

LocalTapiola Asset Management Ltd

Report of the Board of Directors and financial statements for 2022

Business ID: 1604393-7

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Report of the Board of Directors for 2022

LocalTapiola Asset Management Ltd's (business ID 1604393-7) domicile is Espoo and its address is Revontulenkujä 1, 02100 Espoo, Finland.

As of 1 January 2022, LocalTapiola Asset Management Ltd Group (LocalTapiola Asset Management Group) comprises the parent company LocalTapiola Asset Management Ltd (LocalTapiola Asset Management) and the subsidiaries Seligson & Co Fund Management Company Plc (Seligson & Co), LocalTapiola Real Estate Asset Management Ltd (LocalTapiola Real Estate Asset Management), LocalTapiola Alternative Investment Funds Ltd (LocalTapiola Alternative Investment Funds) as well as the subsidiaries incorporated for the purposes of the investment structures of these companies.

LocalTapiola Asset Management serves as asset manager for investor customers, as well as for the LocalTapiola funds and the LocalTapiola Group companies. Through the provision of asset management and investment advice as well as by transmitting orders to funds, the company provides comprehensive and cost-effective investment services to institutional investors, enterprises, entities and private customers. Additionally, the company serves as an insurance intermediary for LocalTapiola Mutual Life Insurance Company. Seligson & Co manages mutual funds (UCITS) pursuant to the Act on Common Funds, which include the LocalTapiola funds and the Seligson & Co funds. LocalTapiola Real Estate Asset Management administers the real estate assets of the LocalTapiola Group companies, while LocalTapiola Alternative Investment Funds manages real estate funds, equity and fixed-income funds, private equity funds and private debt funds pursuant to the Act on Alternative Investment Funds Managers.

The financial services provided by LocalTapiola Asset Management Group are part of LocalTapiola Group's portfolio of lifelong security products and services. LocalTapiola Asset Management is owned by LocalTapiola General Mutual Insurance Company (LocalTapiola General), LocalTapiola Mutual Life Insurance Company (LocalTapiola Life) and the regional non-life insurance companies part of LocalTapiola Group. LocalTapiola Asset Management Group is consolidated into LocalTapiola Group's consolidated financial statements. The financial statements of LocalTapiola Group's leading parent company, LocalTapiola General (business ID 0211034-2), are available at www.lahitapiola.fi.

1 Key information

- Group's operating profit: EUR -4.1 million
- Group's operating profit excluding consolidated goodwill: EUR 1.1 million
- Group's turnover: EUR 53.7 million
- Group's assets under management (gross): EUR 26.5 billion
- Group's customer assets under management (net): EUR 13.1 billion
- Group's solvency ratio: 398.6 per cent.

We provide responsible asset management services that enable wide asset-class diversification, in the form of various service packages, the most notable being Institutional Asset Management, LocalTapiola Private Banking and our investment solutions that implement the co-investment ideology. We invest customer assets under the same principles as, and in the same investment options in which we invest, the assets of the LocalTapiola Group insurance companies. The LocalTapiola and the Seligson & Co funds cover an extensive range of active tactical funds as well as index funds.

LocalTapiola Asset Management Group integrates responsible investment into everything we do, and we are well-known for this. During the financial period, we increased our awareness and customer interest in the mutual fund and asset management services provided by LocalTapiola Group. LocalTapiola aims to promote investment as part of lifelong security, while expanding the customer base of our investment services as well as the amount of assets under management. We are developing the LocalTapiola Group financial services in close cooperation with LocalTapiola Life, based on our customers' wishes.

2 Economic environment

For the investment market, 2022 was a challenging year. Share prices fell clearly, and in terms of fixed-income investments the year was historically weak, especially for government bonds. This development was underpinned by tightening monetary policy, increased interest rates, inflation concerns, and deteriorating growth prospects. The COVID-19 lockdowns in China, and the war in Ukraine, intensified the challenges by weakening economic prospects and magnifying inflationary pressures. Meanwhile, currencies and raw material prices witnessed major price developments during the year.

Fixed-income and equity investment market

Generally, stock markets were also dominated by sectoral polarisation, with the energy sector the only key sector recording positive performance. In industrial countries, share prices, expressed in local currencies, on average declined 16 per cent, whereas in developing economies the figure was 15.5 per cent. The steeply increased interest rates throughout, regardless of maturity and risk classification, reduced the performance of all liquid fixed-income investments to a record-low level. Following the aggressive monetary policy by key central banks, the performance of short-term money-market investments was also in the negative. In addition to increased interest rates, general uncertainty also reflected into risk premiums, which increased the negative yield from corporate bonds. On average, performance of long-term (over 5 years) fixed-income investments fell 14.2 per cent.

Additionally, the exceptional investment year was also evident in the net subscriptions recorded by Finnish mutual funds, which were nearly EUR 4.4 billion in the negative. For equity funds, net subscriptions stood approximately at EUR -1.4 billion, while for long-term fixed-income investments this was some EUR -0.8 billion and for short-term fixed-income funds as low as EUR -3.4 billion. Perhaps surprisingly, net subscriptions for hybrid funds were in the positive at EUR 0.3 billion. Alternative fund categories, real estate, hedge and other alternative funds providing diversification benefit for traditional equity and fixed-income investments raised more than EUR 0.9 billion in new capital.

Private equity and private debt fund market

The year 2022 provided a culmination for the global private equity and private debt fund market. Following increased interest rates, the market values of quoted investments declined. However, target enterprises maintained

stronger than expected performance and, consequently, valuations in the unlisted market have held comparably well, although valuations have been affected by downward pressure from the second quarter of 2022 on. Valuations of buyout funds experienced a decline of a few per cent. Funds in the largest size category witnessed the most negative development, mainly due to the proportion of quoted investments in these portfolios. For venture capital activity, the new operating environment has been the most challenging. Higher discount rates penalised the long-term expected cash flows of the target enterprises. As for private debt funds, valuations were partly affected by the fact that debt instrument valuation started to take account of the changes that take place in the debt-market risk premiums. As a result, write-downs were witnessed also on the private debt fund market in targets whose fundamentals-based valuation would not necessarily be indicative of any change.

Raising of funds slowed down in the latter half of 2022, owing to a relative increase of the share of unquoted investments in investor portfolios (allocation limits exceeded). With regard to private equity funds, the capital raised in 2022 contracted 15 per cent, while the number of funds set up decreased some 40 per cent. The capital raised into the private debt funds was approximately seven per cent below the previous year's figure and, in terms of units, there was a fall of 30 per cent.

As for the capital already raised but awaiting investment, the year 2022 closed with record highs. The uninvested capital in the private equity funds totalled nearly USD 2,500 billion, with growth of some 20 per cent compared to the previous year-end. In the space of one year, the uninvested capital in the private debt funds increased five per cent, ending up at USD 414 billion, a record figure.

Equity fund managers took advantage of the high market value ratios and the open public-listings market: following considerable exit activity, cash flows to investors were positive for the first time since 2017. In the latter half of the year, all activity quietened and the number of transactions fell. For private debt fund investors, calls continued to remain greater than repayments, basically purely due to the direct lending sector. In the other asset sub-classes as a whole, capital calls and repayments were at comparable levels.

Real estate market

The real estate investment market experienced a mixed year. After a busy early part of the year, real estate transactions were brought to a standstill

and return requirements became higher in all sectors. Financing costs have also risen, accompanied by a tightened availability of financing. However, the volume of trade for the year, at some EUR 7.2 billion, was above the previous year's total amount. Residential, social and commercial real estate were the biggest sectors. Foreign investors' share of deals contracted to below 50 per cent.

The office rental market improved from the previous year, particularly in prime office areas. So far, the market push has been strong for commercial premises rentals. There was continued improvement in the number of visitors to and the amount of sales achieved by shopping centres, as compared with the years dominated by the pandemic, 2020–2021. On the residential market, eroded consumer trust triggered a fall in house prices after the record-breakingly busy year 2021. Increased construction costs and rising interest rates decreased the level of new construction launches. Demand for rental housing improved, and the number of vacant dwellings declined in big cities. Increases in residential rents have thus far remained moderate.

3 Key events during the financial period

LocalTapiola Asset Management Group was launched on 1 January 2022. During the financial period, we harmonised the models and approaches employed at the group companies, for example in asset management and in financial administration.

LocalTapiola Group's all investment sales personnel were transferred to the employ of LocalTapiola Asset Management on 1 January 2022. The financial period saw large-scale training provided to the sales organisation, as well as reformed customer service models and approaches. In a business transfer, the private equity and private debt fund investment team was moved from LocalTapiola Alternative Investment Funds to the employ of LocalTapiola Asset Management on 1 January 2022.

We improved the transaction experience by developing our digital services. Visibility and awareness were improved through marketing campaigns.

In the course of the financial period, we continued to enhance and promote the processes for reporting to the relevant authorities and the practices to prevent money laundering and counter terrorist financing. In 2022 several regulatory changes which affect the company's business entered into effect, the most significant ones being the obligations laid down in the Sustainable

Finance Disclosure Regulation (SFDR) and in the Taxonomy Regulation, both part of the EU's regulatory package on sustainable finance; the MiFID obligations concerning sustainability preferences; and the guidelines on sound remuneration policy published by the European Banking Authority (EBA), which we implemented successfully in our business.

3.1 LocalTapiola Asset Management Group

LocalTapiola Asset Management Group's loss for the financial period was EUR 5.5 million, and shareholders' equity at the end of the financial period stood at EUR 73.6 million.

LocalTapiola Asset Management -group Balance sheet summary

(EUR m)	2022
Receivables from credit institutions	52.1
Liabilities	19.9
Shareholders' equity	73.6
Balance sheet total	93.5

LocalTapiola Asset Management Group's turnover for 2022 was EUR 53.7 million and operating profit was EUR -4.1 million. Operating profit excluding consolidated goodwill was EUR 1.1 million, with the resulting cost-to-income ratio at 0.98. The challenging year experienced by the investment market was reflected, in particular, in the values of equity and fixed-income investments, which had a considerable effect on the group's net commissions received.

LocalTapiola Asset Management -group Key figures describing financial development

(% / EUR m)	2022
Capital and reserves (on average)	76.3
Balance sheet total (on average)	93.4
Net commissions	48.9
Turnover	53.7
Operating profit	-4.1
Operating profit of turnover	-7.7
Return on equity (ROE)	-7.2
Return on assets (ROA)	-5.9
Equity ratio	78.7
Cost/return ratio	0.98

The assets under management (gross) by the LocalTapiola Asset Management Group companies totalled EUR 26.5 billion. Of these, EUR 11.8 billion was in assets in portfolio management, and EUR 9.8 billion was in fund capitals, EUR 1.7 billion in other contractually managed assets and EUR 3.1 billion in real estate.

