

# Fellow Bank Plc

Half-year report

1 January to 30 June 2022

## FELLOW BANK PLC'S HALF-YEAR REPORT 1 JANUARY TO 30 JUNE 2022

- Launching banking operations and merger with Evli Bank were operationally excellent. Digital banking services have received a positive response from customers.
- Loan portfolio increased during the period to EUR 114.5 million (18.1).
- Profit before taxes EUR -7.4 million (0.5) was negative as expected due to the non-recurring costs related to the investments required by the credit institution's operations, the frontloaded costs caused by the strong growth of the loan portfolio and new customer acquisition.
- Capital adequacy was at a good level: Total capital ratio was 19.4 percent.

<b>GROUP'S KEY FIGURES (EUR 1,000)</b>	<b>1-6/2022</b>	<b>1-6/2021</b>	<b>2021</b>
Net interest income	2,463	1,600	2,650
Net commission and fee income	9	2,239	4,497
Total operating expenses	-5,577	-2,620	-6,663
Impairment of receivables	-4,174	-1,104	-1,989
Profit before taxes	-7,381	156	-1,464
* Cost / income ratio, %	235	68	93
Balance sheet total	290,790	25,299	22,418
* Return on equity (ROE), %	neg.	neg.	neg.
Total capital ratio (TC), %	19.4	-	-
Number of employees, end of period	90	50	66
Earnings per share (EPS), EUR	-0.10	0.01	-0.04
* Impairment of receivables / loan portfolio, %	7.3	11.4	11.0

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

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

## A new Finnish digital bank that makes everyday life easier

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

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

Evli Bank was the legal acquirer in the merger. In IFRS reporting, the arrangement is treated as a reverse acquisition in which Fellow Finance is the accounting acquirer and Evli Bank is the accounting acquiree. In this half-year report, income statement, balance sheet, cash flow statement and notes for 2021 and 1 January to 1 April 2022 are related to the Fellow Finance Group. The figures comply with the IFRS and the presentation is subsequently revised in accordance with the regulations and guidelines issued by the Financial Supervisory Authority for the financial reporting of credit institutions. In this half year report, the comparison period for income statement figures is H1 2021 and for balance sheet figures 31.12.2021.

At the time of the merger, Evli Bank's business mainly consisted of receiving and managing deposits (deposit portfolio 1.4.2022: EUR 244.0 million) and, to lesser extent, lending (loan portfolio 1.4.2022: EUR 5.3 million). At the time of the merger, Evli Bank's assets and liabilities were as follows:

<b>EUR 1,000</b>	<b>1.4.2022</b>
Assets total	250 932
Liabilities total	244 484
Equity	6 449

At the time of the merger, Evli Bank's assets consisted mainly of cash and cash equivalents and Liabilities to the public and public sector entities. The result before taxes of Evli Bank's banking business from January 1 to April 1, 2022 was EUR -0.5 million. The table below shows the summary income statement of the banking operations in question for the beginning of the year before the merger. However, due to the IFRS reverse acquisition, the result in question is not included in the H1 2022 result of the Fellow Bank group.

<b>EUR 1,000</b>	<b>1.1.-1.4.2022</b>
Total income	-161
Operating expenses total	-335
Impairment of receivables	-1
Profit before taxes	-497

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

## **Financial targets and outlook for 2022**

In 2022, Fellow Bank is building a foundation for growth and profitability in the coming years.

Fellow Bank is seeking strong growth in its loan portfolio by investing in customer acquisition and converting its peer-to-peer loan and crowdfunding portfolio to be funded from the bank's balance sheet. Lending growth is supported by improved competitiveness as a result of lower financial expenses, as well as more comprehensive services for customers and new digital service channels.

The bank's loan portfolio is expected to be at least EUR 150 million at the end of 2022. In order to secure growth, we have initiated actions aimed at strengthening equity during the fall of 2022.

The result for 2022 is estimated to be clearly negative due to the non-recurring costs related to the completed corporate reorganization, the investments required by the credit institution's operations and the frontloaded costs caused by the strong growth of the loan portfolio related to new customer acquisition and loan loss provisions.

Loss for the second half of 2022 is estimated to be clearly smaller than H1 2022 as a result of the increase in loan portfolio and the cost savings implemented by the company. In addition, the non-recurring costs related to the business arrangement were mainly realised during the first half of the year.

## **Teemu Nyholm, CEO:**

### **Banking operations successfully launched – the result was clearly loss-making, as expected**

In April 2022, we launched banking operations when Fellow Finance merged with the company that continued Evli Bank's banking business. We are pleased to announce that Fellow Bank's operations were launched highly successfully and that the bank has been well received among our customers.

As expected, our profit before taxes was clearly loss-making (EUR -7.4 million) due to non-recurring costs related to the start-up of banking operations, higher personnel expenses and other fixed costs as a result of banking operations, and customer acquisition costs and front-loaded credit loss provisions arising from the strong growth of the loan portfolio. Realized credit losses were on a moderate level.

Our loan portfolio developed as planned, increasing to EUR 114.5 million by the end of June. Our deposit portfolio remained stable and was EUR 223.4 million at the end of June. The bank's liquidity position is strong and capital adequacy remained at a high level, standing at 19.4%.

Corporate customer business continued to grow steadily at a strong rate. Our competitiveness and visibility improved as a result of banking operations, and this was clearly reflected in corporate financing, where a large number of new customers started to use our financial services. After starting the banking operations, our financing volumes increased by 49% compared with the beginning of the year.

We also achieved our target for financing volumes and the number of new customers in terms of private customers. After starting the banking operations, our new lending increased by 35% compared with the beginning of the year. Overall, our total number of customers exceeded 48,000 by the end of June.

Since the start of banking operations, we have created systematic processes for the bank's risk management. We are pleased to say, the bank's credit loss levels remained at the estimated level. After the start-up of our banking operations, we systematically targeted lending at lower-risk customer relationships. Despite the increased macroeconomic uncertainties, we estimate the credit risk to develop moderately in our customer base because of the strong diversification of our loan portfolio and the nature of the financing we offer. The employment rate has continued to develop favourably, which supports good liquidity among our customers. In terms of the market risk and the interest rate risk, the bank's risk position is low. The rising interest rate levels and market uncertainty do not have a material impact on the bank's financial outlook.

