the next Annual General Meeting, but no later than June 30, 2022. The previous Board authorization expired on March 31, 2021.

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to authorize the Board of Directors to decide on the issue of shares and the granting of special rights to shares referred to in Chapter 10, paragraph 1 of the Companies Act in one or more tranches either against payment or without payment as follows. The total number of shares to be issued, including the shares to be acquired on the basis of special rights, may not exceed 400 000 shares. The Board of Directors may decide to issue either new shares or treasury shares held by the company. The proposed maximum number of authorizations corresponds to approximately 5.6% of the total number of shares in the company, as of the date of the notice of the annual general meeting. The authorization is valid until the end of the next Annual General Meeting, but no later than June 30, 2022. The previous Board authorization expired on March 31, 2021.

TEN LARGEST SHAREHOLDERS

Shareholder list is based on Euroclear Finland Oy's list of registered shareholders dated 31th December 2021.

		Shares total	% of all shares
1.	TAALERI OYJ	1 847 163	25,7 %
2.	TN VENTURES OY	830 843	11,6 %
3.	OY T&T NORDCAP AB	656 436	9,2 %
4.	OP-SUOMI MIKROYHTIÖT -ERIKOISSIJOITUSRAHASTO	298 174	4,2 %
5.	OP-SUOMI PIENYHTIÖT	269 711	3,8 %
6.	AVENSIS CAPITAL OY	165 000	2,3 %
7.	RAUSANNE OY	150 000	2,1 %
8.	VAKUUTUSOSAKEYHTIÖ HENKI-FENNIA	146 318	2,0 %
9.	DB-MANAGER OY	117 456	1,6 %
10.	UUSITALO RAUNO JUHANI	113 992	1,6 %



DIVIDEND POLICY AND THE BOARD OF DIRECTORS DIVIDEND PROPOSAL

The Board of Directors of Fellow Finance made a resolution on the Company's dividend policy on 31st of July 2018. Fellow Finance seeks to distribute at least 30 percent of the Company's annual net profit to its Shareholders in dividends, taking into account the Company's financial condition and financing situation. However, the size and payment of dividend depend on at least the following: Company profits and financial condition, future investments, cash flow, amount of net debt and loan servicing requirements, and other factors deemed material by the Board. The dividend policy is in effect until further notice.

At the end of the financial period 2021 the parent company's distributable assets were 12.788.127,09 euros of which the financial period's profit was -1.375.887,06 euros. The Board of Directors proposes to the Annual General Meeting of Shareholders, which will be held on 25 May 2022, that no dividend shall be paid for the financial period of 2021.

Helsinki, February 23, 2022

Board of Directors

Fellow Finance Plc

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Certified advisor

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TABLES SECTION
CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR thousand	Note	7-12/2021	7-12/2020	1-12/2021	1-12/2020
Revenue	4				
Fee income		3 958	2 925	7 443	6 357
Interest income		1 233	2 337	3 244	4 713
Other operating income		0	0	41	0
Materials and services		-1 699	-884	-2 946	-2 281
Personnel expenses		-1 739	-983	-3 248	-2 166
Depreciation, amortisation and impairment		-245	-167	-495	-409
Impairment losses on financial assets	5	-885	-1 684	-1 989	-3 703
Other operating expenses		-2 059	-756	-2 920	-1 622
Operating profit		-1 436	787	-869	888
Financial income		123	17	171	30
Financial expenses		-306	-565	-766	-1 239
Result before taxes		-1 619	239	-1 464	-321
Income taxes		-15	-71	-101	31
Result for the year		-1 635	168	-1 564	-290
Other comprehensive income/loss					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences - foreign operations		2	8	6	-6
Other comprehensive income after taxes		2	8	6	-6
Comprehensive income, total		-1 633	176	-1 558	-296
Result for the year attributable to					
Equity holders of parent company		-1 635	168	-1 564	-290
Total comprehensive income attributable to					
Equity holders of parent company		-1 633	176	-1 558	-296
Earnings per share	6				
Earnings per share, basic		-0,23	0,02	-0,22	-0,04
Earnings per share, diluted		-0,23	0,02	-0,22	-0,04