As shown in the table below, LocalTapiola Asset Management Group's business divides into three business areas, within which all Group-internal items are eliminated. Development of the fixed-income and equity investment business exercised the greatest impact on the group's turnover and operating profit. Total net customer assets under management by the business areas amounted to EUR 13.1 billion.

LocalTapiola Asset Management -group

	2022	Fixed-income and equity investments	Private equity and debt funds	Real estate
(EUR m)	Group			
Turnover	53.7	33.0	4.1	16.6
Operating profit excluding consolidated goodwill	1.1	-0.1	1.7	-0.4
Total assets under management (net)	13,144.1	9,760.8	996.9	2,386.4

Fixed-income and equity investment business

LocalTapiola Asset Management serves as asset manager for the LocalTapiola funds and for the other asset management customers. Seligson & Co administers the mutual funds that invest in fixed income and equities, while also managing the Seligson & Co fund portfolios. LocalTapiola Alternative Investment Funds administers the special mutual funds that invest in fixed income and equities.

In autumn 2020, the LocalTapiola Group companies purchased Seligson & Co to strengthen their saving and investment services. The work conducted under our business plan was continued in 2022, with the most notable items being the expansion, for the LocalTapiola funds, of the distribution of funds to the Seligson & Co website and, correspondingly, introduction of the Seligson & Co funds into LocalTapiola's distribution channels. The online purchase of funds was made easier, on the basis of an extensive customer survey.

As a responsible actor, LocalTapiola Asset Management strives, in all activity, to ensure regulatory compliance and conformance to instructions issued by the relevant authorities. In 2022, however, the Financial Supervisory Authority imposed a EUR 125,000 fine on LocalTapiola Asset Management for failures with respect to the organisation of the reporting of transactions in the 01/2018–07/2021 period. LocalTapiola Asset Management took immediate action to remedy the errors in the reporting of transactions and to avoid similar errors. The errors in the reporting of transactions did not result in any harm to customers.

Following the war in Ukraine, the Seligson & Co Russian Prosperity Euro fund has been closed from 28 February, and no management fees have been charged in respect of the fund. The closure of this fund has had no material impact on the fund management company's results.

Decreased asset values reflected into the results achieved, pushing net commissions from liquid asset classes below the previous year's level. Turnover for the business area of equity and fixed-income investments was EUR 33.0 million and operating profit was EUR 0.1 million negative. Net customer assets for equity and fixed-income investments stood at EUR 9.8 billion at the end of the period under review.

Private equity and private debt fund business

LocalTapiola Alternative Investment Funds administers the private equity and private debt funds provided by LocalTapiola Asset Management Group, with LocalTapiola Asset Management serving as portfolio manager for these funds.

For the LocalTapiola private equity funds, the year 2022 was rather successful. Performance of the Private Equity aggregate portfolio was clearly above the market comparison products, and the chosen strategy proved to be resilient in the face of market developments. The LocalTapiola Private Equity V LP fund made a last closure in December 2022, rendering the total fund commitment amount to EUR 380.7 million. In terms of the underlying funds, the strong project flow continued, and the LocalTapiola Private Equity V LP fund raised commitments according to plan. By year-end, the fund, for which the investment period started in September 2021, had made eight underlying fund commitments.

The LocalTapiola Private Debt II LP fund achieved stable performance development without any material disturbance in the underlying funds' portfolios. Hardly any credit-impairedness was observed, and yield was in line with the market, some percentage points above the benchmark index. For the LocalTapiola Private Debt II LP fund, the investment period was concluded in December after the fund had made ten underlying fund commitments and the fund's total commitments had been exhausted. The successor fund, LocalTapiola Private Debt III LP, was granted a marketing authorisation by the Financial Supervisory Authority in November 2022, and the fund began to raise capitals. The intention is to make the fund's first closure in February 2023.

Turnover for the business area of private equity and private debt funds was EUR 4.1 million and operating profit was EUR 1.7 million. Net customer assets under management by the business stood at EUR 1.0 billion at the end of the period under review.

Real estate business

LocalTapiola Real Estate Asset Management provides customers with individual real estate portfolio management, real estate funds and tenant services, and LocalTapiola Alternative Investment Funds offers its customers a range of real estate funds. These services cover overall responsibility for the value chain of the entire real estate business: real estate as a great investment option for investors, while providing tenants with facilities and homes that support activity and life. The real estate business aims to increase turnover further by, in particular, expanding the customer base outside LocalTapiola Group.

The most active entities to make real estate investments were the LähiTapiola Yhteiskuntakiinteistöt Suomi Ky fund, Special Mutual Fund LocalTapiola Investment Real Estate and the LähiTapiola Aluekiinteistöt Ky fund. The investment period of the LähiTapiola Yhteiskuntakiinteistöt Suomi Ky fund ended after the fund made its last target investment in December, when the combined value of the real estate sites acquired exceeded EUR 500 million. Special Mutual Fund LocalTapiola Investment Real Estate concluded real estate acquisition deals worth nearly EUR 80 million. LähiTapiola Aluekiinteistöt Ky doubled its investment capacity, acquiring four new targets. The number of sites acquired through construction fell clearly from previous years owing to the market situation. Launched in 2021, LocalTapiola Community Forest grew in size to 2,500 hectares.

Tenant satisfaction has remained at an excellent level. Development of the services provided to tenant customers was continued during 2022. The Mutakaton koti website for tenants was fully opened, and we launched the Parempaa Tilalle concept aimed at tenants of commercial facilities. Special site-specific measures were taken to prepare for the exceptional circumstances that extraordinary inflation, increased interest rates and the availability and increased prices of energy may cause.

Turnover for the real estate business was EUR 16.6 million and operating profit was EUR -0.4 million. Customer assets under management (net) stood at EUR 2.3 billion at the close of the period under review.

The market value of the real estate assets under management totalled EUR 3.1 billion (gross). The real estate portfolio comprises office, commercial, logistics, hotel, social and residential real estate. The portfolio's leasable surface area measures 0.8 million square metres. During the financial period, a record-breaking EUR 620 million in real estate investments, and EUR 20 million in sales, was completed for customers. The real estate fund capital stood at EUR 2.2 billion, with the capital in portfolio mandates at EUR 1.0 billion.

3.2 LocalTapiola Asset Management Ltd, parent company

LocalTapiola Asset Management's shareholders' equity totalled EUR 73.4 million (EUR 20.8 million). For the most part, this change is due to an increase in the invested unrestricted equity fund received on forming LocalTapiola Asset Management Group.

On 1 January 2022, LähiTapiola Omaisuuudenhoito Holding Oy merged into LocalTapiola Asset Management, and following this merger Seligson & Co became a LocalTapiola Asset Management subsidiary. As consideration for this merger, the LocalTapiola Group insurance companies that were shareholders in LähiTapiola Omaisuuudenhoito Holding Oy received new LocalTapiola Asset Management shares in a 1:1 ratio, that is to say, 190 new A-series shares and 18,000 new B-series shares, without increasing the share capital. As a result, the number of LocalTapiola Asset Management A-series shares increased to 380 and the number of B-series shares to 36,000.

After the merger concluded on 1 January 2022, LocalTapiola Real Estate Asset Management's shareholders, the LocalTapiola Group insurance companies, paid for LocalTapiola Asset Management's directed issue of shares for cash with the LocalTapiola Real Estate Asset Management shares they owned (contribution in kind). 67 new A-series shares and 6,052 new B-series shares were subscribed to. As a result, LocalTapiola Real Estate Asset Management's shareholders received new LocalTapiola Asset Management shares to replace the LocalTapiola Real Estate Asset Management shares that they owned, and LocalTapiola Real Estate Asset Management became a LocalTapiola Asset Management subsidiary.

LocalTapiola Asset Management Balance sheet summary

(EUR m)	2022	2021
Receivables from credit institutions	23.7	19.0
Liabilities	13.7	5.9
Shareholders' equity	73.4	20.8
Balance sheet total	87.0	26.6

LocalTapiola Asset Management's operating loss was EUR 5.7 million (1 January–31 December 2021: loss of EUR 1.8 million). The company's turnover, that is to say, income from investment services, totalled EUR 24.6 million (EUR 24.4 million). Market development in 2022 had a negative impact on the assets under management and on the net commissions that the group received

in respect of them. The transfer of personnel between LocalTapiola Group companies significantly increased administrative expenses.

LocalTapiola Asset Management Result summary

(EUR m)	2022	2021
Net commissions	19.2	23.9
Income from investment services	24.6	24.4
Administrative expenses	29.2	19.7
Operating profit	-5.7	-1.8
Result for the financial period	-5.7	-1.8

The assets under management (gross) by LocalTapiola Asset Management decreased to EUR 11,834.2 million (31 December 2021: EUR 12,836.9 million). The outsourcing of the LocalTapiola Alternative Investment Funds private equity and private debt fund asset management to LocalTapiola Asset Management expanded the range of asset management services provided. The capitals in the LocalTapiola funds decreased to EUR 3,813.5 million (EUR 4,579.4 million).

LocalTapiola Asset Management Key figures describing financial development

(% / EUR m)	2022	2021	2020
Capital and reserves (on average)	47.1	21.7	22.6
Balance sheet total (on average)	56.8	27.3	27.8
Net commissions	19.2	23.9	20.2
Turnover	24.6	24.4	20.6
Operating profit	-5.7	-1.8	0.7
Operating profit of turnover	-23.2	-7.6	3.6
Return on equity (ROE)	-12.2	-8.5	2.4
Return on assets (ROA)	-10.1	-6.7	2.0
Equity ratio	84.3	77.9	80.5
Cost/return ratio	1.23	1.08	0.96

4 Solvency, and risk position

Group's prudential management

LocalTapiola Asset Management Group's prudential management process comprises Pillar I solvency calculation and reporting under the Investment Firms Regulation and Directive (IFR/IFD), which entered into effect in 2021, as well as the group's own internal capital and risk assessment model (ICARA). The own risk assessment deepens the Pillar I calculation, taking account of the risks not covered by the Pillar I calculation which affect business operations. These include risks associated with the operating environment and with the changes taking place in it which may, through the group's results, exercise an impact on solvency. In the course of annual planning, the Board of Directors determines the guidelines for LocalTapiola Asset Management Group's risk appetite, by setting target levels for the relations between the own funds and the capital requirements, as well as for the quality of the own funds. Solvency calculation is carried out, and the results are reported to the Board of Directors, on a quarterly basis or more frequently, and as needed.

At the close of 2022, LocalTapiola Asset Management Group's solvency ratio was 398.6 per cent, which is why the solvency position was at a good level. Own funds comprised own-funds items considered in their entirety as part of the Common Equity Tier 1 capital.