Our strategic development projects have progressed as planned. In connection with the start-up of our banking operations, we launched new mobile and online banks, which received praise from our customers for their ease of use. Our customer satisfaction was measured in May and was at an excellent level (Net Promoter Score: 61).

We have continued to develop the bank's digital service channels. At the beginning of July, we acquired Mobify Invoices Ltd, a company focusing on the development of a mobile app for personal financial management, to supplement the features of our mobile bank and strengthen our mobile development.

We have also made progress in our other strategic projects to offer credit cards and payment transaction services to our customers. We will launch these services for our customers during the second half of the year, thereby complementing our service offering as a comprehensive digital bank.

Our e-commerce payment solution has been well received in the market. In August, we announced a significant distribution agreement with Paytrail Plc, Finland's leading provider of electronic payment services, that will further expand our Fellow Invoice and Fellow Company Invoice payment method to more than 20,000 online stores. Moreover, in terms of corporate customers, we have made progress in projects to provide BaaS (banking as a service) services in cooperation with financial management companies. These projects support our strategy to use digital channels in acquiring new customers.

In the summer, we started a goal-oriented cost savings programme to achieve significant savings in the bank's fixed costs. We are aiming to further improve the operational efficiency of our bank created through the merger. Furthermore, in international markets, we decided to focus only on developing our operations in Denmark and Germany in the future. However, cost savings will not limit our opportunities to invest in the development of digital services, customer acquisition or risk management.

If we succeed in our strategic projects and the market conditions remain unchanged, we have good possibility to reach a positive monthly profit level during the first half of 2023. This requires reaching a loan portfolio of around EUR 180 million, taking into account the bank's estimated cost level and lending interest margin.

Growth of the bank's balance sheet requires strengthening of equity as planned during the second half of the year. After the reporting period, we started actions aiming at the issue of a Tier 2 debenture in the early autumn. The issue of the debenture will strengthen our capital adequacy and enable the growth of our loan portfolio to continue during the autumn. Securing the growth will require further strengthening of equity during the second half of the year or H1 2023, but in the longer term, we aim to cover the increase in the capital requirement mainly with positive profit development.

In our banking operations, we have succeeded in recruiting the necessary highly competent and motivated employees. We are pleased to announce that the merger has been highly successful also in terms of personnel, and the people who transferred from both companies to Fellow Bank have found common ground for a great team spirit. The scaling of our operations will not require a significant increase in the number of employees.

During the second half of the year, we will continue our strong growth, focusing on increasing our customer numbers and loan portfolio among both corporate and private customers. At the same time, we will complete our strategic projects in the development of digital banking services. In line with our strategy, our expanded service selection will enable us to provide our customers with easy-to-use digital banking services, combined with first-class customer service. Our growing loan portfolio and operational efficiency will improve profitability, and we will be able to demonstrate the effectiveness of our scalable business model during next year.

**Additional information:**

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## January–June 2022 in brief

- Launching banking operations and merger with Evli Bank were operationally excellent.
- Loan portfolio increased during the period to EUR 114.5 million (18.1). Because of the strong growth of loan portfolio, the amount of frontloaded expected credit loss provisions in relation to returns grew to EUR 3.5 million (0.3). Realized credit losses were at a moderate level: EUR 0.7 million (0.8).
- Deposits totalled EUR 223.4 million at the end of the reporting period.
- Profit before taxes showed a loss, at EUR -7.4 million (0.5), as expected because of non-recurring costs related to corporate restructuring and investments in the start-up of banking operations and customer acquisition. Non-recurring costs were EUR 1.2 million.
- The company invested strongly in developing digital banking services. New services have received a positive response from customers, which was reflected in the measured customer satisfaction (Net Promoter Score: 61) and strong growth in number of customers and lending volumes.
- As a result of the start-up of Fellow Bank's operations, the Group's number of employees increased to 90 (12/2021: 66).

## Business environment

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

During the first half of the year, inflation also accelerated rapidly, and interest rates began to increase. In June, the annual inflation rate for consumer prices was 7.8% in Finland, with the ECB's long-term target being 2%. Inflation and rising interest rates reduce consumers' purchasing power and confidence in economic development, in addition to curbing companies' investments. The era of negative interest rates came to an end when the ECB decided at its meeting in July to raise its key interest rates by 0.50 percentage points to curb inflation. Interest rate hikes are likely to continue in the autumn, but the slowing economic growth and wider differences in interest rates in the eurozone will bring additional challenges. Uncertainty in the business environment is expected to continue during the second half of the year.

Despite the economic uncertainty, the employment rate has developed favorably for the time being.

## Financial performance

Performance in the reporting period was driven by the start-up of Fellow Bank's operations and the ensuing increase in the loan portfolio on its balance sheet, as well as customer acquisition and the establishment of operations in line with the new organization.

Total income for the reporting period – including net interest income, net fee and commission income, net income from securities transactions and other operating income – was EUR 2.4 million (3.9). The strong growth of the loan portfolio also increased the amount of frontloaded expected

credit loss provisions in relation to returns (EUR 3.5 million). Realized credit losses were at a moderate level: EUR 0.7 million (0.8).

Total operating expenses increased to EUR 5.6 million (2.6) due to non-recurring costs (EUR 1.2 million) related to corporate restructuring and investments related to the start-up of banking operations.

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

## **Balance sheet and financing**

The Group's balance sheet total stood at EUR 290.8 million (22.4) at the end of the reporting period.

Assets, EUR 290.8 million, mainly consisted of cash (EUR 134.9 million) and claims on the public and public sector entities (EUR 106.6 million). Intangible assets, EUR 8.0 million, include EUR 6.1 million goodwill arising from the merger.