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	31.12.2021	31.12.2020
Assets			
Non-current assets			
Non-current loan receivables	7, 8	6 310	14 255
Intangible assets		1 403	391
Tangible assets		268	414
Deferred tax assets		1 042	932
Total non-current assets		9 024	15 993
Current assets			
Current loan receivables	7, 8	7 129	7 797
Trade and other receivables		2 737	674
Income tax receivables		81	0
Cash and cash equivalents		3 457	3 769
Total current assets		13 404	12 240
Total assets		22 429	28 232
Liabilities			
Non-current liabilities			
Liabilities to public		0	12 483
Lease liabilities		114	238
Total non-current liabilities		114	12 721
Current liabilities			
Liabilities to public		8 412	1 060
Trade and other payables		1 914	915
Lease liabilities		122	113
Income tax payables		77	242
Total current liabilities		10 525	2 329
Total liabilities		10 639	15 050
Equity			
Equity attributable to equity holders of the parent			
Share capital		125	125
Fund for unrestricted equity		13 361	13 361
Retained earnings		-1 696	-303
Equity attributable to equity holders of the parent		11 790	13 182
Total equity		11 790	13 182
Total equity and liabilities		22 429	28 232



STATEMENT OF CHANGES IN EQUITY

Attributable to the equity holders of the parent

EUR thousand	Note	Share capital	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total	Total equity
Equity on 1.1.2020		125	13 361	2	-127	13 361	13 361
Result for the year					-290	-290	-290
Other comprehensive income				-6		-6	-6
Total comprehensive income		0	0	-6	-290	-296	-296
Share based payments					117	117	117
Equity on 31.12.2020		125	13 361	-4	-300	13 182	13 182

Attributable to the equity holders of the parent

EUR thousand	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	-1 563	-1 563
Other comprehensive income				6		6	6
Total comprehensive income		0	0	6	-1 564	-1 557	-1 557
Share based payments					165	165	165
Equity on 31.12.2021		125	13 361	2	-1 699	11 790	11 790

**CONSOLIDATED CASH FLOW STATEMENT**

EUR thousand	1.1-31.12.2021	1.1-31.12.2020
Operating activities		
Result for the year	-1 564	-290
Share based payments	165	117
Depreciation, amortisation and impairment	495	419
Financial income and expenses	594	1 215
Income taxes	101	-31
Cashflow before change in net working capital	-209	1 430
Change in net working capital		
Change in trade and other receivables	2 064	1 100
Change in trade and other payables	1 000	-163
Cash flow from operating activities before financial items and taxes	2 854	2 367
Interest paid	-758	-1 178
Direct taxes paid	-203	-33
Cash flow from operating activities before changes in receivables	1 893	1 156
Loans granted	-43 724	-29 804
Repayments of loan receivables	47 923	35 718
Cash flow from operating activities	6 122	7 071
Cash flow from investment activities		
Investments in tangible and intangible assets	-1 311	-313
Cash flow from investment activities	-1 311	-313
Cash flow from financing activities		
Repayments of lease liabilities	-115	-119
Repayments of current loans	-5 130	-6 760
Cash flow from financing activities	-5 245	-6 879
Change in cash and cash equivalents	-434	-122
Cash and cash equivalents at the beginning of the financial year	3 769	3 922
Translation differences	121	-32
Cash and cash equivalents at the end of the financial year	3 457	3 769
Change	-434	-121

Increased investments in tangible and intangible assets is related to the development of the company's new products and services, such as e-commerce payment, mobile application and credit card.



NOTES TO 1 JANUARY – 31 DECEMBER 2021 FINANCIAL STATEMENTS BULLETIN

NOTE 1. BASIC INFORMATION

Fellow Finance Plc is a loan-based crowdfunding and peer-to-peer lending platform established in 2013. The Group's mission is to transform traditional financing and payments into direct transactions between people and businesses. Fellow Finance has intermediated consumer and business financing worth over EUR 695 million in Finland, Sweden, Denmark, Germany, Poland and the Czech Republic, serving over 900,000 customers.

Fellow Finance Group (hereinafter Fellow Finance or the Company) consists of the parent company Fellow Finance Plc and its wholly owned subsidiaries Lainaamo Oy, Fellow Finance Sp. z o.o., Fellow Finance Estonia OU ja Fellow Finance Česko s.r.o.

