

## LocalTapiola Finance Ltd

# Report of the Board of Directors and financial statements for 2021

Business ID: 2856773–8

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## Report of the Board of Directors for 2021

LocalTapiola Finance Ltd's (business ID 2856773-8) domicile is Helsinki and its address is Tietotie 9, 01530 Vantaa, Finland.

LocalTapiola Finance Ltd (LocalTapiola Finance) is part of LocalTapiola Group, the leading parent company of which is LocalTapiola General Mutual Insurance Company. LocalTapiola General Mutual Insurance Company's financial statements, which cover the consolidated financial statements for LocalTapiola Group, have been published at LocalTapiola's website at [www.lahitapiola.fi](http://www.lahitapiola.fi).

LocalTapiola Finance operates as the finance company of LocalTapiola Group in vehicle financing with dealerships and importers as the main distribution channel. In addition to vehicle financing, LocalTapiola Finance works in strong cooperation with the LocalTapiola Group companies, also offering LocalTapiola's customers and partners expertise in and financing solutions for machinery and equipment financing. LocalTapiola Finance was founded in 2017, and its financing activities started in February 2018.

## 1 Key events during the financial period

LocalTapiola Finance's finance portfolio continued to grow profitably. We attained a growth of 56% with new sales of more than EUR 1.2 billion. In December 2021, the monthly market share of new sales settled at a level of over 20%. In addition, with regard to the fleet owned by finance companies we reached a market share of 12.6% and consolidated third place on the market already in our third full year of operation.

We continued to considerably increase the share of external financing in our funding. In April 2021, we concluded our first public securitisation transaction, collecting over EUR 520 million in financing from European investors. Late in the year, we issued a second bond, receiving more than EUR 180 million in financing from Finnish investors.

Our digital services and extremely motivated and professional staff ensured quick and high-quality services to customers and partners, also during the COVID-19 pandemic. In 2021, our instalment and leasing sales totalled EUR 1,176.2 million (EUR 779.4 million). The company's operating result increased over 168% to EUR 13.9 million (EUR 5.2 million).

## 2 Events after the financial period

The second public securitisation transaction was made public on Monday 31 January 2022. We aim to secure investments totalling some EUR 600 million from European investors.

## 3 Future prospects

The impacts of the COVID-19 pandemic on our business have decreased, yet the impact on vehicle sales remains relatively weighty as the sales of new vehicles continue to be affected by the global shortage of components. Our strong external refinance, strong support from LocalTapiola Group and the good total sales experienced in vehicle sales lay an excellent foundation for 2022. We see 2022 in a positive light despite the uncertainty that somewhat remains in the financial and vehicle market. Our strong market position and increasing that position without hampering profitability are realistic targets for 2022. We continue to invest in the development of our product concept and automated efficient processes, and we are confident that we can offer our end-clients increasingly competitive products while helping our dealership partners to step up the sales of cars, financing and insurance policies alike.

## 4 Administration

### 4.1 Board of Directors

During the financial period, the company's Board of Directors comprised:

Jari Eklund, Chair of the Board of Directors  
Matti Kiviniemi, Deputy Chair of the Board of Directors  
Ari Lagerström  
Mika Sutinen  
Teemu Toivanen

### 4.2 Managing Director

Arttu Nykänen serves as LocalTapiola Finance's Managing Director, and Hannu Heliö is Deputy Managing Director.

### 4.3 Auditor

KPMG Oy Ab serves as the company's auditor, and the principal auditor appointed by KPMG Oy Ab is Timo Nummi, Authorised Public Accountant.

### 4.4 Personnel and remuneration

At year-end, LocalTapiola Finance employed a total of 69 persons (31 December 2020: 53 persons).

The company has in place a special remuneration scheme covering the management and other personnel. It is part of the remuneration package and based on annual bonuses, although some of the elements on which remuneration is based may measure periods that are longer than one year.

## 5 Responsibility and sustainability

In its activities, LocalTapiola Finance follows LocalTapiola Group's sustainability principles and Code of Conduct.

For us, sustainability is about:

- promoting the security, well-being and success of people and communities;
- promoting financial responsibility;
- investing in the work community;
- reducing the impact we have on the environment and climate;
- risk management; and
- active participation in developing local communities and our society.