The Group's liabilities, EUR 261.3 million, mainly consisted of liabilities to the public and public-sector entities (EUR 223.4 million). The company has no outstanding bonds. The bond raised in 2019 (EUR 7.6 million) fell due in full in May 2022.

The Group's equity stood at EUR 29.5 million (11.8).

## **Risk position and capital adequacy**

Fellow Bank's business risks mainly consist of credit and counterparty risk as well as operational risks. Market risk mainly consists of the interest rate risk of the financing balance sheet and a minor currency risk. The interest rate risk of the financing balance sheet is not significant, and it mainly arises from the differences between the reference rates of interest and maturities of assets and liabilities. The bank's liquidity has been at an excellent level during the start-up phase of banking operations.

Fellow Bank uses the Standardised Approach for the credit risk calculation and the basic indicator approach for operational risks. In this half-year report, the information according to Pillar III is published in relevant parts.

The figures for Fellow Bank Group's capital adequacy and risk position are presented for the situation ending on 30 June 2022. In the previous reporting period, Fellow Finance 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 and common equity tier 1 ratio were 19.4%, exceeding the total capital requirement for banks (10.5%). The total capital requirement for banks consists of a minimum capital requirement (8.0%) in accordance with Pillar 1 and an additional capital buffer requirement (2.5%) in accordance with the Act on Credit Institutions.

A binding requirement for a leverage ratio of 3% entered into force as part of the updated Capital Requirement Regulation on 28 June 2021. The leverage ratio was 7.0% at the end of the review period.

Risk weighted exposures increased primarily driven by the strong growth of the loan portfolio both in the private customers loan portfolio and corporate customers during the first months of Fellow Bank's operations. The loan portfolio stood at EUR 114.5 million at the end of the reporting period. Credit risk position has remained stable despite the strong increase in the loan portfolio. For the time being, the uncertainties in the operating environment, accelerated inflation and the weakened outlook of the Finnish economy have not been reflected in a significant increase in the credit risk.

<b>CAPITAL AND RISK POSITION, EUR 1,000</b>	<b>30.6.2022</b>
Common Tier 1 Capital before adjustments	29,455
Adjustments to Common Tier 1 Capital	-9,868
<b>Common Tier 1 Capital in total (CET1)</b>	<b>19,587</b>
Additional Tier 1 Capital before adjustments	0
Adjustments to Tier 1 Capital	0
<b>Additional Tier 1 Capital in total (AT1)</b>	<b>0</b>
<b>Total Capital (T1 = CET1 + AT1)</b>	<b>19,587</b>
Tier 2 Capital before adjustments	0
Adjustments to Tier 2 Capital	0
<b>Tier 2 Capital in total (T2)</b>	<b>0</b>
<b>Total risk weighted exposure amounts</b>	
Credit and Counterparty risk	86,324
Market	995
Operational risk	13,650
<b>Risk weighted exposures in total</b>	<b>100,969</b>
<b>Common Equity Tier 1 ratio (CET 1), %</b>	<b>19.4</b>
<b>Tier 1 ratio (T1), %</b>	<b>19.4</b>
<b>Total Capital Ratio (TC), %</b>	<b>19.4</b>

<b>LEVERAGE RATIO, EUR 1,000</b>	<b>30.6.2022</b>
Total Equity	19,587
Total Exposure Amount	281,310
<b>Leverage ratio (LR), %</b>	<b>7.0</b>

Group's liquidity coverage requirement was 357.4% at the end of the reporting period, with the minimum requirement being 100%. Of its liquidity buffer, 100% consisted of Level 1 assets with a very high liquidity. The buffer consists of non-pledged, high-quality investments that can be sold very quickly.

Net stable funding ratio was 185.5% 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 7,552,000) 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.

<b>LCR JA NSFR DEVELOPMENT, EUR 1,000</b>	<b>30.6.2022</b>
<b>Liquidity</b>	
<b>LCR-ratio</b> (3 months average) %	<b>330</b>
Total high quality liquid assets (3 months average)	150,121
Cash outflow (3 months average)	55,314
Cash inflow (3 months average)	10,229
Total net cash outflow (3 kk)	45,084
<b>Net Stable Funding</b>	
Total available stable funding	203,763
Total required stable funding	109,852
<b>NSFR-ratio %</b>	<b>185.5</b>

## **General meeting, Board of Directors, CEO and auditor**

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

Evli Bank Plc's Extraordinary General Meeting held on 22 December 2021 in Helsinki approved the arrangement between Evli Bank Plc ("Evli") and Fellow Finance Plc ("Fellow Finance"), where Evli demerged through a partial demerger into a new asset management group of companies which will be listed on a stock exchange and into a company that carried on Evli's banking services and into which Fellow Finance merged. Concerning this arrangement, the Extraordinary General Meeting decided on matters related to the implementation of the merger and the increase of

Fellow Bank's share capital immediately after the completion of the merger.

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

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

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

## Shares and shareholders

Trading in Series B shares in Fellow Bank Plc on the main list of the Nasdaq Helsinki began on 4 April 2022 under the ticker symbol FELLOW. The number of shares in the company was 87,157,094 at the end of June. The company's share capital stood at EUR 18.3 million at the end of June. Fellow Bank does not hold any treasury shares.

The closing price of Fellow Bank's share was EUR 0.41 on 30 June 2022, the last trading day of the first half of the year. During the reporting period, its lowest price was EUR 0.38, with the highest price being EUR 0.58. Fellow Bank's market capitalisation was EUR 35.7 million at the end of the reporting period.

## Ten largest shareholders

The shareholders' holding information is based on the list of shareholders maintained by Euroclear Finland Ltd on 30 June 2022.