Fellow Finance Plc has a payment institution licence granted by the Finnish Financial Supervisory Authority to execute its operations. In Germany, it has a credit intermediation licence (Kreditvermittlungslizenz). Its subsidiary Lainaamo Oy is registered in the creditor register maintained by the Regional State Administrative Agency for Southern Finland. Fellow Finance Plc provides its services across borders in Sweden, Denmark and the Czech Republic as enabled by its payment institution licence.

Fellow Finance Plc is listed on Nasdaq First North Growth Market Finland.

Fellow Finance Plc's headquarters are located at Pursimiehenkatu 4 A, FI-00150 Helsinki, Finland.

NOTE 2. ACCOUNTING PRINCIPLES

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The figures of the consolidated financial statements are presented in thousands of euros

The financial statements have been prepared in accordance with the same accounting principles, calculation methods and presentation as in the preparation of the consolidated financial statements for the financial year ended 31 December 2020. No new accounting policies have been introduced during the reporting period that would have a material effect on these half years financial information. The half-yearly information does not include all the notes presented in the consolidated financial statements for the financial year ended 31 December 2020 and the annual information must be read together with the consolidated financial statements.

Fellow Finance Plc has only one reportable segment. The reported segment consists of the Group, and the segment figures are consistent with those of the Fellow Finance Group.

The preparation of half-yearly information requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. The significant accounting estimates and judgments made by management in preparing the half year information are similar to those applied in the consolidated financial statements for the year ended 31 December 2020.

**NOTE 3. CHANGES IN BUSINESS**

The company stopped issuing new peer and crowdfunding loans in the Swedish and Czech markets during H1 2021. However, the company will continue to manage its outstanding loan portfolio in that market. The downturn has not had a material effect on the figures for the period considered.

In Poland, we relaunched consumer finance in late 2021 and launched an invoice finance service for SMEs. In Germany, our project with the new partner bank progressed with the goal of starting the business during 2022.

NOTE 4. REVENUE

Interest income	2021	2020
Interest income on loans	3 244	4 713
Total interest income using the effective interest method	3 244	4 713
Total	3 244	4 713
Fee income		
Loan fees	7 443	6 357
Total	7 443	6 357
Timing of revenue recognition	2021	2020
Over time	1 039	826
At a point of time	6 404	5 531
Total	7 443	6 357

The positive development of commission income was facilitated by the increase in financing volumes from the comparison period. The increase in fees was due to, among other things, a positive development in loan opening fees.

As a result of the Korona pandemic, the temporary interest rate cap set in Finland had a negative effect on interest income on the company's loans granted. The allocation of the volume of financing we brokered to the lowest-margin financial products in terms of commission income also reduced interest income.

All fee income in accordance with IFRS 15 has been recognized in accordance with the date on which control of the performance obligations has been transferred to the customer. Revenue received by the Group from customers is recognized to the extent that the Group expects to be entitled to the services provided to the customer. Fees are recognized as income over time or at a point of time, depending on the nature of the service.

**NOTE 5. EXPECTED CREDIT LOSSES****Expected credit losses and impairment losses recognized during the period**

Expected credit losses on receivables	2021	2020
Realized credit losses on loans granted during the financial year	98	220
Realized credit losses on loans granted before the beginning of the financial year	1 285	1 921
Total	1 383	2 141
Expected credit losses (ECL) change	606	1 562
Total	1 989	3 703

Both realized loan losses and expected loan losses decreased significantly compared to the comparison period due to the company's strategic shift to lower-risk customers and the relative decline in the loan portfolio for foreign operations.

Expected credit losses consider both expected credit losses on receivables from customers and off-balance sheet commitments. Of the expected credit losses, 1 383 EUR thousand consisted of deductions recorded as final credit losses during the financial year, of which 98 EUR thousand consisted of new loans granted during the year and EUR 1,285 thousand of loans granted before the beginning of the financial year. The expected loan loss provision increased by EUR 606 thousand.

Exposure to credit risk by risk category

Credit risk arises from the liabilities of retail and corporate customers as well as off-balance sheet commitments. The risk exposure summary table shows the exposures and liabilities exposed to credit risk and the ECL provisions for them by impairment.

The following tables describe the amount of money that is exposed to credit risk without taking into account collateral or other credit enhancement arrangements. In the tables, the data are divided into credit risk categories. The probability of insolvency is highest in risk category 1 and lowest in category 5.