Solvency position

LocalTapiola Asset Management -group

Solvency calculation

		(% / EUR m)
	Balance sheet *)	2022
Own funds		44.7
Tier 1 capital		44.7
Common equity tier 1 capital		44.7
Fully paid up capital instruments	a	0.9
Additional paid-in capital	b	1.7
Retained earnings	d	20.0
Profit for previous periods		20.0
Other non-restricted reserves	c	56.4
Total deductions from common equity tier 1		-34.3
Losses for the current financial year	e	-5.5
Other intangible assets	f	-28.4
CET1 instruments of financial sector entities where the institution does not have a significant investment	g	-0.5
Capital requirement for own funds		
Fixed overheads		44.9
Capital requirement		11.2
Solvency ratio (CET1+AT1+T2, min. 100%)		398.6
Solvency ratio Tier 1 Capital (CET1+AT1/requirement, min. 75%)		398.6
Solvency ratio Common equity tier 1 capital (CET1/requirement, min. 75%)		398.6

Balance sheet *) reconciliation to the balance sheet of the financial statements

Note g includes investments in instruments of financial corporations included in the balance sheet

LocalTapiola Asset Management

Solvency calculation

		(% / EUR m)	
	Balance sheet *)	2022	2021
Own funds		16.3	20.2
Tier 1 capital		16.3	20.2
Common equity tier 1 capital		16.3	20.2
Fully paid up capital instruments	a	0.9	0.9
Additional paid-in capital	b	1.7	1.7
Retained earnings	d	20.0	17.7
Profit for previous periods		20.0	17.7
Other non-restricted reserves	c	56.4	2.3
Total deductions from common equity tier 1		-62.8	-2.4
Losses for the current financial year	e	-5.7	-1.8
Other intangible assets	f	0.0	-0.2
Qualifying holding outside the financial sector which exceeds 15% of own funds	h	-10.7	0.0
CET1 instruments of financial sector entities where the institution does not have a significant investment	g	-0.4	-0.4
CET1 instruments of financial sector entities where the institution has a significant investment	g	-46.0	0.0
Capital requirement for own funds			
Fixed overheads		24.6	17.4
Capital requirement		6.1	4.3
Solvency ratio (CET1+AT1+T2, min. 100%)		264.9	464.8
Solvency ratio Tier 1 Capital (CET1+AT1/requirement, min. 75%)		264.9	464.8
Solvency ratio Common equity tier 1 capital (CET1/requirement, min. 75%)		264.9	464.8

Balance sheet *) reconciliation to the balance sheet of the financial statements

Note g includes investments in instruments of financial corporations included in the balance sheet

Note h includes qualifying holdings outside the financial sector included in the balance sheet.

5 Group's risk management

Risk management at LocalTapiola Asset Management Group is based on current legislation and the regulations and guidelines issued on it. The group complies with LocalTapiola Group's risk and solvency management principles, and the group's risk management process is part of LocalTapiola Group's risk management process.

LocalTapiola Asset Management's Board of Directors has overall responsibility for the organisation of the company's risk management. In the risk management plan approved annually, the Board of Directors defines the targets and limits for risk-taking, and it is responsible for organising risk management, monitors the level and development of risk-taking on a regular basis and, where appropriate, decides on the necessary risk management measures. Each year, LocalTapiola Asset Management's risk management function submits to the company's Board of Directors a statement on the implementation of the risk management plan. As well as developing risk management capabilities, the risk management function supports business with the efforts to implement the risk management process.

Executive management and the business units are responsible for ensuring that the management of operational risks complies with the law and the LocalTapiola Group risk management frameworks. Internal audit supports the management and the Board of Directors in developing monitoring and risk management.

The risk management process includes risk mapping that is carried out in the context of annual planning, and it assesses the financial and operational risks to which the group may be exposed as well as the risks associated with the operating environment and the strategy. The risks assessed to have the greatest operational relevance are recorded in the risk management plan, and risk management measures are defined for them.

Over the course of the year, some minor updates were introduced into the risk management principles. The principles address the goals set with respect to sustainability risks, as well as related monitoring indicators and risk appetite.

Risk management in more detail

The risk notes to the financial statements describe in more detail the organisation of risk management, monitoring of the various risk classes, and the risk levels.

6 Sustainability and responsibility

LocalTapiola Asset Management and LocalTapiola Real Estate Asset Management address the relevant sustainability and responsibility factors in their investment analysis and decisions and in the corporate governance policy.

At LocalTapiola Asset Management, the Principles for Responsible Investment apply to all asset classes. Sustainability assessment, that is to say, mapping of the opportunities and risks associated with sustainability, is integrated into daily portfolio and asset management. Data on sustainability factors are utilised ahead of selecting investment options and fund partners. In spring 2022, LocalTapiola Asset Management further tightened the sustainable investment guidelines, particularly with respect to how climate change is addressed.

LocalTapiola Alternative Investment Funds and LocalTapiola Real Estate Asset Management's common principles of sustainable real estate investment were updated in 2022, on the basis of, for example, the climate risk examinations carried out in previous years. The principles define the environmental, social and governance factors to be addressed, as well as the climate risks (physical and transition risks) to be assessed, in the investment business, while also illustrating the investment process. Additionally, for new construction projects, a specific sustainable construction guideline is in place, describing broadly the requirements of the various thematic areas that need to be addressed at investment.

In early 2023, the principles for sustainable investment will be updated to be applied across entire LocalTapiola Asset Management Group.

Organisation of sustainability work

LocalTapiola Asset Management, Seligson & Co and LocalTapiola Real Estate Asset Management are signatories to the UN-supported Principles for Responsible Investment (PRI), and they have been reporting on their own investment activity for a number of years now. In accordance with the PRI guidelines, after formation of the group, the PRI memberships were combined in the name of LocalTapiola Asset Management Group in spring 2022. In future,

the annual PRI reporting will be carried out as a group, which is why the PRI Assessment Report is not commensurate with the assessments performed in previous years.

An ESG Steering Group was set up at LocalTapiola Asset Management Group to determine sustainable investment priorities and to steer sustainability promotion in alignment with consistent policy guidelines. The ESG working group, set up under the auspices of the group's ESG Steering Group, coordinates sustainability related projects and develops utilisation of ESG data analytics and sustainability reporting. Various investment organisations from LocalTapiola Group sit on the working group, enabling information about sustainable investment activities to be conveyed across company boundaries.

The portfolio managers take practical sustainable investment measures by the means for which each asset class makes provision, and in line with the investment policy of the fund concerned.

Sustainability in investment business, and climate change mitigation

In addition to the Principles for Responsible Investment, LocalTapiola Asset Management Group is committed to the goals of the Paris Agreement. In this context, we develop our investment business, contributing to the creation of solutions for a more sustainable future.

In summer 2021, as the first Finnish asset manager to do so, LocalTapiola Asset Management joined the Net Zero Asset Managers emission reduction initiative supporting net zero emissions from investment assets under management by 2050 or sooner. In the spring of 2022, the commitment was extended to cover all investment assets under management by LocalTapiola Asset Management Group.

Summer 2022 saw LocalTapiola Asset Management Group set the first interim goal to administer 46 per cent of the customer assets it manages in accordance with the Net Zero goal by 2030. For equity and corporate bond investments, the target is to halve the carbon footprint from investments from what it was at the end of 2019. In respect of real estate investments, the targets are based on recommendations by the Net Zero Carbon Buildings initiative, under which we are committed to carbon-neutral energy use for buildings and to zero emissions from construction by 2030. 2025 is the target year

we have set for the carbon neutrality of energy use. In line with the commitment, the target is also to minimise life-cycle emissions in other respects by investing in, among other things, the energy efficiency of buildings.

LocalTapiola Asset Management Group will be reporting annually on the progress made to achieve this target. Achievement of the target and acceleration of the green transition are encouraged now and in the coming years by engaging companies by means of active ownership, by contributing to the development of methodologies and by working together with customers to set and achieve emission reduction targets in their investment portfolios. From the start of 2023, the LocalTapiola Europe Markets and the USA Markets funds were developed into funds that follow Paris Agreement-compliant indices: the LocalTapiola Europe Climate Index fund, and the LocalTapiola USA Climate Index fund. With this product update, LocalTapiola Asset Management now offers customers an investment product that is focused on climate change mitigation.

Impacting on climate change mitigation through the investment business calls for an understanding of the environmental risks to which investments are exposed. LocalTapiola Asset Management's portfolio managers analyse the measures taken by companies to mitigate and adapt to climate change, and they strive to find the best possible solutions in terms of investment. During 2022 we renewed portfolio managers' own sustainability analysis portal to allow, ahead of investment decisions, the effects of company-specific sustainability factors to be addressed more comprehensively than thus far. Furthermore, LocalTapiola Asset Management encourages companies to report on climate risks in compliance with the Task Force on Climate-related Financial Disclosures (TCFD) framework.

In 2022 LocalTapiola Real Estate Asset Management joined the Building Life activity headed by Green Building Council Finland (FIGBC), committing to creating an action plan to achieve carbon neutrality in our own activities. In the course of 2022, LocalTapiola Real Estate Asset Management formed a carbon neutrality roadmap to achieve zero emissions from the energy use of investment real estate and from construction, in line with the commitment. The carbon neutrality roadmap and the more specific measures promote the achievement of the carbon neutrality goal.

From the start of 2022, LocalTapiola Real Estate Asset Management began to systematically calculate the life-cycle emissions from all new construction

projects and from the most notable renovation projects, based on a guideline published by the Ministry of the Environment.

Corporate governance

In accordance with LocalTapiola Asset Management's corporate governance principles, the key policies for active ownership include meetings with the management of target companies, attending General Meetings and engaging companies together with other investors.

Corporate governance at Seligson & Co aims to promote openness and transparency in corporate activities, reasonable remuneration schemes that contribute to the favourable development of investment value, equal treatment of all shareholders, and a dividends policy that takes account of the company's development needs. For more information on related measures, see Seligson & Co's annual report.

Sustainable finance regulation

The key legislative initiatives part of the EU's regulatory package on sustainable finance include the Sustainable Finance Disclosure Regulation (SFDR), as well as the Taxonomy Regulation, to be phased in starting in 2022. Sustainable finance regulation aims to steer finance to sustainable economic activity and growth, to facilitate the analysis of sustainability factors, to enhance the reliability and comparison of sustainability data and to provide information on the management of sustainability related risks.