		<b>Total number of shares</b>	<b>% of all shares</b>
1.	EVLI PLC	15 288 303	17,54 %
2.	TAALERI PLC	15 288 303	17,54 %
3.	TN VENTURES OY	5 497 354	6,31 %
4.	OY PRANDIUM AB	4 754 100	5,45 %
5.	OY SCRIPPO AB	4 754 100	5,45 %
6.	OY T&T NORDCAP AB	3 938 616	4,52 %
7.	INGMAN GROUP OY AB	2 510 000	2,88 %
8.	OY FINCORP AB	1 789 651	2,05 %
9.	OP-SUOMI MIKROYHTIÖT -ERIKOISSIJOITUSRAHASTO	1 789 044	2,05 %
10.	OP-SUOMI PIENYHTIÖT	1 618 266	1,86 %

## **Group structure**

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

## **Personnel and locations**

The Group had 90 (66) employees at the end of June 2022. Its number of employees increased by 36% year-on-year. The growth consisted of both employees who transferred to the Fellow Bank from Evli Bank during the Merger and new recruitments. Of its employees, 81 (57) were based in Finland and 9 (9) in other countries of operation.

## **Material events after the review period**

On August 22, 2022, the Company issued a negotiation proposal in accordance with the Act on Co-operation within Undertakings to start change negotiations. As a result of the change negotiations, the company may take measures that lead to a notice of termination or lay-off of maximum 15 employees. The scope of the negotiations includes the entire personnel of the group's parent company in Finland.

On July 4, 2022, Fellow Bank announced the acquisition of the entire share capital of Mobify Invoices Oy:n ("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) will transfer 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. The control of the company was transferred to Fellow Bank on July 4, 2022.

On July 4, 2022, The Board of Directors of Fellow Bank Plc has decided to launch a share plan for group's key employees. New share plan replaces Fellow Finance's discontinued option plans due to merger. The target group of the share plan includes in total 14 key employees including some management team members.

## **Outlook for the 2022 financial year**

In 2022, Fellow Bank is building a foundation for growth and profitability in the coming years.

Fellow Bank is seeking strong growth in its loan portfolio by investing in customer acquisition and converting its peer-to-peer loan and crowdfunding portfolio to be funded from the bank's balance sheet. Lending growth is supported by improved competitiveness as a result of lower financial expenses, as well as more comprehensive services for customers and new digital service channels.

The bank's loan portfolio is expected to be at least EUR 150 million at the end of 2022. In order to secure growth, we have initiated actions aimed at strengthening equity during the fall of 2022.

The result for 2022 is estimated to be clearly negative due to the non-recurring costs related to the completed corporate reorganization, the investments required by the credit institution's operations and the frontloaded costs caused by the strong growth of the loan portfolio related to new customer acquisition and loan loss provisions.

Loss for the second half of 2022 is estimated to be clearly smaller than H1 2022 as a result of the increase in loan portfolio and the cost savings implemented by the company. In addition, the non-recurring costs related to the business arrangement were mainly realised during the first half of the year.

Helsinki, 25 August 2022

Board of Directors  
Fellow Bank Plc

**For more information:**

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## TABLES AND NOTES

### Consolidated comprehensive income statement

EUR 1,000	Note	1-6/2022	1-6/2021 (adjusted)	2021 (adjusted)
Interest income		3 359	2 059	3 415
Interest expenses		-896	-460	-766
<b>Net interest income</b>	<b>3.</b>	<b>2 463</b>	<b>1 600</b>	<b>2 650</b>
Fee income		2 450	3 486	7 443
Fee expenses		-2 441	-1 247	-2 946
Net fee and commission income	<b>4.</b>	<b>9</b>	<b>2 239</b>	<b>4 497</b>
Net income from securities transactions		-102	0	0
Other operating income		0	41	41
<b>Total income</b>		<b>2 370</b>	<b>3 879</b>	<b>7 188</b>
Personnel expenses		-2 556	-1 509	-3 248
Other administrative expenses		-1 776	-656	-2 646
Depreciation and amortization		-324	-249	-495
Other operating expenses		-920	-206	-274
<b>Total operating expenses</b>		<b>-5 577</b>	<b>-2 620</b>	<b>-6 663</b>
Impairment of receivables	<b>5.</b>	-4 174	-1 104	-1 989
<b>Profit before taxes</b>		<b>-7 381</b>	<b>156</b>	<b>-1 464</b>
Income taxes		813	-85	-101
<b>Result for the year</b>		<b>-6 568</b>	<b>71</b>	<b>-1 564</b>
<b>Other comprehensive income/loss</b>				
<b>Items that are or may be reclassified subsequently to profit or loss</b>				
Foreign currency translation differences		8	4	6
Other comprehensive income after taxes		8	4	6
<b>Comprehensive income, total</b>		<b>-6 560</b>	<b>75</b>	<b>6</b>
<b>Result for the year attributable to</b>				
Equity holders of parent company		-6 568	71	-1 564
<b>Total comprehensive income attributable to</b>				
Equity holders of parent company		-6 560	75	-1 558
<b>Earnings per share</b>	<b>6.</b>			
Earnings per share (EPS), basic, EUR		-0,10	0,00	-0,04
Earnings per share (EPS), diluted, EUR		-0,10	0,00	-0,04

## Consolidated balance sheet

EUR 1,000	Note	30.6.2022	31.12.2021 (adjusted)
<b>Assets</b>			
Cash and equivalents		134 883	0
Claims on credit institutions		17 278	3 457
Claims on the public and public sector entities	7./8.	106 589	13 439
Shares and participations		4	0
Intangible assets and goodwill	11.	7 990	1 403
Property, plant and equipment		211	268
Other assets		20 836	2 560
Accrued income and prepayments		1 121	177
Income tax assets		0	81
Deferred tax assets		1 878	1 032
<b>Assets total</b>		<b>290 790</b>	<b>22 418</b>
<b>Liabilities</b>			
Liabilities to the public and public sector entities		223 373	0
Debt securities issued to the public		0	8 402
Other liabilities		35 669	1 567
Accrued expenses and deferred income		1 898	583
Deferred tax liabilities		396	77
<b>Liabilities total</b>		<b>261 335</b>	<b>10 629</b>
<b>Equity</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		18 286	125
Fund of invested non-restricted equity		19 417	13 361
Retained earnings		-8 428	-1 696
<b>Equity attributable to equity holders of the parent</b>		<b>29 455</b>	<b>11 790</b>
<b>Liabilities and equity total</b>		<b>290 790</b>	<b>22 418</b>