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



Exposure to credit risk by risk category (31.12.2020)	Stage 1	Stage 2	Stage 3	Total
Risk class 5	1 007	65		1 072
Risk class 4	6 914	233		7 147
Risk class 3	5 498	450		5 948
Risk class 2	4 832	494		5 325
Risk class 1	2 304	399		2 703
In default			4 381	4 381
Gross carrying amount	20 555	1 640	4 381	26 577
ECL-reservation	607	396	3 156	4 159
Net carrying amount	19 947	1 244	1 226	22 417

Reconciliation calculation 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.

Reconciliation of expected credit losses	Stage 1	Stage 2	Stage 3	Total
ELC- reservation 1.1.2021	607	396	3 156	4 159
Transfers from stage 1 to stage 2	-25	131		106
Transfers from stage 1 to stage 3	-30		416	386
Transfers from stage 2 to stage 1	2	-65		-63
Transfers from stage 2 to stage 3		-125	276	150
Transfers from stage 3 to stage 1	0		-51	-51
Transfers from stage 3 to stage 2		2	-4	-2
Increases due to origination and acquisition	83	42	277	401
Change 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
ELC- reservation 31.12.2021	347	200	4 160	4 708

Reconciliation of expected credit losses	Stage 1	Stage 2	Stage 3	Total
ELC- reservation 1.1.2020	1 039	611	947	2 597
Transfers from stage 1 to stage 2	-59	222		163
Transfers from stage 1 to stage 3	-143		1 324	1 180
Transfers from stage 2 to stage 1	4	-52		-48
Transfers from stage 2 to stage 3		-98	245	148
Transfers from stage 3 to stage 1	0		-9	-9
Transfers from stage 3 to stage 2		1	-2	-2
Increases due to origination and acquisition	427	149	628	1 204
Change due to credit risk during the stage (net) and decreases due to derecognition	-566	-17	284	-299
Decreases in the allowance account due to write-offs	-95	-419	-261	-775
ELC - reservation 31.12.2020	607	396	3 156	4 159

The relative share of loan loss provisions in the total loan portfolio was increased during the period under review by sales of the non-performing loan portfolio to third parties, which increased the share of overdue loans in the total loan portfolio. At the same time, receivables recorded as final credit losses decreased.

NOTE 6. EARNINGS PER SHARE

	2021	2020
Profit (loss) attributable to the shareholders of the parent	-1564	-290
Weighted average number of the shares during the period	7 173 625	7 173 625
Number of the shares during the period	7 173 625	7 173 625
Share and option rights for share-based incentive programs	-	-
Earnings per share, basic	-0,22	-0,04
Earnings per share, diluted	-0,22	-0,04

* The share-based payment plans will not have a dilutive effect in the financial year 2020, as the company's result is negative.

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.

NOTE 7. CLASSES OF FINANCIAL ASSETS AND LIABILITIES AND FAIR VALUES

	31.12.2021			
	Amortised		Measured	
Assets	cost	Total	at fair	Value
			value	hierarchies
Non-current loan receivables	6 310	6 310	6 310	3
Current loan receivables	7 129	7 129	7 129	3
Trade receivables	46	46	46	3
Receivables from customer accounts	2 512	2 512	2 512	3
Cash and cash equivalents	3 457	3 457	3 457	3
Total	19 454	19 454	19 454	
Liabilities	Amortised		Measured	
	cost	Total	at fair	Value
			value	hierarchies
Lease liabilities	236	236	236	
Trade payables	743	743	743	3
Current liabilities to public	8 450	8 450	8 412	3
Total	9 429	9 429	9 391	



	31.12.2020			
	Amortised		Measured	
Assets	cost	Total	at fair	Value
			value	hierarchies
Non-current loan receivables	14 255	14 255	14 255	3
Current loan receivables	7 797	7 797	7 797	3
Trade receivables	76	76	76	3
Receivables from customer accounts	341	341	341	3
Cash and cash equivalents	3 769	3 769	3 769	3
Total	26 238	26 238	26 238	

	Amortised		Measured	
Liabilities	cost	Total	at fair	Value
			value	hierarchies
Non-current liabilities to public	12 483	12 483	12 483	3
Lease liabilities	351	351		
Trade payables	270	270	12 721	3
Current liabilities to public	1 060	1 060	1 060	3
Total	14 164	14 164	26 263	

During the period under review, the company repurchased a bond with a total profit of EUR 43 thousand.