The purpose of the SFDR is to provide information to investors transparently and in a standard format while facilitating the comparison of financial products. The financial products provided within the EU are to be classified for sustainability using an identical set of criteria, as well as disclosing the relevant prior information on the products and utilising consistent periodical report templates. Of the LocalTapiola Group companies, the disclosure obligation concerns LocalTapiola Asset Management, LocalTapiola Alternative Investment Funds and Seligson & Co.

The Taxonomy is an EU-wide classification system, laying down the criteria under which economic activities can be considered environmentally sustainable. In early 2022, LocalTapiola Asset Management published estimates of the share of Taxonomy-compliant investments in the LocalTapiola funds that, along with their other characteristics, promote environmental characteristics or that have sustainable investment as their objective.

LocalTapiola Asset Management provides, in various asset classes, several investment solutions that promote sustainability characteristics, as well as four sustainable investment LocalTapiola funds: Sustainable Environment, Sustainable Positive Impact Bond, Europe Climate Index, and USA Climate Index. Additionally, LocalTapiola Alternative Investment Funds has four and Seligson & Co has six funds that promote environmental characteristics.

From August 2022, in accordance with MiFID II regulation, LocalTapiola Asset Management Ltd has, in the course of the provision of investment advice, been mapping customers' individual sustainability preferences, with the aim of targeting to customers investment solutions that meet these preferences.

External assessments and acknowledgements

As a signatory to the Principles for Responsible Investment, the LocalTapiola Asset Management Group companies are committed to fostering the integration of responsible investment and to reporting on their development on an annual basis. Reception of the PRI assessments on the previous round of reporting, concerning sustainability promotion in 2020, was delayed till autumn 2022. Following a number of changes, the scores are not comparable with the previous years, nor will they be in the next reporting cycle, owing to adoption of the group structure.

LocalTapiola Asset Management continued to be awarded very commendable scores for many of the survey subject matters. The score for the Investment and Stewardship module, capturing the scope and depth of the sustainable investment policies and principles, was good (72/100, and 4/5 stars). After the time of reporting, LocalTapiola Asset Management has taken several development measures to further improve how sustainability is addressed in the various asset classes.

The PRI awarded LocalTapiola Real Estate Asset Management a good score for the actual implementation of sustainability at real estate sites (78, and 4/5 stars). The score for Investment and Stewardship policy was 56/100 and 3/5 stars. During the past two years, among other measures, LocalTapiola Real Estate Asset Management has updated the principles of sustainable real estate investment and integrated sustainability factors to be a more systematic part of the site acquisition process than before. Additionally, LocalTapiola Real Estate Asset Management recruited a Sustainability Manager, who focuses on the promotion of sustainability measures.

For more detailed information on PRI reporting, see our sustainable investment website at lahitapiola.fi/kestavasisjoittaminen.

In autumn 2022, LocalTapiola Asset Management was awarded the best Responsible Investment Award in Scandinavian Financial Research's (SFR) Challenger category, as well as a Gold Award in a survey focused on institutional investors. The sustainable investment acknowledgement, which considers both the operational integration of sustainable investment and sustainable investment reporting, was awarded to LocalTapiola Asset Management for the fifth year running. Additionally, the approximately one hundred biggest Finnish institutional investors completing the survey ranked LocalTapiola Asset Management as the second most high-quality asset manager in the same category.

Every year, LocalTapiola Real Estate Asset Management takes part in the Global Real Estate Sustainability Benchmark (GRESB) review. In the 2022 review, LocalTapiola Real Estate Asset Management again scored four stars out of five (80 points out of 100), ranking in second place among the baseline group of six. The company's score (80) was clearly above the baseline group average (73). In addition, for the first time, LocalTapiola Real Estate Asset Management took part in GRESB reporting for construction projects, scoring 87 points out of 100 and three stars. A total of 1,820 operators from 74 countries participated in this review. LocalTapiola Real Estate Asset Management's particular strengths lie in governance and social sustainability, for which the company has received a near perfect score year after year.

7 Events after the financial period

In late 2022, steps were taken to develop the LocalTapiola Europe Markets and the LocalTapiola USA funds into index funds that follow Paris Agreement-compliant indices. Additionally, steps were also taken to transfer the administration of Special Mutual Fund LocalTapiola ESG AIF High Yield, administered by LocalTapiola Alternative Investment Funds, to Seligson & Co Fund Management Company and to rename the fund as Mutual Fund LocalTapiola ESG Europe High Yield, a UCITS fund. These changes took effect on 1 January 2023.

With regard to the funds business, the Board of Directors was proposed a plan to centralise all mutual and alternative investment fund business in a single company. The preparation of this change is ongoing, and the aim is to

combine the group's fund management company and the alternative investment fund management company at the turn of 2023/2024.

8 Future prospects

Economic environment

Global economic growth is forecast to slow down this year. Growth is decelerated due to high inflation and rising interest rates. Additionally, trust among households and businesses has been hampered by Russia's war of aggression and increased energy costs. The uncertainty and increased costs are reflected in consumption and investment decisions.

In the eurozone, a recession appears quite likely, although the most recent forecasts indicate that the recession is expected to remain light. The bleakest scenarios concerning the energy crisis seem to have subsided. In the United States, too, economic growth will slow down this year, but the economy may not necessarily slip into recession despite the heightened recession risks. The Chinese economy stagnated late in the year with the pandemic spreading. In the longer term, abandoning the tight COVID-19 restrictions should provide support to Chinese growth prospects.

However, the economic outlook continues to face many identified uncertainty factors, such as the energy crisis in Europe, as well as political and geopolitical tensions, particularly any possible escalation of Russia's war of aggression.

At the start of the year, inflation in the eurozone is high but will slow down clearly in the course of the year, as the effects of energy inflation even out. Additionally, the supply chain bottlenecks that arose during the COVID-19 period are finally easing. However, it may take a longer time for core inflation, in particular, to fall back to the two per cent target levels set by the central bank. In the inflation outlook, uncertainty is being caused by factors such as pressures to increase wages.

After a challenging investment year, the prospects for fixed-income investments appear considerably more interesting. With the era of negative nominal interest rates coming to an end, investors can now return to receiving positive nominal returns also in the bond market. However, the outlook continues to be surrounded by uncertainty, which is why the key central banks are expected to press on with their tight monetary policy in order to rein in inflation. After the fall in share prices last year, pricing in the equity market also in

industrial countries has returned to nearer its long-term average. For businesses, the earnings outlook continues to be surrounded by a high degree of uncertainty, which might rock share prices considerably. What is more, developments in the geopolitical situation affect the general risk appetite.

The private equity and private debt funds started the year 2023 in a changed investment environment. A long-term examination does not give reason to believe that the risk-adjusted potential for asset classes to generate returns would have been affected to any significant degree. The illiquidity premium and investor interest will, with a high likelihood, be maintained. In the short term, it is foreseeable that private debt fund managers' position and bargaining power will improve. In an uncertain world, the supply of debt, which keeps the economy running, will drop, and with decreasing liquidity the price and terms of money will, in the main, become more expensive, favouring providers of debt.

The return requirements for real estate investments usually demonstrate delayed response to changing interest rate levels, and currently the risk-free interest rate and the return requirements for prime real estate are exceptionally close to one another, indicating a further increase in real estate return requirements. In particular, return requirements in sectors with low return requirements, such as residential and social real estate, experience the most vigorous percentage increase. Real estate continues to provide protection against volatile changes in inflation. Increased costs of construction and maintenance in the real estate portfolio are offset by the cost-of-living indexation of leases, which after some delay will adjust the rent level to at least reflect the rise in costs, provided that the site-specific rental market offers an opportunity for this.

In the commercial premises market, inflation is causing uncertainty in consumer purchase patterns and, consequently, in expected rents. Consumer uncertainty and weakened consumer purchase power are also likely to be reflected in the number of visitors to and the amount of sales achieved by shopping centres. For logistics premises, the rent and occupancy rate prospects remain positive. Due to the increased costs of maintenance and finance, residential rents are clearly facing upwards pressures. Increased construction costs and rising interest rates put a brake on the level of new construction launches.

Group's business operations

Market development plays a crucial role in the financial performance achieved by Asset Management, and the situation calls for not only growth investments but also that operating expenses be kept under control and group synergies be utilised.

The LocalTapiola Group strategy emphasises growth as a financial operator. The marketing efforts launched in 2022 to increase awareness of our financial services will continue to be pursued in 2023. The activity of the investment sales organisation will be developed further to boost growth. In the near future, digital services and sustainability are set to take on increasing importance in operational and service offering development.

For a long time now, our investor customers have wanted to take advantage of an investment mobile application, to facilitate easy tracking and management of investments. We will be launching our new mobile application in early 2023.

Russia's invasion of Ukraine that started in late February 2022, and the resulting international sanctions imposed against Russia, may continue to weaken significantly the activity of the Russian stock market, potentially even leading to the final closure of the Seligson & Co Russian Prosperity Euro fund.

9 Administration

LocalTapiola Group's governance

LocalTapiola Group and the companies part of the Group adhere to good corporate governance, which is based on legislation governing the insurance and financial sector, the regulations and guidelines issued by the Financial Supervisory Authority, EBA and ESMA (European Securities and Markets Authority) and also, where applicable to mutual insurance companies, the Finnish Corporate Governance Code for listed companies.

LocalTapiola Group forms an insurance group within the meaning of the Insurance Companies Act, and LocalTapiola General is the group's leading parent company as defined in said Act. In this role, LocalTapiola General is responsible for the organisation of reliable administration, prudential monitoring, risk management, internal control and related regulatory reporting within the entire LocalTapiola Group and all Group companies.

The LocalTapiola Group companies have concluded intra-Group agreements on their mutual responsibilities and division of duties. LocalTapiola Group's Management Group, appointed by LocalTapiola General's Board of Directors, has broad representation from the various LocalTapiola Group companies and persons responsible for the key shared functions.

The Group's Management Group is responsible for the preparation of LocalTapiola Group's strategic and other Group-level matters, related decision-making and implementation, as well as for the overall control and development of the Group, within the authorisations granted to it by the Board of Directors that are in line with the Joint Agreement concluded between the LocalTapiola Group companies.

As a subsidiary of LocalTapiola General, LocalTapiola Asset Management complies with LocalTapiola Group's common governance procedures.

Annual General Meeting

LocalTapiola Asset Management Ltd's Annual General Meeting was held on 6 April 2022. The meeting approved the financial statements for 2021, decided on the use of the company's profit, discharged the members of the Board of Directors and the Managing Director from liability, and elected the company's auditor. The meeting also confirmed the number of the members of the Board of Directors and their remuneration.

Board of Directors

A total of seven members sat on LocalTapiola Asset Management Ltd's Board of Directors during 2022. The term of the members of the Board of Directors is one year. Board members must have wide-ranging and complementary professional expertise and experience, as well as the type of competence in the business operations of an investment firm that is necessary taking into consideration the nature and scope of the company's activities.