## Consolidated statement of changes in equity

EUR 1,000	Share capital	Fund of invested unrestricted equity	Translation difference	Retained earnings	Equity attributable to the owners of parent entity	Total equity
<b>Equity 1.1.2022</b>	125	13 361	2	-1 699	11 789	11 789
Reverse acquisition*	6 446	6 056			12 502	12 502
Share issue	11 715				11 715	11 715
Result of the year				-6 568	-6 568	-6 568
Other comprehensive income			8		8	8
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>-6 568</b>	<b>-6 560</b>	<b>-6 560</b>
<b>Equity 30.6.2022</b>	<b>18 286</b>	<b>19 417</b>	<b>10</b>	<b>-8 267</b>	<b>29 455</b>	<b>29 455</b>

EUR 1,000	Share capital	Fund of invested unrestricted equity	Translation difference	Retained earnings	Equity attributable to the owners of parent entity	Total equity
<b>Equity 1.1.2021</b>	125	13 361	-4	-300	13 182	13 182
Result of the year				71	71	71
Other comprehensive income			4		4	4
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>71</b>	<b>75</b>	<b>75</b>
Share based payments				83	83	83
<b>Equity 30.6.2021</b>	<b>125</b>	<b>13 361</b>	<b>0</b>	<b>-146</b>	<b>13 340</b>	<b>13 340</b>

EUR 1,000	Share capital	Fund of invested unrestricted equity	Translation difference	Retained earnings	Equity attributable to the owners of parent entity	Total equity
<b>Equity 1.1.2021</b>	125	13 361	-4	-300	13 182	13 182
Result of the year				-1 564	-1 564	-1 564
Other comprehensive income			6		6	6
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>-1 564</b>	<b>-1 557</b>	<b>-1 557</b>
Share based payments				165	165	165
<b>Equity 31.12.2021</b>	<b>125</b>	<b>13 361</b>	<b>2</b>	<b>-1 699</b>	<b>11 790</b>	<b>11 790</b>

\* 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.

## Consolidated cash flow statement

EUR 1,000	1-6/2022	1-6/2021 (adjusted)	2021 (adjusted)
<b>Cash flow from operating activities</b>			
<b>Profit (loss) for the period</b>	<b>-6 568</b>	<b>71</b>	<b>-1 564</b>
Adjustments for items not included in cash flow			
Depreciation and impairment	324	252	495
Credit losses	4 174	1 104	1 989
Income taxes	-813	85	101
Other adjustments	0	494	760
<b>Adjustments total</b>	<b>3 685</b>	<b>1 934</b>	<b>3 344</b>
<b>Cash flows from operating from operating before changes in operating assets and liabilities</b>	<b>-2 883</b>	<b>2 005</b>	<b>1 780</b>
Increase (-) or decrease (+) in operating assets			
Claims on the public and public sector entities	-89 935	-1 294	2 240
Other assets	-20 138	-1 056	1 103
Increase (-) or decrease (+) in operating liabilities			
Liabilities to the public and public sector entities	223 373	0	0
Other liabilities	34 723	219	1 000
<b>Cash flow from operating activities</b>	<b>145 141</b>	<b>-127</b>	<b>6 122</b>
<b>Investing activities</b>			
Investments in tangible assets	-6	0	-11
Investments in intangible assets	-707	-681	-1 300
<b>Cash flow from investing activities</b>	<b>-713</b>	<b>-681</b>	<b>-1 311</b>
<b>Cash flow from financing activities</b>			
Repayment of bond	-7 380	0	-5130
Paid directed share issue	11 715	0	0
Repayments of lease liabilities	-59	-60	-115
<b>Cash flow from financing activities</b>	<b>4 276</b>	<b>-60</b>	<b>-5 245</b>
<b>Change in cash and cash equivalents</b>	<b>148 705</b>	<b>-867</b>	<b>-434</b>
Cash and cash equivalents at the beginning of period	3 457	3 769	3 769
Translation differences	0	-1	121
<b>Cash and cash equivalents at the end of period</b>	<b>152 162</b>	<b>2 901</b>	<b>3 457</b>

The growth of loan and deposits portfolio increased strongly cash flows from operating activities. The increase of other assets and liabilities consist mostly of cash flows consisted mainly of peer-to-peer loan-related cash flows between borrowers and peer-to-peer loan investors, passing through the company's balance sheet. The increase in investments in intangible assets is related to the development of the company's new products and services, such as the mobile app, payments services and a credit card.

## NOTES TO THE HALF-YEAR REPORT FOR 1 JANUARY TO 30 JUNE 2022

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

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

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

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

The Fellow Bank Group consisted of the parent company Fellow Bank Plc and its wholly owned subsidiaries 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 (Kreditvermittlungslizenz). Its subsidiary Lainaamo Ltd is registered in the creditor register maintained by the Regional State Administrative Agency for Southern Finland. Fellow Bank Plc offers its services to Denmark across the border as enabled by its license for credit institution operations.

The relevance of international operations to the group's financial position is minor. In the future, the company's focus in international markets will be only on developing our operations in Denmark and Germany.

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

### Note 2. Accounting policies

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

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

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

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

## **New accounting principles**

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

Fellow Bank presents financial information in accordance with the regulations and guidelines set by the Financial Supervisory Authority for financial reporting by credit institutions. In this half-yearly 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.