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

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

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

Level 3: If one or several pieces of significant input data are not based on observable market data, the instrument is classified as level 3. These include all of the Company's loan receivables, as the Company has exercised significant judgement in determining their fair value.

**NOTE 8. BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES ACCORDING TO MATURITY**

The table below shows the contractual payments of the company's financial assets and liabilities. Cash flows include capital and contractual interest.

	31.12.2021					Total
	under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	
Assets						
Loan receivables	7 475	4 717	7 843	2 096	35	22 165
Trade receivables	46					46
Receivables from customer accounts	2 512					2 512
Cash and cash equivalents	3 457					3 457
Liabilities						
Liabilities to public	608	8 131				8 739
Lease liabilities	29	88	119			236
Trade payables	743					743
Off balance sheet commitments	1 937					1 937

	31.12.2020					Total
	under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	
Assets						
Loan receivables	8 763	9 189	11 350	2 465	41	31 808
Trade receivables	76					76
Receivables from customer accounts	341					341
Rahavarat	3 769					3 769
Liabilities						
Liabilities to public	396	1 462	12 829			14 687
Lease liabilities	30	90	240			359
Trade payables	270					270
Off balance sheet commitments	365					365

The company will pay future debts primarily in the future corporate reorganization with the assets of the combined company or in the event of cancellation or delay of the reorganization by selling the loan portfolio.

NOTE 9. OFF-BLANCE SHEET ITEMS

	31.12.2021	31.12.2020
Unused credit facilities	1937	365
Total	1937	365

Off-balance sheet commitments are loans granted to customers that have not been drawn down by the customer. The expected credit loss on off-balance sheet items is EUR 34 thousand (EUR 12 thousand).

NOTE 10. RELATED PARTY DISCLOSURES

	Other related parties
Related party transactions in 2021	
Assets	0
Liabilities	152
Income	0
Expenses	124
Total	275

	Other related parties
Related party transactions in 2020	
Assets	0
Liabilities	158
Income	0
Expenses	284
Total	443

Fellow Finance Plc's other related parties include the following parties with significant influence in the company: Taaleri Oyj, which has a 25.75% holding in the company, TN Ventures Oy, which owns 11.58% and is controlled by Teemu Nyholm, CEO of the company, and T&T Nordcap Ab, which owns 9.15% of the company and is controlled by Harri Tilev, a member of the company's Board of Directors.

There were no significant changes in transactions with related party during the period.

NOTE 11. ESSENTIAL EVENTS AFTER THE REPORTING PERIOD

The Extraordinary General Meetings of Fellow Finance Plc and Evli Bank Plc decided on the merger of the company with Evli Bank Plc, which will continue its banking operations and aims to establish Fellow Bank. If the conditional arrangement for the conditions for the implementation of the merger in accordance with the merger plan is implemented, a new customer-oriented, solvent and digital bank will be established in Finland, focusing on serving individuals and SMEs who appreciate the ease and flexibility of banking services.

The completion of the Merger is subject to the conditions to completion set out in the Merger Plan having been fulfilled. The planned completion date of the Merger is 2 April 2022, however, the date is subject to change, and the actual completion date may be earlier or later than 2 April 2022.

**CALCULATION OF KEY RATIOS**

EBITDA	=	Operating profit + Depreciation, amortization and impairment losses
EBITDA margin, %	=	$\frac{\text{Operating profit + Depreciation, amortization and impairment losses}}{\text{Revenue}}$
Earnings before taxes (EBT), margin, %	=	$\frac{\text{Result for the year + income taxes}}{\text{Revenue}}$
Equity ratio, %	=	$\frac{\text{Equity}}{\text{Balance sheet total - prepayments received}}$
Return on equity (ROE), %	=	$\frac{\text{Result for the year (annualised)}}{\text{Equity (average)}}$
Earnings per share (EPS), undiluted, EUR	=	$\frac{\text{Result for the year}}{\text{Share split-adjusted average number of outstanding shares during period}}$
Adjusted earnings per share (adjusted EPS), undiluted, EUR	=	$\frac{\text{Adjusted result for the year}}{\text{Share split average number of outstanding shares during period}}$