In 2022 the Board of Directors convened 14 times. The meeting participation rate was 96.9.

The following serve as Board members:

Jari Eklund (born 1963), Chair of the Board of Directors
MSc (Econ.)
Group Director, LocalTapiola Group

Mirel Leino-Haltia (born 1971)

PhD (Econ.), CFA

Professor of Practice, Aalto University

Juha Malm (born 1966)

LL.M., CEFA

Chief Investment Officer, LocalTapiola General

Tapio Oksanen (born 1958)

MSc (Econ.)

Chief Financial Officer, Employment Fund

Hanna-Leena Pesonen (born 1967)

PhD (Econ.)

Dean and Professor, Jyväskylä University School of Business and Economics

Lauri Riekkola (born 1964)

Engineering technician, Vocational qualification in Business Management

Managing Director, LocalTapiola Loimi-Häme

Teemu Tähtinen (born 1976)

MSc (Econ.), MSc (Tech.)

Chief Investment Officer, LocalTapiola Life

Pentti Kuusela (born 1964) up to 1 February 2022

B.Sc.Soc (Insurance)

Managing Director, LocalTapiola Pirkanmaa

The salaries and remuneration paid to the Board of Directors, as well as their pension commitments, monetary loans, the terms and conditions thereof and contingent liabilities, are presented in the notes to the financial statements.

LocalTapiola Asset Management Ltd's Management Group

The following persons were members of the company's Management Group:

Samu Anttila (born 1974)

Master of Arts, eMBA, SHV Actuarial Qualification

Managing Director

Jyrki Mäkelä (born 1961)

MSc (Econ.)

Director, Asset Management, temporary Managing Director

Joona Lappi (born 1985)

MSc (Econ.)

Director, Sales and Accounts

Satu Norhomaa (born 1974)

MBA

Chief Operating Officer

Janne Pesonen (born 1965)

MSc (Tech.), SHV Actuarial Qualification

Director, Finances and Administration

Hanna Vihavainen (born 1974)

Master of Laws

Director, Legal and Compliance

Managing Director

Samu Anttila serves as LocalTapiola Asset Management Ltd's Managing Director.

Auditor

The Annual General Meeting elected KPMG Oy Ab to continue as LocalTapiola Asset Management Ltd's auditor, with Authorised Public Accountant Timo Nummi as the principal auditor appointed by KPMG Oy Ab.

Supervisory authority

LocalTapiola Asset Management is an investment firm subject to public supervision by the Financial Supervisory Authority (FIN-FSA).

Seligson & Co is a fund management company within the meaning of the Act on Common Funds, subject to public supervision by the FIN-FSA.

LocalTapiola Alternative Investment Funds is an alternative investment fund manager within the meaning of the Act on Alternative Investment Funds Managers, subject to public supervision by the FIN-FSA.

The FIN-FSA supervises and ensures that financial institutions comply with the law and that they employ appropriate methods in their operations. It monitors and assesses the financial position, as well as the management, supervision and risk management systems, operating prerequisites and changes in the operating environment, of the companies that it supervises.

Related parties

LocalTapiola Asset Management Group's related parties are discussed in the notes to the financial statements.

Personnel and remuneration

At year-end LocalTapiola Asset Management Group employed a total of 239 persons, and at the end of the year the parent company employed 147 persons.

LocalTapiola Asset Management -group	
Number of employees	2022
On average	228

LocalTapiola Asset Management		
Number of employees	2022	2021
On average	139	62

The aim of the special remuneration scheme is to incentivise good performance and to boost the motivation and commitment of personnel. LocalTapiola Asset Management's remuneration policy is based on the Group's and LocalTapiola Asset Management Group's strategy, as well as on the targets set on the basis of the strategy.

Remuneration is based on a person's good work performance in relation to the targets set. The bonus scheme is part of the remuneration package, and it is based on annual bonuses, although some bonus targets may measure periods that are longer than one year. The special remuneration scheme covers senior managers and all personnel.

When confirming the special remuneration scheme, efforts are made to ensure that the scheme is aligned with LocalTapiola Group's and LocalTapiola Asset Management Group's business strategy, targets and values, that it works in LocalTapiola Group's and LocalTapiola Asset Management Group's long-term interests, that it is in harmony with LocalTapiola Group's and LocalTapiola Asset Management Group's principles of good and effective risk management, that it does not encourage excessive risk-taking, and that it is gender neutral.

Employees are members of LocalTapiola Group's personnel fund in the manner laid down in the fund rules. Personnel expenses include the company's share of the profit bonus item for 2022 payable to the personnel fund.



10 Proposal on the use of the profit for the financial period

Proposal by the Board of Directors

Distributable assets in the financial statements total EUR 70,731,263.64. There have been no material changes in the company's financial position after the end of the financial period, nor does the solvency test referred to in Chapter 13(2) of the Limited Liability Companies Act have a bearing on the amount of distributable assets.

The Board of Directors proposes to the General Meeting to be held on 24 March 2023 that, from the result for the 2022 financial period, no dividend be paid on either share series (not on the A series or the B series) but that the loss for the financial period, EUR 5,723,439.54, be transferred in full to the profit and loss account of the previous financial periods.

Financial statements 1 January–31 December 2022

11 Financial statements for LocalTapiola Asset Management Ltd Group

11.1 Balance sheet, LocalTapiola Asset Management Group

BALANCE SHEET

ASSETS	note number	IF*	31.12.2022
Cash assets	K1, K12, K13, K14		4,949.40
Receivables from credit institutions			
Payable on demand	K1, K2, K12, K13, K14		52,106,389.17
Loans and advances to the public and general government			
Other	K1, K3, K4, K12, K13, K14		11,000.00
Shares and holdings	K1, K5, K13, K14		28,996.00
Shares and holdings of companies in the same Group	K1, K5, K13, K14	g	1,177,623.31
Intangible assets			
Consolidated goodwill			26,604,587.31
Other capital expenditures			1,767,718.08
Intangible assets	K6, K7, K13, K14	f	28,372,305.39
Tangible assets			
Other real estates and real estate companies shares and holdings			2,016,817.40
Other tangible assets	K7, K13, K14		251,621.79
Tangible assets			2,268,439.19
Other assets	K8, K13, K14		6,878,732.95
Prepayments and accrued income	K9, K13, K14		2,663,948.74
Total assets			93,512,384.15
LIABILITIES			31.12.2022
Liabilities			
Other liabilities			
Other liabilities	K10, K13, K14		4,258,602.88
Obligatory provisions			478.79
Other liabilities			4,259,081.67
Accruals and deferred income	K11, K13, K14		15,678,742.36
Total liabilities			19,937,824.03
Shareholders' equity and minority interest			
Share capital	K15	a	933,350.00
Additional paid-in capital	K15	b	1,691,534.45
Non-restricted reserves			
Reserve for invested non-restricted equity	K15	c	56,444,888.17
Profit (loss) for previous periods	K15	d	20,009,815.01
Profit (loss) for the period	K15	e	-5,505,027.51
Shareholders' equity and minority interest, total			73,574,560.12
Total liabilities and shareholders' equity			93,512,384.15
Off-balance-sheet commitments			-

* Reference to own funds in the solvency report (IF)

11.2 Income statement, LocalTapiola Asset Management Group

INCOME STATEMENT	note number	1.1.-31.12.2022
Net commissions		
Management fees		66,262,844.65
- Management fee returns		-24,042,855.81
Subscription charges		511.85
Redemption charges		1,500.00
Asset management fees		6,631,400.91
Net commissions	K16, K31	48,853,401.60
Income from equity investments	K17	
From companies in the same Group		14,867.81
Interest income	K18	48,598.91
Other operating income	K19	4,818,806.40
NET INCOME FROM INVESTMENT SERVICE OPERATION		53,735,674.72
Commission expenses	K16	1,018,382.92
Interest expenses	K18	130,035.60
Administrative expenses		
Personnel costs		
Salaries and remunerations	K26, K27	22,310,607.34
Social expenses		
Pension costs	K23, K26, K27	4,604,715.61
Other social expenses		731,780.52
Social expenses		5,336,496.13
Personnel costs		27,647,103.47
Other administrative expenses		21,186,489.75
Administrative expenses		48,833,593.22
Depreciation and amortisation on consolidated goodwill		5,267,076.07
Depreciation/amortisation and write-downs on tangible and intangible assets	K21	729,815.21
Other operating expenses	K20, K29	1,879,970.93
OPERATING PROFIT (-LOSS)		-4,123,199.23
Income taxes		1,381,828.28
PROFIT (LOSS) FOR THE PERIOD		-5,505,027.51

11.3 Indirect cash flow statement, LocalTapiola Asset Management Group

INDIRECT CASH FLOW STATEMENT

2022

Cash flow from operating activities

Operating profit (loss)	-4,123,199.23
Taxes paid	1,470,794.87
Adjustments to operating profit	
Planned depreciation	5,996,891.28
Other adjustments	-62,987.93
Adjustments to operating profit	5,933,903.35
Other assets	-6,889,732.95
Prepayments and accrued income	-2,615,349.83
Increase (-) or decrease (+) in operating assets	-9,505,082.78
Other liabilities	4,258,602.88
Accruals and deferred income	15,678,742.36
Paid taxes as adjustment of tax debt	-2,852,623.15
Increase (-) or decrease (+) in operating liabilities	17,084,722.09
Net cash used in operating activities (A)	10,861,138.30

Net cash used in investing activities

Notes and bonds	
Other investment income and capital gains	
Shares and holdings	-1,206,619.31
Dividends received	14,867.81
Intangible and tangible assets	-36,637,635.86
Cash flow from investing activities (B)	-37,829,387.36

Net cash provided by (used in) financing activities

Rights issue	59,069,772.62
Profit in previous financial years resulting from structural changes	20,009,815.01
Net cash provided by (used in) financing activities	79,079,587.63

Net increase/decrease in cash and cash equivalents (A+B+C)

increase (+) / decrease (-)	52,111,338.57
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Cash and cash equivalents at year-start

0.00

Cash and cash equivalents at year-end

52,111,338.57

Net increase/decrease in cash and cash equivalents

52,111,338.57

11.4 Key figures, LocalTapiola Asset Management Group

KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT

2022

Capital and reserves (on average), EUR million	76.3
Balance sheet total (on average), EUR million	93.4
Commission income, EUR million	48.9
Turnover, EUR million	53.7
Operating profit/loss, EUR million	-4.1
Operating profit, % of turnover	-7.7
Return on equity (ROE), %	-7.2
Return on assets (ROA), %	-5.9
Equity ratio, %	78.7
Cost/return ratio	0.98