**Fellow Finance income statement reclassifications from 1 January to 30 June 2021 and 1 January to 31 December 2021**

	1.1.-30.6.2021	1.1.-31.12.2021
	<b>Fellow Finance historical</b>	<b>Fellow Finance historical</b>
<b>EUR 1,000</b>		
Revenue	5 497	10 688
Other operating income	41	41
Materials and services	-1 247	-2 946
Personnel expenses	-1 509	-3 248
Depreciation, amortisation and impairment	-249	-495
Impairment losses on financial assets	-1 104	-1 989
Other operating expenses	-861	-2 920
<b>Operating result</b>	<b>567</b>	<b>-869</b>
Financial income	48	171
Financial expenses	-460	-766
<b>Result before taxes</b>	<b>156</b>	<b>-1 464</b>
Income taxes	-85	-101
<b>Result for the year</b>	<b>71</b>	<b>-1 564</b>
<b>Other comprehensive income/loss</b>		
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences - foreign operations	4	6
<b>Other comprehensive income after taxes</b>	<b>4</b>	<b>6</b>
<b>Comprehensive income, total</b>	<b>75</b>	<b>-1 558</b>
	<b>1.1.- 30.6.2021</b>	<b>1.1.- 31.12.2021</b>
	<b>Fellow Bank reclassified</b>	<b>Fellow Bank reclassified</b>
<b>EUR 1,000</b>		
Interest income	2 059	3 415
Interest expenses	-460	-766
<b>NET INTEREST INCOME</b>	<b>1 600</b>	<b>2 650</b>
Fee income	3 486	7 443
Fee expenses	-1 247	-2 946
Other operating income	41	41
<b>TOTAL OPERATING INCOME</b>	<b>3 879</b>	<b>7 188</b>
Operating expenses		
Personnel expenses	-1 509	-3 248
Other administrative expenses	-656	-2 646
Depreciation and amortization on tangible and intangible assets	-249	-495
Other operating expenses	-206	-274
Impairment of receivables	-1 104	-1 989
<b>Total operating expenses</b>	<b>156</b>	<b>-1 464</b>
<b>Profit before taxes</b>	<b>156</b>	<b>-1 464</b>
Income taxes	-85	-101
<b>RESULT FOR THE YEAR</b>	<b>71</b>	<b>-1 564</b>
<b>Other comprehensive income/loss</b>		
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences - foreign operations	4	6
Other comprehensive income after taxes	4	6
<b>Comprehensive income, total</b>	<b>75</b>	<b>-1 588</b>

**Income statement reclassifications from 1 January to 30 June 2021**

Turnover (5,497) has been reclassified to interest income (2,011) and fee income (3,486). Materials and services (-1,247) have been reclassified to fee expenses (-1,247). Other operating expenses (-861) have been reclassified to other administrative expenses (-656) and other operating expenses (-206). Financial income (48) has been reclassified to interest income (48). Financial expenses (-460) have been reclassified to interest expenses (-460).

**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).

**Fellow Finance income statement reclassifications from 1 January to 30 June 2021 and 1 January to 31 December 2021**

	1.1.-30.6.2021	1.1.-31.12.2021
EUR 1,000	Fellow Finance historical	Fellow Finance historical
<b>ASSETS</b>		
Non-current assets		
Non-current loan receivables	11 068	6 310
Intangible assets	900	1 403
Tangible assets	339	268
Deferred tax assets	985	1 032
Total non-current assets	13 293	9 014
Current assets		
Current loan receivables	8 409	7 129
Trade and other receivables	623	2 737
Income tax receivables	126	81
Cash and cash equivalents	2 901	3 457
Total currents assets	12 059	13 404
<b>TOTAL ASSETS</b>	<b>25 352</b>	<b>22 418</b>
<b>LIABILITIES</b>		
Non-current liabilities		
Lease liabilities	180	114
Total non-current liabilities	180	114
Current liabilities		
Liabilities to public	10 534	8 402
Trade and other payables	1 037	1 914
Lease liabilities	114	122
Income tax payables	147	77
Total current liabilities	11 833	10 515
<b>TOTAL LIABILITIES</b>	<b>12 013</b>	<b>10 629</b>
<b>EQUITY</b>		
Equity attributable to equity holders of the parent		
Share capital	125	125
Fund for unrestricted equity	13 361	13 361
Retained earnings	-217	-213
Translation difference	0	83
Result for the year	71	-1
Equity attributable to equity holders of the parent	13 340	11 790
<b>TOTAL EQUITY</b>	<b>13 340</b>	<b>11 790</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>25 352</b>	<b>22 418</b>

	1.1.-30.6.2022	1.1.-31.12.2021
EUR 1,000	Fellow Bank reclassified	Fellow Bank reclassified
<b>ASSETS</b>		
Claims on credit institutions	2 901	3 457
Claims on the public and public sector entities	19 477	13 439
Intangible assets and goodwill	900	1 403
Property, plant and equipment	339	268
Other assets	537	2 560
Accrued income and prepayments	86	177
Income tax assets	126	81
Deferred tax assets	985	1 032
<b>ASSETS TOTAL</b>	<b>25 352</b>	<b>22 418</b>
<b>LIABILITIES</b>		
Debt securities issued to the public	10 534	8 402
Other liabilities	893	1 567
Accrued expenses and deferred income	438	583
Income tax liabilities	147	77
<b>LIABILITIES TOTAL</b>	<b>12 013</b>	<b>10 629</b>
<b>EQUITY</b>		
Share capital	125	125
Fund of invested non-restricted equity	13 361	13 361
Translation difference	0	-1
Retained earnings	-146	-1 695
<b>EQUITY TOTAL</b>	<b>13 340</b>	<b>11 790</b>
<b>LIABILITIES AND EQUITY TOTAL</b>	<b>25 352</b>	<b>22 418</b>

#### **Balance sheet reclassifications from 1.1.-30.6.2021**

Long-term loan receivables (11,068) and short-term loan receivables (8,409) have been reclassified to receivables from the public and public entities. Trade receivables and other receivables (623) have been reclassified to other assets (537) and accruals and advances paid (86). Cash and cash equivalents (2,901) have been reclassified to receivables from credit institutions. Lease liabilities (236) have been reclassified to other liabilities. Accounts payable and other liabilities (1,037) have been reclassified to other liabilities (599) and accrued liabilities and advances received (438).