LocalTapiola proactively safeguards the lives and business of its owner-customers. We strive to raise the security and well-being of our customers and society. The sustainability themes laid down in LocalTapiola Group's sustainability roadmap also steer the activities of LocalTapiola Finance. As part of this effort, LocalTapiola Finance is committed to aiming towards carbon neutrality in its own business by 2025. This programme was launched in 2019, when LocalTapiola Finance mapped its own carbon footprint by employing the calculation method determined by the Finnish Environment Institute, with the resulting carbon footprint at 102tCO<sub>2</sub>e. At the end of 2021, our carbon footprint calculated using the same model stood at 28tCO<sub>2</sub>e, which we offset as part of our carbon offsetting programme. The company strives to systematically reduce its carbon footprint, by transitioning to low-emission company cars and mobility as well as by cutting down on paper consumption through increased digital services. In addition, we strive to save energy in the daily activities of our office.

In addition to the carbon neutrality target, LocalTapiola Finance offsets, through the CO<sub>2</sub> offsetting programme launched in 2019, the emissions from the cars of its consumer customers for the duration of their contract period, with respect to cars financed with LocalTapiola Finance hire-purchase or leasing finance and insured by motor liability and comprehensive motor vehicle insurances granted by LocalTapiola Group or Turva Mutual Insurance Company in accordance with the rules of the carbon offsetting programme valid from time to time. By the end of 2021, LocalTapiola Finance had acquired carbon offsetting equivalent to over 170,000tCO<sub>2</sub>e from the Clean Development Mechanism projects under the UN's climate deal. The carbon offsetting programme is described in more detail at the LocalTapiola Finance Autotie.fi website, through which consumers can also search for low-emission and carbon offsetting compatible vehicles and calculate the emission load from their own use of cars. These efforts help us guide consumers towards reducing emissions from their use of cars. Apart from the carbon neutrality efforts and carbon offsetting,



we have participated in LocalTapiola Group's nationwide and local sustainability projects and campaigns through our own contribution. One example of this is our participation in the Pidä Huolta campaign supported by LocalTapiola Group, which provided support to mental health work among young people.

#### [Proposal by the Board of Directors to the Annual General Meeting](#)

The Board of Directors proposes that the profit for the financial period, EUR 8,255,356.01, be recognised in the company's profit and loss account and that no dividend be distributed.

# Financial statements for 1 January–31 December 2021

## 6 LocalTapiola Finance Ltd primary financial statements

### 6.1 Balance sheet

<b>BALANCE SHEET</b>		<b>31 December 2021</b>	<b>31 December 2020</b>
<b>ASSETS</b>			
Receivables from credit institutions	1	80 862 679,43	6 397 154,28
Receivables from the public and public-sector entity	2	684 402 155,35	575 357 243,27
Leasing assets	3	216 437 856,13	107 832 277,36
Intangible assets	4, 6	2 670 141,56	3 210 250,96
Tangible assets	5, 6		
Other tangible assets		47 972 516,64	36 688 785,11
Other assets	7	1 483 618,36	852 524,32
Accrued income and prepaid expenses	8,13	11 033 236,83	3 267 062,60
<b>Assets, total</b>		<b>1 044 862 204,30</b>	<b>733 605 297,90</b>
<b>LIABILITIES</b>			
<b>Liabilities</b>			
Loans to Group companies	9	328 450 000,00	288 450 000,00
Loans to credit institutions	9	183 941 733,73	100 085 555,56
Bonds	9	187 026 773,13	115 048 913,33
Commercial papers	9	202 193 630,69	132 203 333,49
Other liabilities	10		
Trade payables		391 371,33	253 115,71
Other liabilities		5 742 395,33	3 287 951,36
Accrued expenses and advances received	11	11 656 514,68	7 230 015,05
<b>Liabilities, total</b>		<b>919 402 418,89</b>	<b>646 558 884,50</b>
<b>Capital and reserves</b>			
Share capital	12	16 376 803,20	10 345 200,00
Unrestricted funds	12		
Invested unrestricted equity fund	12	65 507 212,80	41 380 800,00
Profit (loss) for previous financial periods	12	3 320 413,40	544 841,51
Profit (loss) for the financial period	12	8 255 356,01	2 775 571,89
Equity subordinated loan	12	32 000 000,00	32 000 000,00
<b>Capital and reserves, total</b>		<b>125 459 785,41</b>	<b>87 046 413,40</b>
<b>Liabilities, total</b>		<b>1 044 862 204,30</b>	<b>733 605 297,90</b>