11.5 Notes, LocalTapiola Asset Management Group

11.5.1 Notes to the balance sheet, LocalTapiola Asset Management Group

K1. Categories of financial assets	2022
Mettable at fair value through profit or loss	28,996.00
Valued at cost	53,299,961.88
Total	53,328,957.88
K2. Receivables from credit institutions	2022
Domestic credit institutions	
Payable on demand	52,106,389.17
K3. Loans and advances to the public and general government	2022
Loans and advances to the public and general government	
Corporations and housing companies	11,000.00
K4. Notes on credit risk	2022
Receivables from the public and public-sector entity is not material and, therefore, they do not entail any material credit risk either.	
K5. Shares and holdings	2022
Shares and holdings in other companies	
Equity instruments measured at fair value through profit or loss	
Others than publicly listed	28,996.00
Shares and holdings in companies in the same group	
Others than publicly listed	1,177,623.31
Total	1,206,619.31
valued at cost	1,206,619.31
used for stock lending	-
investments in shares of credit institution	-
K6. Intangible assets	2022
ICT systems design and programming costs	1,540,557.75
Goodwill	26,604,587.31
Other intangible assets	227,160.33
Total	28,372,305.39

K7. Charges in intangible and tangible assets during the financial year	2022
Intangible assets	
Acquisition cost 1 January	0.00
+ increases during the year	38,996,085.01
- decreases during the year	-192,285.45
+/- transfers between items	978,876.16
Acquisition cost 31 December	39,782,675.72
Accumulated depreciation and amortisation 1 January	0.00
+ accumulated depreciation on disposals and transfers	-352,814.70
- planned depreciation	-11,057,555.63
Accumulated depreciation and amortisation 31 December	-11,410,370.33
Book value 31 December	28,372,305.39
Book value 1 January	0.00
Tangible assets	2022
Other real estates and real estate companies shares and holdings	
Acquisition cost 1 January	0.00
+ increases during the year	1,051,617.40
+/- transfers between items	965,200.00
Acquisition cost 31 December	2,016,817.40
Accumulated depreciation and amortisation 1 January	0.00
Accumulated depreciation and amortisation 31 December	0.00
Book value 31 December	2,016,817.40
Book value 1 January	0.00
Tangible assets	2022
Other tangible assets	
Acquisition cost 1 January	0.00
+ increases during the year	1,288,921.34
- decreases during the year	-382,151.08
+/- transfers between items	412,253.61
Acquisition cost 31 December	1,319,023.87
Accumulated depreciation and amortisation 1 January	0.00
+ accumulated depreciation on disposals and transfers	-281,758.11
- planned depreciation	-785,643.97
Accumulated depreciation and amortisation 31 December	-1,067,402.08
Book value 31 December	251,621.79
Book value 1 January	0.00
K8. Other assets	2022
Other assets	
Other deferred income	6,878,732.95
K9. Prepayments and accrued income	2022
Prepayments and accrued income	
Other deferred income	2,663,948.74

K10. Other liabilities**2022**

Other liabilities

Other than payment transfer liabilities

4,258,602.88

Obligatory provisions

478.79

Total**4,259,081.67**

Obligatory provisions include preparation for future factors of uncertainty and for the process development needs observed.

K11. Accruals and deferred income**2022**

Deferred expenses

Other deferred expenses than interest liabilities

15,678,742.36

K12. Final assets and liabilities by maturity**2022**

Maturity	less than 3 mo.	3-12 mo.	1-5 yr.	5-10 yr.	over 10 yr.	
Cash assets	4,949.40	-	-	-	-	4,949.40
Receivables from credit institutions	52,106,389.17				-	52,106,389.17
Loans and advances to the public and general government	-	0.00	-	-	11,000.00	11,000.00

K13. Assets denominated in euros and foreign currencies and members of the same group

Asset, in euros	Domestic currency	Foreign currency	of which belong to the same group	2022 total
Cash assets	4,949.40	-	-	4,949.40
Receivables from credit institutions	52,106,389.17	0.00	-	52,106,389.17
Loans and advances to the public and general government	11,000.00	-	-	11,000.00
Other assets	41,390,045.58	0.00	2,263,233.45	41,390,045.58
Total	93,512,384.15	0.00	2,263,233.45	93,512,384.15
Other liabilities	4,259,081.67	0.00	1,124,449.56	4,259,081.67
Accruals and deferred income	15,678,742.36	0.00	725,032.04	15,678,742.36
Total	19,937,824.03	0.00	1,849,481.60	19,937,824.03

K14. Fair and book values of financial assets and liabilities and hierarchy of fair values

Assets and liabilities that after entry are valued at fair value once or repeatedly on the balance sheet

Fair values of Tier 1 instruments are based the listed prices of identical assets or liabilities in active markets, such as the stock exchange, broker or price service. Tier 1 instruments are primarily domestically listed investment liabilities, which have been classified as available-for-sale. The market price of these assets is obtained from the current purchase price.

The fair values of Tier 2 instruments are obtained by valuation methods using market prices in active markets.

Repeated fair values that are defined using significant other data than observable input data

Input data for Tier 3 assets or liabilities are not based on observable market data. Tier 3 includes equity instruments that do not have a market price on the markets and their fair value cannot be reliably defined, so they are valued at acquisition cost.

Fair values of assets and liabilities	2022	2022
Financial assets	Fair value	Book value
Cash assets	4,949.40	4,949.40
Receivables from credit institutions	52,106,389.17	52,106,389.17
Loans and advances to the public and general government	11,000.00	11,000.00
Shares and holdings	28,996.00	28,996.00
Shares and holdings in companies in the same group	897,240.99	1,177,623.31

Financial instruments valued at fair value on balance sheet

	Tier 1	Tier 2	Tier 3
Financial assets			
Shares and holdings			28,996.00
Unrealised profits and losses of the financial period (Tier 3)			-

K15. Shareholders' equity

	Financial period start	+ Increase - Decrease	Transfers between items	Financial period end
Restricted equity				
Share capital	0.00	933,350.00	-	933,350.00
Additional paid-in capital	0.00	1,691,534.45	-	1,691,534.45
Reserve for invested non-restricted equity	0.00	56,444,888.17	-	56,444,888.17
Profit or loss for previous periods	0.00	20,009,815.01	0.00	20,009,815.01
Profit or loss for financial period	0.00	-5,505,027.51	0.00	-5,505,027.51
Total	0.00	73,574,560.12	0.00	73,574,560.12

11.5.2 Notes to the income statement, LocalTapiola Asset Management Group

K16. Net commissions and fees	2022
Net commissions	
Fund management	6,631,400.91
Other	42,222,000.69
Total	48,853,401.60
Commission expenses	
Financial management	1,018,382.92
K17. Income from equity investments	2022
Dividend income from shares and holdings	
From companies in the same Group	14,867.81
K18. Interest income and expenses by balance sheet item	2022
Interest income	
Receivables from credit institutions	48,598.91
Interest expenses	
Receivables from credit institutions	130,035.60
of which belonging to the same group	-
K19. Other operating income	2022
Other income	4,818,806.40
K20. Other operating expenses	2022
Rent expenses	1,393,894.56
Other expenses	486,076.37
Total	1,879,970.93
K21. Depreciation and amortisation on tangible and intangible assets	2022
Intangible assets	
Planned depreciation	622,975.12
Tangible assets	
Planned depreciation	106,840.09
Total depreciation	729,815.21

K22. Notes on business areas and geographical markets

The company is an investment services company. Its primary business comprises of asset management.

The geographical operating area is Finland.

The company does not have a network of offices outside of Finland. Personnel data is listed in Note.

Business areas by segment, 2022	Liquid	Real estate	Private equity	Other	Total
Turnover	33,034,977.96	16,588,542.50	4,112,154.27	0.00	53,735,674.73
Depreciation and amortisation on consolidated goodwill	0.00	0.00	0.00	-5,267,076.07	0.00
Operating expenses	-33,143,341.62	-17,024,408.41	-2,424,048.38	-5,267,076.07	-52,591,798.41
Operating profit/loss	-108,363.66	-435,865.91	1,688,105.89	-5,267,076.07	1,143,876.32
Assets	42,168,386.44	20,326,292.90	4,413,117.50	26,604,587.31	93,512,384.15
Liabilities	12,565,738.35	6,057,022.80	1,315,062.88	0.00	19,937,824.03

K23. Pension liabilities

Statutory pensions for personnel are organised using TyEl insurance through Elo Mutual Pension Insurance Company and additional pension insurance through LocalTapiola Mutual Life Company.

K24. Off-balance-sheet commitments

2022

Joint responsibility associated with VAT group registration (Section 188, Finnish VAT Act)

2022

Within one year

Group companies

1,183,662.33

Other group companies

1,603,256.12

Total

2,786,918.45

VAT liability with a positive sign = VAT debt

VAT liability with a negative sign = VAT receivable

Auditing responsibility of property investments, according to Section 120 of Finnish VAT Act

2022

10-year auditing period

Other group companies

78,779,260.49

K25. Number of employees

2022

On average

Permanent full-time employees

213

Permanent part-time employees

10

Fixed-term employees

5

Total

228

K26. Managements' salaries and remunerations, pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities

2022

Managing director and deputy managing director		
Salaries and remunerations		1,343,143.58
Pension commitments	Is stated by the law. Statutory pensions for management are organised using TyEL basic insurance through Elo Mutual Pension Insurance Company and additional pension insurance through LocalTapiola Mutual Life Insurance Company.	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Members of the board and deputy board members		
Salaries and remunerations		398,469.87
Pension commitments	Is stated by the law.	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	

K27. Related party loans and transactions

2022

Loans granted to parties belonging to the insider register of the company	0.00
Investments in related-party entities	0.00
Main terms of receivables and investments:	
Guarantees and collateral lodged on behalf of a related party on behalf of another	0.00

The company has not carried out related party transactions involving non-conventional commercial terms and conditions. Information on the contingent liability relating to value-added tax category identification can be found in Appendix 24.

K28. Notes to income taxes

2022

Tax based on taxable income	1,382,128.95
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K29. Fees paid to auditor

2022

Audit	169,512.88
Other services	20,819.32
Total	190,332.20

K30. Holdings in other companies

The consolidated financial statements have not been combined with companies acting as fund feeder companies.

LähiTapiola Asuntorahasto Prime Feeder Oy

Tapiola KR III Feeder Oy

LähiTapiola Asuntosijoitus Suomi Feeder Oy

LähiTapiola Asuntosijoitus Suomi Feeder II Oy

LähiTapiola Asuntosijoitus Suomi Feeder III Oy

Combining the companies would present a false picture of the group's financial position because significant restrictions substantially prevent the group from using its influence in these companies.