#### **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).

## Goodwill

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

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

## Note 3. Net interest income

	1-6/2022	1-6/2021 (adjusted)	2021 (adjusted)
<b>Interest income</b>			
Claims on the public and public sector entities	3 179	2 011	3 244
Other interest income	180	48	171
<b>Total interest income using the effective interest method</b>	<b>3 359</b>	<b>2 059</b>	<b>3 415</b>
<b>Interest expenses</b>			
Liabilities to credit institutions and central banks	-174	0	0
Liabilities to the public and public sector entities	-526	-159	-291
Debt securities issued to the public	-180	-287	-456
Other interest expenses	-15	-14	-18
<b>Interest expenses, total</b>	<b>-896</b>	<b>-460</b>	<b>-766</b>
<b>Net interest income</b>	<b>2 463</b>	<b>1 600</b>	<b>2 650</b>

## Note 4. Fee and commission income and expenses

	1-6/2022	1-6/2021 (adjusted)	2021 (adjusted)
<b>Fee and commission income</b>			
Lending	528	0	0
Peer to peer lending	1 868	3 486	7 443
Other fee and commission income	54	0	0
<b>Fee and commission income, total</b>	<b>2 450</b>	<b>3 486</b>	<b>7 443</b>
<b>Fee and commission expenses</b>			
Lending	-1 196	0	0
Peer to peer lending	-1 108	-1 184	-2 946
Other fee and commission expenses	-137	-63	0
<b>Fee and commission expenses, total</b>	<b>-2 441</b>	<b>-1 247</b>	<b>-2 946</b>

	1-6/2022	1-6/2021 (adjusted)	2021 (adjusted)
<b>Timing of revenue recognition</b>			
At a point of time	419	415	1 039
Over time	2 030	3 070	6 404
<b>Total</b>	<b>2 450</b>	<b>3 486</b>	<b>7 443</b>

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

## Note 5. Impairment of receivables

### Expected credit losses and impairment losses recognised during the period

	1-6/2022	1-6/2022 (adjusted)	2021 (adjusted)
<b>Expected credit losses on receivables</b>			
Realized credit losses on loans granted during the financial year	15	26	98
Realized credit losses on loans granted before the beginning of the financial year	594	763	1 285
<b>Yhteensä</b>	<b>650</b>	<b>789</b>	<b>1 383</b>
Expected credit losses (ECL) change	3 525	314	606
<b>Yhteensä</b>	<b>4 174</b>	<b>1 104</b>	<b>1 989</b>

Realized credit losses decreased year-on-year because of the company's strategic shift towards customer relationships with a lower risk and the relative reduction in the loan portfolio of foreign operations. Expected credit losses include both receivables from customers and 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.

### Exposure to credit risk by risk category

Credit risk arises from receivables from personal and business customers and off-balance sheet commitments. The exposure to credit risk summary table shows the liabilities on the balance sheet that are exposed to credit risk and the corresponding ECL provisions by impairment stage. The off-balance sheet commitments and related ECL provisions are shown in Appendix 9.

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

<b>Exposure to credit risk by risk category (30.6.2022)</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Risk class 5	10 356	125		10 481
Risk class 4	43 058	968		44 027
Risk class 3	36 068	1 273		37 341
Risk class 2	8 379	653		9 032
Risk class 1	6 465	469		6 934
In default			6 685	6 685
<b>Cross carrying amount</b>	<b>104 326</b>	<b>3 489</b>	<b>6 685</b>	<b>114 501</b>
ECL-reservation	1 718	911	5 605	8 233
<b>Net carrying amount</b>	<b>102 609</b>	<b>2 578</b>	<b>1 080</b>	<b>106 268</b>

Of the loan receivables, EUR 3.6 million are related to the business in Poland. Credit loss reservation of these receivables is EUR 2.7 million. The majority of Poland's loan receivables are included in stage 3.

<b>Exposure to credit risk by risk category (31.12.2021)</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
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
<b>Cross carrying amount</b>	<b>12 032</b>	<b>874</b>	<b>5 211</b>	<b>18 118</b>
ECL-reservation	347	200	4 160	4 708
<b>Net carrying amount</b>	<b>11 685</b>	<b>674</b>	<b>1 051</b>	<b>13 409</b>

### Reconciliation of expected credit losses

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

<b>Reconciliation of expected credit losses</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
ECL- reservation 1.1.2021	<b>347</b>	<b>200</b>	<b>4 160</b>	<b>4 708</b>
Transfers from stage 1 to stage 2	-44	207		163
Transfers from stage 1 to stage 3	-147		237	90
Transfers from stage 2 to stage 1	2	-11		-9
Transfers from stage 2 to stage 3		-173	174	1
Transfers from stage 3 to stage 1	0		-2	-1
Transfers from stage 3 to stage 2		2	0	2
Increases due to origination and acquisition	1 648	677	1 282	3 607
Change due to credit risk during the stage (net) and decreases due to derecognition	-81	76	-95	-100
Decreases in the allowance account due to write-offs	-8	-66	-153	-227
<b>ECL- reservation 31.12.2021</b>	<b>1 718</b>	<b>911</b>	<b>5 605</b>	<b>8 233</b>

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

## Note 6. Earnings per share

	<b>1-6/2022</b>	<b>1-6/2021 (adjusted)</b>	<b>2021 (adjusted)</b>
Profit attributable to the shareholders of the parent	-6 568	71	-1 564
Weighted average number of the shares*	65 099 422	43 041 750	43 041 750
Share and option rights for share-based incentive programs**	3 180 626	483 740	0
<b>Earnings per share, basic, EUR</b>	<b>-0,10</b>	<b>0,00</b>	<b>-0,04</b>
<b>Earnings per share, diluted, EUR</b>	<b>-0,10</b>	<b>0,00</b>	<b>-0,04</b>

\* 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.