## 6.2 Profit and loss account

		1 Jan. 2021–31 Dec. 2021	1 Jan. 2020–31 Dec. 2020
Interest income	14	29 813 057,30	15 522 837,55
Net income from leasing activities	15	5 094 007,66	3 085 171,76
Interest expenses	16	-6 156 603,72	-7 299 784,16
<b>NET INTEREST INCOME</b>		<b>28 750 461,24</b>	<b>11 308 225,15</b>
Commissions and fees	17	5 502 587,19	8 175 842,57
Commission expenses	18	-1 184 625,08	-373 222,47
Other operating income			
Operating expenses			
Personnel costs			
Salaries and other short-term benefits	19	-6 482 339,20	-4 541 534,87
Social security costs	19		
Pension costs	19	-775 071,13	-568 331,40
Other social security costs	19	-130 314,41	-97 148,58
Other administrative expenses	19	-6 796 998,40	-4 671 787,19
Depreciation, amortisation and impairment on tangible and intangible assets	20	-623 993,89	-585 461,43
Other operating expenses	21	-1 546 974,36	-801 180,41
Credit losses	22	-2 829 636,24	-2 670 957,82
<b>OPERATING PROFIT (LOSS)</b>		<b>13 883 095,72</b>	<b>5 174 443,55</b>
Income taxes		-5 627 739,71	-2 398 871,66
<b>PROFIT (LOSS) FOR THE FINANCIAL PERIOD</b>		<b>8 255 356,01</b>	<b>2 775 571,89</b>



## 6.3 Notes to the financial statements

### 6.3.1 Notes to balance sheet items

	2021	2020
<b>1. Receivables from credit institutions</b>		
From Finnish credit institutions		
Repayable on demand	80 862 679,43	6 397 154,28
<b>2. Receivables from the public and public-sector entities</b>		
Companies	164 256 517,28	132 332 165,95
Households	520 145 638,07	443 025 077,32
<b>Receivables from the public and public-sector entities, total</b>	<b>684 402 155,35</b>	<b>575 357 243,27</b>
<b>3. Leasing assets</b>		
Advance payments	-51 009,16	-13 318,09
Machinery and fleet	216 488 865,29	107 845 595,45
<b>Leasing assets, total</b>	<b>216 437 856,13</b>	<b>107 832 277,36</b>
<b>4. Intangible assets</b>	<b>2 670 141,56</b>	<b>3 210 250,96</b>
<b>5. Tangible assets</b>		
Tangible assets	324 431,62	180 922,58
Other tangible assets	47 648 085,02	36 507 862,53
<b>Tangible assets, total</b>	<b>47 972 516,64</b>	<b>36 688 785,11</b>
<b>6. Changes in tangible and intangible assets during the financial period</b>		
<b>Intangible assets</b>		
Acquisition cost 1 Jan.	4 322 432,32	3 831 063,56
Increases	0,00	491 368,76
Decreases	0,00	0,00
<b>Acquisition cost 31 Dec.</b>	<b>4 322 432,32</b>	<b>4 322 432,32</b>
Accumulated depreciation, amortisation and impairment 1 Jan.	-1 112 181,36	-572 071,97
Accumulated depreciation and amortisation of decreases	0,00	0,00
Planned depreciation and amortisation during the financial period	-540 109,40	-540 109,39
<b>Accumulated depreciation, amortisation and impairment 31 Dec.</b>	<b>-1 652 290,76</b>	<b>-1 112 181,36</b>
<b>Book value 31 Dec.</b>	<b>2 670 141,56</b>	<b>3 210 250,96</b>
<b>Tangible assets</b>		
Acquisition cost 1 Jan.	431 599,54	469 686,95
Increases	314 193,53	29 177,09
Decreases	-62 540,62	-67 264,50
<b>Acquisition cost 31 Dec.</b>	<b>683 252,45</b>	<b>431 599,54</b>
Accumulated depreciation, amortisation and impairment 1 Jan.	-250 676,96	-190 369,42
Accumulated depreciation and amortisation of decreases		
Planned depreciation and amortisation during the financial period	-108 143,87	-60 307,54
<b>Accumulated depreciation, amortisation and impairment 31 Dec.</b>	<b>-358 820,83</b>	<b>-250 676,96</b>
<b>Book value 31 Dec.</b>	<b>324 431,62</b>	<b>180 922,58</b>