The Group's balance sheet includes those issued by group companies

2022

Capital loans

Tapiola KR III Feeder Oy

LähiTapiola Asuntorahasto Feeder Oy

LähiTapiola Asuntosijoitus Suomi Feeder Oy

K31. Total controlled customer assets

2022

(EUR m)

Trustee asset management

11,834.2

Management of funds

9,802.3

Other contractual management

1,721.4

Managing real estate objects

3,149.5

Total assets under management (gross)

26,507.5

Total Consolidated assets under management (net)

13,144.1

Gross asset value of real estates (GAV)

3,149.5

Customer assets

NAV for fixed-income and equity special mutual funds

830.6

12 Financial statements for LocalTapiola Asset Management Ltd

12.1 Balance sheet, LocalTapiola Asset Management

BALANCE SHEET

ASSETS	note number	IF*	31.12.2022	31.12.2021
Receivables from credit institutions				
Payable on demand	1, 2, 10, 11, 12		23,681,316.80	18,984,937.37
Shares and holdings	1, 3, 11, 12		370.00	370.00
Shares and holdings of companies in the same Group	1, 3, 11, 12	g,h	57,394,142.69	713,878.93
Intangible assets	4, 5, 11, 12	f	48,869.80	213,847.81
Tangible assets				
Other tangible assets	5, 11, 12		54,394.10	85,775.47
Other assets	6, 11, 12		3,533,314.23	3,952,936.28
Prepayments and accrued income	7, 11, 12		2,313,912.16	2,676,728.02
Total assets			87,026,319.78	26,628,473.88
LIABILITIES			31.12.2022	31.12.2021
Liabilities				
Other liabilities				
Other liabilities	8, 11, 12		1,331,823.70	664,116.26
Obligatory provisions			0.00	400,000.00
Other liabilities			1,331,823.70	1,064,116.26
Accruals and deferred income	9, 11, 12		12,338,347.99	4,810,522.73
Total liabilities			13,670,171.69	5,874,638.99
Shareholders' equity and minority interest				
Shareholders' equity				
Share capital	13, 14	a	933,350.00	933,350.00
Additional paid-in capital	13	b	1,691,534.45	1,691,534.45
Non-restricted reserves				
Reserve for invested non-restricted equity	13	c	56,444,888.17	2,283,861.38
Profit (loss) for previous periods	13	d	20,009,815.01	17,687,760.76
Profit (loss) for the period	13	e	-5,723,439.54	-1,842,671.70
Total shareholders' equity			73,356,148.09	20,753,834.89
Total liabilities and shareholders' equity			87,026,319.78	26,628,473.88
Off-balance-sheet commitments			-	-

* Reference to own funds in the solvency report (IF)

12.2 Income statement, LocalTapiola Asset Management

INCOME STATEMENT	note number	1.1.-31.12.2022	1.1.-31.12.2021
Net commissions	17, 31	19,225,712.99	23,854,493.25
Income from equity investments	18		
From companies in the same Group		11,436.78	10,091.28
Interest income	19	5,285.02	0.00
Other operating income	20	5,391,160.57	521,269.88
NET INCOME FROM INVESTMENT SERVICE OPERATION		24,633,595.36	24,385,854.41
Commission expenses	17	7,610.05	1,213,893.80
Interest expenses	19	56,481.91	100,962.28
Administrative expenses			
Personnel costs			
Salaries and remunerations	27, 28	14,828,891.90	6,395,357.70
Social expenses			
Pension costs	24, 27, 28	3,233,629.61	1,457,234.39
Other social expenses		525,990.42	223,129.00
Social expenses		3,759,620.03	1,680,363.39
Personnel costs		18,588,511.93	8,075,721.09
Other administrative expenses		10,589,276.80	11,636,970.76
Administrative expenses		29,177,788.73	19,712,691.85
Depreciation/amortisation and write-downs on tangible and intangible assets	22	183,109.38	348,801.24
Other operating expenses	21, 30	932,135.01	4,853,004.15
OPERATING PROFIT (-LOSS)		-5,723,529.72	-1,843,498.91
Income taxes		-90.18	-827.21
PROFIT (LOSS) FOR THE PERIOD		-5,723,439.54	-1,842,671.70

12.3 Indirect cash flow statement, LocalTapiola Asset Management

INDIRECT CASH FLOW STATEMENT	2022	2021
Cash flow from operating activities		
Operating profit (loss)	-5,723,529.72	-1,843,498.91
Taxes paid	-291,965.28	73,501.91
Adjustments to operating profit		
Planned depreciation	183,109.38	348,801.24
Income from equity investments	-11,436.78	-10,091.28
Interest income	-5,285.02	0.00
Other adjustments	-400,000.00	200,000.00
Other adjustments	-416,721.80	189,908.72
Adjustments to operating profit	-233,612.42	538,709.96
Other assets	419,622.05	-213,224.21
Prepayments and accrued income	368,100.88	-512,664.67
Increase (-) or decrease (+) in operating assets	787,722.93	-725,888.88
Other liabilities	667,707.44	-119,267.08
Accruals and deferred income	7,527,825.26	333,598.72
Paid taxes as adjustment of tax debt	292,055.46	-72,674.70
Increase (-) or decrease (+) in operating liabilities	8,487,588.16	141,656.94
Net cash used in operating activities (A)	3,026,203.67	-1,815,518.98
Net cash used in investing activities		
Shares and holdings	-56,680,263.76	0.00
Dividends received	11,436.78	10,091.28
Intangible and tangible assets	13,250.00	-31,732.70
Cash flow from investing activities (B)	-56,655,576.98	-21,641.42
Net cash provided by (used in) financing activities		
Rights issue	54,161,026.79	0.00
Profit in previous financial years resulting from structural changes	4,164,725.95	0.00
Net cash provided by (used in) financing activities	58,325,752.74	0.00
Net increase/decrease in cash and cash equivalents (A+B+C)		
increase (+) / decrease (-)	4,696,379.43	-1,837,160.40
Cash and cash equivalents at year-start	18,984,937.37	20,822,097.77
Cash and cash equivalents at year-end	23,681,316.80	18,984,937.37
Net increase/decrease in cash and cash equivalents	4,696,379.43	-1,837,160.40

12.4 Key figures, LocalTapiola Asset Management

KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT	2022	2021	2020
Capital and reserves (on average), EUR million	47.1	21.7	22.6
Balance sheet total (on average), EUR million	56.8	27.3	27.8
Commission income, EUR million	19.2	23.9	20.2
Turnover, EUR million	24.6	24.4	20.6
Operating profit/loss, EUR million	-5.7	-1.8	0.7
Operating profit, % of turnover	-23.2	-7.6	3.6
Return on equity (ROE), %	-12.2	-8.5	2.4
Return on assets (ROA), %	-10.1	-6.7	2.0
Equity ratio, %	84.3	77.9	80.5
Cost/return ratio	1.23	1.08	0.96

12.5 Notes, LocalTapiola Asset Management

12.5.1 Notes to the balance sheet, LocalTapiola Asset Management

1. Categories of financial assets	2022	2021
Metrable at fair value through profit or loss	370.00	370.00
Valued at cost	81,075,459.49	19,698,816.30
Total	81,075,829.49	19,699,186.30
2. Receivables from credit institutions	2022	2021
Domestic credit institutions		
Payable on demand	23,681,316.80	18,984,937.37
3. Shares and holdings	2022	2021
Shares and holdings in other companies		
Equity instruments measured at fair value through profit or loss		
Others than publicly listed	370.00	370.00
Shares and holdings in companies in the same group		
Others than publicly listed	57,394,142.69	713,878.93
Total	57,394,512.69	714,248.93
valued at cost	57,394,512.69	714,248.93
used for stock lending	-	-
investments in shares of credit institution	-	-
Categorization has been changed in 2018 due to norms modification		
Shares and holdings categorized previously into available-for-sale		
4. Intangible assets	2022	2021
ICT systems design and programming costs	48,869.80	213,847.81
5. Charges in intangible and tangible assets during the financial year	2022	2021
Intangible assets		
Acquisition cost 1 January	3,386,455.00	3,384,122.00
+ increases during the year	0.00	2,333.00
- decreases during the year	-17,443.00	0.00
Acquisition cost 31 December	3,369,012.00	3,386,455.00
Accumulated depreciation and amortisation 1 January	-3,172,607.19	-2,852,397.77
+ accumulated depreciation on disposals and transfers	7,558.63	0.00
- planned depreciation	-155,093.64	-320,209.42
Accumulated depreciation and amortisation 31 December	-3,320,142.20	-3,172,607.19
Book value 31 December	48,869.80	213,847.81
Book value 1 January	213,847.81	531,724.23

Tangible assets	2022	2021
Other tangible assets		
Acquisition cost 1 January	470,832.62	441,432.92
+ increases during the year	24,500.00	51,399.70
- decreases during the year	-37,750.00	-22,000.00
Acquisition cost 31 December	457,582.62	470,832.62
Accumulated depreciation and amortisation 1 January	-385,057.15	-356,465.33
- planned depreciation	-18,131.37	-28,591.82
Accumulated depreciation and amortisation 31 December	-403,188.52	-385,057.15
Book value 31 December	54,394.10	85,775.47
Book value 1 January	85,775.47	84,967.59

6. Other assets	2022	2021
Other assets		
Other deferred income	3,533,314.23	3,952,936.28

7. Prepayments and accrued income	2022	2021
Prepayments and accrued income		
Other deferred income	2,313,912.16	2,676,728.02

8. Other liabilities	2022	2021
Other liabilities		
Other than payment transfer liabilities	1,331,823.70	664,116.26
Obligatory provisions	0.00	400,000.00
Total	1,331,823.70	1,064,116.26
Obligatory provisions include preparation for future factors of uncertainty and for the process development needs observed.		

9. Accruals and deferred income	2022	2021
Deferred expenses		
Other deferred expenses than interest liabilities	12,338,347.99	4,810,522.73

10. Final assets and liabilities by maturity	2022	2021
Maturity	less than 3 mo.	
Receivables from credit institutions	23,681,316.80	-
	23,681,316.80	18,984,937.37

11. Assets denominated in euros and foreign currencies and members of the same group

Asset, in euros	Domestic currency	Foreign currency	of which belong to the same group	2022 total	2021 total
Receivables from credit institutions	23,681,316.80	0.00	-	23,681,316.80	18,984,937.37
Other assets	63,345,002.98	0.00	2,202,742.88	63,345,002.98	7,643,536.51
Total	87,026,319.78	0.00	2,202,742.88	87,026,319.78	26,628,473.88
Other liabilities	1,331,823.70	0.00	401,000.30	1,331,823.70	1,064,116.26
Accruals and deferred income	12,338,347.99	0.00	527,015.00	12,338,347.99	4,810,522.73
Total	13,670,171.69	0.00	928,015.30	13,670,171.69	5,874,638.99

12. Fair and book values of financial assets and liabilities and hierarchy of fair values

Assets and liabilities that after entry are valued at fair value once or repeatedly on the balance sheet

Fair values of Tier 1 instruments are based the listed prices of identical assets or liabilities in active markets, such as the stock exchange, broker or price service. Tier 1 instruments are primarily domestically listed investment liabilities, which have been classified as available-for-sale. The market price of these assets is obtained from the current purchase price.