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

30.6.2022

<b>Assets</b>	<b>Amortised cost</b>	<b>Total</b>	<b>Measured at fair value</b>	<b>Value hierarchies</b>
Cash and equivalents	134 883	134 883	134 883	3
Claims on credit institutions	17 278	17 278	17 278	3
Claims on the public and public sector entities	106 589	106 589	106 589	3
<b>Total</b>	<b>258 751</b>	<b>258 751</b>	<b>289 815</b>	

<b>Liabilities</b>	<b>Amortised cost</b>	<b>Total</b>	<b>Measured at fair value</b>	<b>Value hierarchies</b>
Liabilities to the public and public sector entities	223 373	223 373	223 373	3
Debt securities issued to the public	0	0	0	3
<b>Total</b>	<b>223 373</b>	<b>223 373</b>	<b>261 335</b>	

31.12.2021

<b>Assets</b>	<b>Amortised cost</b>	<b>Total</b>	<b>Measured at fair value</b>	<b>Value hierarchies</b>
Cash and equivalents	0	0	0	3
Claims on credit institutions	3 457	3 457	3 457	3
Claims on the public and public sector entities	13 439	13 439	13 439	3
<b>Total</b>	<b>19 454</b>	<b>19 454</b>	<b>19 454</b>	

<b>Liabilities</b>	<b>Amortised cost</b>	<b>Total</b>	<b>Measured at fair value</b>	<b>Value hierarchies</b>
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
<b>Total</b>	<b>9 429</b>	<b>9 429</b>	<b>9 381</b>	

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

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

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

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

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

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

	30.6.2022					
	under 3 months	3-12 months	1-5 years	5-10 years	yli 10 years	Total
<b>Assets</b>						
Cash and equivalents	134 883					134 883
Claims on credit institutions	17 278					17 278
Claims on the public and public sector entities	33 141	25 168	68 425	17 771	144	144 649
<b>Liabilities</b>						
Debt securities issued to the public	218 039	4 518	1 224			223 782
Lease liabilities	31	94	111			236
Off balance sheet commitments	909					909

	30.6.2022					Total
	under 3 months	3-12 months	1-5 years	5-10 years	yli 10 years	
<b>Assets</b>						
Cash and equivalents	0					0
Claims on credit institutions	3 457					3 457
Claims on the public and public sector entities	9 987	4 717	7 843	2 096	35	24 677
<b>Liabilities</b>						
Debt securities issued to the public	810	8 131	0	0	0	8 941
Lease liabilities	29	88	119			236
Off balance sheet commitments	1 912					1 912

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

## Note 9. Off-balance sheet commitments

	30.6.2022	31.12.2021 (adjusted)
<b>Off-balance sheet items</b>		
Unused credit facilities	909	1 912
<b>Yhteensä</b>	<b>909</b>	<b>1 912</b>

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 26,000 (EUR 34,000).

## Note 10. Related party transactions

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

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

<b>Related party transactions 30.6.2022</b>	
Assets	0
Liabilities	179
Income	0
Expenses	0
<b>Total</b>	<b>179</b>

At the end of 2021 Fellow Finance Plc's related parties include the following parties with significant influence in the company: Taaleri Plc, which has a 25.75% holding in the company, TN Ventures Ltd, which owns 11.58% and is controlled by Teemu Nyholm, President and 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. In addition, related parties include Group companies as well as key management personnel and their family members. Key management personnel include members of the Board of Directors, the CEO and members of the Management Team. Further information on the remuneration of key management personnel is presented in Note 6. Personnel expenses. In addition, companies controlled by the above-mentioned persons are also classified as related parties of the Fellow Finance Group.

#### **Related party transactions 31.12.2021**

Assets	0
Liabilities	152
Income	0
Expenses	124
<b>Total</b>	<b>275</b>

### **Note 11. Business combinations**

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 1.2 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 12,465 thousand euros. The consideration is based on Fellow Finance's share price on April 2, 2022 (3.15 euros) and the calculated number of shares that Fellow Finance would have had to issue in order to achieve the post-merger ownership structure (3,969,786).

## Acquired business operations

	EUR thousand
Cash and equivalents	245 606
Claims on the public and public sector entities	5 326
<b>Assets total</b>	<b>250 932</b>
Liabilities to the public and public sector entities	244 000
Other liabilities	484
<b>Liabilities total</b>	<b>244 484</b>
<b>Acquired net assets</b>	<b>6 449</b>
<b>Consideration paid for the acquisition</b>	<b>12 505</b>
<b>Allocation of the purchase price</b>	
Total identified balance sheet items	6 449
Goodwill	6 056
<b>Allocation of the purchase price</b>	<b>6 056</b>

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. 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.

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

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

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

On August 22, 2022, the Company issued a negotiation proposal in accordance with the Act on Co-operation within Undertakings to start change negotiations. As a result of the change negotiations, the company may take measures that lead to a notice of termination or lay-off of maximum 15 employees. The scope of the negotiations includes the entire personnel of the group's parent company in Finland.

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) will transfer 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. The control of the company was transferred to Fellow Bank on July 4, 2022.

On July 4, 2022, The Board of Directors of Fellow Bank Plc has decided to launch a share plan for group's key employees. New share plan replaces Fellow Finance's discontinued option plans due to merger. The target group of the share plan includes in total 14 key employees including management team members.

## OTHER NOTES

### Note A. Alternative Performance Measure

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

Expense ratio, %	=	$\frac{\text{Total income}}{\text{Total operating expenses}}$
Share of impairment of receivables in the loan portfolio, %	=	$\frac{\text{Impairment of receivables (annualized)}}{\text{Loan portfolio at the end of the review period}}$
Return on equity (ROE), %	=	$\frac{\text{The result of the financial year, (annualized)}}{\text{Equity on average}}$

### Note B. Dictionary

Fellow Bank, bank, company	Fellow Bank Plc
Luottokanta, lainakanta	Luottokannan bruttokirjanpitoarvo, joka lasketaan vähentämällä taseen saamisista yleisöltä ja julkisyhteisöiltä odotettavissa olevien luottotappioiden varaus.
Credit losses	Impairment of receivables in the income statement
Expected credit loss	Expected credit loss in the balance sheet
Total capital ratio	Capital adequacy ratio (TC) according to CRR
Common equity tier 1	Tier 1 capital ratio (CET1) according to CRR
Leverage ratio	Minimum leverage ratio according to CRR
Liquidity coverage requirement	Liquidity coverage requirement (LCR) according to CRR