<b>7. Other assets</b>	<b>1 483 618,36</b>	<b>852 524,32</b>
<b>8. Accrued income and prepaid expenses</b>	<b>11 033 236,83</b>	<b>3 267 062,60</b>
<b>9. Loans to the public and public-sector entity</b>		
Loans to Group companies	328 450 000,00	288 450 000,00
Loans to credit institutions	183 941 733,73	100 085 555,56
Bonds	187 026 773,13	115 048 913,33
Commercial papers	202 193 630,69	132 203 333,49
<b>Loans to the public and public-sector entity, total</b>	<b>901 612 137,55</b>	<b>635 787 802,38</b>
<b>10. Other liabilities</b>		
Trade payables	391 371,33	253 115,71
Other liabilities	5 742 395,33	3 287 951,36
<b>Other liabilities, total</b>	<b>6 133 766,66</b>	<b>3 541 067,07</b>
<b>11. Accrued expenses and advances received</b>	<b>11 656 514,68</b>	<b>7 230 015,05</b>
<b>12. Capital and reserves</b>		
Share capital	16 376 803,20	10 345 200,00
Invested unrestricted equity fund	65 507 212,80	41 380 800,00
Profit (loss) for previous financial periods	3 320 413,40	544 841,51
Profit (loss) for the financial period	8 255 356,01	2 775 571,89
Equity subordinated loan	32 000 000,00	32 000 000,00
<b>Capital and reserves, total</b>	<b>125 459 785,41</b>	<b>87 046 413,40</b>
<p>The loan is a subordinated loan referred to in Chapter 12 of the Limited Liability Companies Act, in addition to which it is an equity loan. The loan is recognised in the company's capital and reserves as a separate item after unrestricted capital. The loan has no maturity date, but the company has the right, but not an obligation, to redeem the loan. The loan is senior to the company's other equity items. The loan has an interest rate of 6-month Euribor plus a variable margin.</p>		
<b>13. Interest rate derivative contracts</b>	<b>Book value</b>	<b>2021 Fair value</b>
Accrued income		
Derivatives trading collateral given	630 000,00	630 000,00
Derivative contracts	521 703,98	521 703,98
Accrued expenses		
Derivative contracts	860 574,64	860 574,64

## 6.3.2 Notes to the profit and loss account

	2021	2020
<b>14. Interest income</b>		
Interest income on receivables from the public and public-sector entities	29 813 057,30	15 522 837,55
<b>Reclassification of interest income and commissions and fees</b>		
In the 2021 financial statements, LocalTapiola Finance Ltd adopts a new manner of presentation with regard to interest income and commissions and fees. This is why the items pertaining to interest income and commissions and fees, as well as net interest income, in the 2020 financial statements are not comparable. See below for the items of the confirmed 2020 financial statements and, in respect of them, the comparable figures.		
	<b>2020</b>	<b>2020 (comparison)</b>
Interest income	15 522 837,55	19 519 803,44
<b>Net interest income</b>	<b>11 308 225,15</b>	<b>15 305 191,04</b>
Commissions and fees	8 175 842,57	4 178 876,68
<b>15. Net income from leasing activities</b>		
Leasing income	35 137 155,01	19 372 217,78
Leasing depreciation	-30 043 147,35	-16 287 046,02
<b>Net income from leasing activities</b>	<b>5 094 007,66</b>	<b>3 085 171,76</b>
<b>16. Interest expenses</b>		
Interest expenses	6 156 603,72	7 299 784,16
<b>17. Commissions and fees</b>	<b>5 502 587,19</b>	<b>8 175 842,57</b>
<b>18. Commission expenses</b>	<b>1 184 625,08</b>	<b>373 222,47</b>
<b>19. Administrative expenses</b>		
Salaries and other short-term benefits	6 482 339,20	4 541 534,87
Pension costs	775 071,13	568 331,40
Other employer contributions	130 314,41	97 148,58
Personnel costs, total	7 387 724,74	5 207 014,85
Other administrative expenses	6 796 998,40	4 671 787,19
<b>Operating expenses, total</b>	<b>14 184 723,14</b>	<b>9 878 802,04</b>
<b>20. Depreciation, amortisation and impairment on tangible and intangible assets</b>		
Planned amortisation and depreciation	648 253,27	600 416,93
Impairment	-24 259,38	-14 955,50
<b>Depreciation, amortisation and impairment, total</b>	<b>623 993,89</b>	<b>585 461,43</b>
<b>21. Other operating expenses</b>		
Rental expenses	580 430,74	257 357,48
Other expenses	966 543,62	543 822,93
<b>Total</b>	<b>1 546 974,36</b>	<b>801 180,41</b>
<b>22. Credit losses</b>		
Credit losses on receivables	2 015 799,25	1 718 910,32
Credit loss provisions	1 180 541,98	1 080 458,20
Credit losses returned	-366 704,99	-128 410,70
<b>Total</b>	<b>2 829 636,24</b>	<b>2 670 957,82</b>

<b>23. Rental liabilities</b>		
Amount due in the financial period started	303 848,88	303 831,84
Amount due in following years	582 377,02	886 176,20
<b>24. Floating charges</b>		
Loans from credit institutions	65 000 000,00	0,00
Floating charges given as collateral	100 000 000,00	0,00
<b>25. Other Contingent liabilities</b>		
Commitments in relation to securitisation	893 103 665,82	432 749 684,29
<b>26. Number of personnel at end of financial period</b>	<b>69</b>	<b>53</b>
<b>27. Related party transactions</b>		
The company has no related party transactions that would have been material or concluded on terms other than ordinary. Receivables from the company's related parties on 31 December 2021 totalled €161,606.90.		
<b>28. Fees paid to the auditor</b>		
Statutory audit	30 504,00	30 380,00
Other services	0,00	31 471,20

## 7 Accounting principles

LocalTapiola Finance Ltd's financial statements and report of the Board of Directors have been prepared in accordance with the Finnish Accounting Act and Decree; the Act on Investment Services; the Act on Credit Institutions; the Ministry of Finance's decree on the financial statements, consolidated financial statements and report of the Board of Directors of credit institutions and investment firms; the regulations and instructions of the Financial Supervisory Authority; and the general guidelines of the Accounting Board.

LocalTapiola Finance Ltd is owned by LocalTapiola General Mutual Insurance Company and the regional non-life insurance companies part of LocalTapiola Group. LocalTapiola Finance Ltd's (business ID 2856773-8) domicile is Helsinki and its address is Tietotie 9, 01530 Vantaa, Finland. The Board of Directors approved the financial statements for 1 January 2021–31 December 2021 at its meeting on 15 February 2022.

### 7.1 Summary of key accounting principles

The **receivables from credit institutions** item includes deposits made with credit institutions. Receivables to be repaid no later than within one day of cancellation are considered receivables payable on demand. Negotiable receivables from credit institutions are not recognised in the balance sheet item.

**Receivables from the public and public-sector entities** are loans receivable carried at amortised cost less any realised credit losses and impairment losses.

**Leasing assets** are recognised in the balance sheet at acquisition cost, and depreciation is recognised in accordance with the annuity method.

In **intangible assets**, the design expenses of IT systems acquired for value are activated as other long-term expenditure. They are depreciated over 10 years from commissioning or a shorter economic period of utilisation.

The **tangible assets** balance sheet item comprises fleet, which is presented in the balance sheet at acquisition cost less planned amortisation and depreciation. The annual depreciation rate of fleet is 25% of net expenditure excluding consignment items and items written down, which are not depreciated.

**Derivative contracts** are used for hedging against the interest rate risk. In accounting, derivatives are treated as non-hedging and they are recognised at fair value through profit or loss.

**Impairment losses on loans and other receivables.** For each receivable, the company evaluates whether there is evidence of any impairment of an asset item. At the same time, the future cash flows allocated to the receivable, the coverage of the collateral and the customer's repayment ability are all assessed. Impairment losses are deducted from the receivables to which they are allocated on the balance sheet. Collected items already recognised as credit losses and reversals of impairments are recognised as decreases of impairment losses.

**Liabilities** are carried at amortised cost.

**Interest income and interest expenses** are calculated and amortised using the effective interest method, taking account of the items included in the effective interest calculation.

Under **commissions and fees and commission expenses**, commissions are recognised when the service or separate measure has been carried out.

As an **off-balance-sheet contingent liability**, the notes set out the receivables relating to securitisation.

## Signatures to the report of the Board of Directors and financial statements

In Espoo, on 15 February 2022

Jari Eklund  
Chair of the Board of Directors

Matti Kiviniemi

Ari Lagerström

Mika Sutinen

Teemu Toivanen

Arttu Nykänen  
Managing Director



## Auditor's note

A report has been issued today on the audit performed.

On the day of electronic signature

KPMG Oy Ab

Timo Nummi

Authorised Public Accountant