The fair values of Tier 2 instruments are obtained by valuation methods using market prices in active markets.

Repeated fair values that are defined using significant other data than observable input data

Input data for Tier 3 assets or liabilities are not based on observable market data. Tier 3 includes equity instruments that do not have a market price on the markets and their fair value cannot be reliably defined, so they are valued at acquisition cost.

Fair values of assets and liabilities	2022	2021	2022	2021
Financial assets	Fair value	Fair value	Book value	Book value
Receivables from credit institutions	23,681,316.80	18,984,937.37	23,681,316.80	18,984,937.37
Shares and holdings	370.00	370.00	370.00	370.00
Shares and holdings in companies in the same group	57,026,183.50	605,793.60	57,394,142.69	713,878.93
Financial instruments valued at fair value on balance sheet				
	Tier 1	Tier 2	Tier 3	2022
Financial assets				Total
Shares and holdings			370.00	370.00
Unrealised profits and losses of the financial period (Tier 3)			-	

13. Shareholders' equity

	Financial period start	+ Increase - Decrease	between items	Financial period end
Restricted equity				
Share capital	933,350.00	0.00	-	933,350.00
Additional paid-in capital	1,691,534.45	0.00	-	1,691,534.45
Non-restricted reserves				
Reserve for invested non-restricted equity	2,283,861.38	54,161,026.79	-	56,444,888.17
Profit or loss for previous periods	17,687,760.76	4,164,725.95	-1,842,671.70	20,009,815.01
Profit or loss for financial period	-1,842,671.70	-5,723,439.54	1,842,671.70	-5,723,439.54
Total	20,753,834.89	52,602,313.20	0.00	73,356,148.09

14. Share capital

2022

Company shares divide into A- and B-series of shares.

According to articles of association A-share has 100 votes and B-share has one vote.

A-series of shares

Share capital at year-start	88,350.00
Share issue exercised on financial period	0.00
Share capital at year-end	88,350.00
Nominal value of shares	No
Number of shares at year-start	190.00
Change in the number of shares at share issue	257.00
Number of shares at year-end	447.00

B-series of shares

Share capital at year-start	845,000.00
Share issue exercised on financial period	0.00
Share capital at year-end	845,000.00
Nominal value of shares	No
Number of shares at year-start	18,000.00
Change in the number of shares at share issue	24,052.00
Number of shares at year-end	42,052.00

Company minimum capital

0.00

Company maximum capital

0.00

According to the relevant redemption provision, where several shareholders wish to exercise their right of redemption, the shares are to be distributed among those wishing to redeem them in proportion to the shares which they own. The redemption price is a price agreed by the assignor and the assignee or, with respect to free-of-charge acquisition, a share value that is based on the latest financial statements.

15. Stock issues, stock options and issued convertible bonds

On 1 January 2022, LähiTapiola Omaisuuudenhoito Holding Oy merged into LocalTapiola Asset Management, and following this merger Seligson & Co became a LocalTapiola Asset Management subsidiary. As consideration for this merger, the LocalTapiola Group insurance companies that were shareholders in LähiTapiola Omaisuuudenhoito Holding Oy received new LocalTapiola Asset Management shares in a 1:1 ratio, that is to say, 190 new A-series shares and 18,000 new B-series shares, without increasing the share capital. As a result, the number of LocalTapiola Asset Management A-series shares increased to 380 and the number of B-series shares to 36,000.

After the merger was concluded, on 1 January 2022, LocalTapiola Real Estate Asset Management's shareholders, that is to say, the LocalTapiola Group insurance companies, paid for LocalTapiola Asset Management's directed issue of shares for cash with the LocalTapiola Real Estate Asset Management shares they owned (contribution in kind). 67 new A-series shares and 6,052 new B-series shares were subscribed to. As a result, LocalTapiola Real Estate Asset Management's shareholders received new LocalTapiola Asset Management shares to replace the LocalTapiola Real Estate Asset Management shares that they owned, and LocalTapiola Real Estate Asset Management became a LocalTapiola Asset Management subsidiary.

The share issues increased the company's invested unrestricted equity fund total to EUR 54,161,026.79.

16. Largest shareholders and distribution of ownership of shares

	2022	2022	2022
	Number of shares	% of shares	% of votes
Share distribution			
A-series of shares			
LocalTapiola General Mutual Insurance Company	447	100 %	100 %
Total	447	100 %	100 %
B-series of shares			
LocalTapiola General Mutual Insurance Company	14,013	33 %	33 %
LocalTapiola Mutual Life Insurance Company	14,022	33 %	33 %
Other LocalTapiola Group companies	14,017	33 %	33 %
Total	42,052	100 %	100 %
Share distribution, total			
LocalTapiola General Mutual Insurance Company	14,460	34 %	68 %
LocalTapiola Mutual Life Insurance Company	14,022	33 %	16 %
Other LocalTapiola Group companies	14,017	33 %	16 %
Total	42,499	100 %	100 %

12.5.2 Notes to the income statement, LocalTapiola Asset Management

17. Net commissions and fees	2022	2021
Net commissions		
Fund management	19,225,712.99	23,854,493.25
Commission expenses		
Financial management	-7,610.05	-1,213,893.80
18. Income from equity investments	2022	2021
Dividend income from shares and holdings		
From companies in the same Group	11,436.78	10,091.28
Total	11,436.78	10,091.28
19. Interest income and expenses by balance sheet item	2022	2021
Interest income		
Receivables from credit institutions	5,285.02	0.00
Interest expenses		
Receivables from credit institutions	56,481.91	100,962.28
of which belonging to the same group	-	-
20. Other operating income	2022	2021
Other income	5,391,160.57	521,269.88
21. Other operating expenses	2022	2021
Rent expenses	892,060.56	382,220.43
Other expenses	40,074.45	4,470,783.72
Total	932,135.01	4,853,004.15

22. Depreciation and amortisation on tangible and intangible assets	2022	2021
Intangible assets		
Planned depreciation	164,978.01	320,209.42
Tangible assets		
Planned depreciation	18,131.37	28,591.82
Total depreciation	183,109.38	348,801.24

23. Notes on business areas and geographical markets

The company is an investment services company. Its primary business comprises of asset management.

The geographical operating area is Finland.

The company does not have a network of offices outside of Finland. Personnel data is listed in Note.

24. Pension liabilities

Statutory pensions for personnel are organised using TyEl insurance through Elo Mutual Pension Insurance Company and additional pension insurance through LocalTapiola Mutual Life Company.

25. Off-balance-sheet commitments	2022	2021
Joint responsibility associated with VAT group registration (Section 188, Finnish VAT Act)	2022	2021
Within one year		
Group companies	786,120.22	-816,311.68
Other group companies	1,603,256.12	-1,149,261.87
Total	2,389,376.34	-1,965,573.55
<i>VAT liability with a positive sign = VAT debt</i>		
<i>VAT liability with a negative sign = VAT receivable</i>		
Auditing responsibility of property investments, according to Section 120 of Finnish VAT Act	2022	2021
10-year auditing period		
Other group companies	78,779,260.49	41,315,064.70

26. Number of employees	2022	2021
On average		
Permanent full-time employees	133	58
Permanent part-time employees	4	3
Fixed-term employees	2	1
Total	139	62

27. Managements' salaries and remunerations, pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities

	2022	2021
Managing director and deputy managing director		
Salaries and remunerations	429,356.00	404,611.00
Pension commitments	Is stated by the law. Statutory pensions for management are organised using TyEL basic insurance through Elo Mutual Pension Insurance Company and additional pension insurance through LocalTapiola Mutual Life Insurance Company.	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Members of the board and deputy board members		
Salaries and remunerations	94,150.00	53,450.00
Pension commitments	Is stated by the law.	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	

28. Related party loans and transactions

	2022	2021
Loans granted to parties belonging to the insider register of the company	0.00	0.00
Investments in related-party entities	0.00	0.00

The share arrangements concluded with related-party companies are shown in balance sheet note 15.

The company has not carried out related party transactions involving non-conventional commercial terms and conditions. Information on the contingent liability relating to value-added tax category identification can be found in Appendix 25.

29. Notes to income taxes

	2022	2021
Tax based on taxable income	0.00	0.00

30. Fees paid to auditor

	2022	2021
Audit	17,360.00	13,640.00
Other services	4,054.80	23,674.08
Total	21,414.80	37,314.08

31. Total controlled customer assets

	2022	2021
Trustee asset management	11,834,241,004.00	12,836,946,450.12
Total assets under management (gross)	11,834,241,004.00	12,836,946,450.12

32. Notes pertaining to a company that is a Group member

Parent company LocalTapiola General Mutual Insurance Company presents the financial statement of the group. Parent company's domicile is Espoo and its financial statement is available at www.lahitapiola.fi

12.6 Calculation of key figures

CALCULATION OF KEY FIGURES

1) Important net income calculations

Turnover = income statement Net income from investment service operations

2) Return on equity as percentage (ROE)

$$\frac{\text{Operating profit - income taxes}}{\text{Shareholders' equity and minority interest + appropriations less deferred tax liabilities (average of start and end of year)}} \times 100$$

3) Return on assets as percentage (ROA)

$$\frac{\text{Operating profit - income taxes}}{\text{Average balance sheet total (average of start and end of year)}} \times 100$$

4) Equity ratio as percentage

$$\frac{\text{Shareholders' equity and minority interest + appropriations less deferred tax liabilities}}{\text{Balance sheet total}} \times 100$$

5) Cost/income ratio

$$\frac{\text{Commission excenses + Interest expenses + Administrative expenses + Depreciation and amortisation for tangible and intangible assets + Other operating expenses}}{\text{Net income from investment service operations}}$$

13 Accounting principles

LocalTapiola Asset Management Ltd's financial statements and report of the Board of Directors are 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 Asset Management Ltd is owned by LocalTapiola General Mutual Insurance Company, LocalTapiola Mutual Life Insurance Company and the regional non-life insurance companies part of LocalTapiola Group.

LocalTapiola Asset Management Ltd's (business ID 1604393-7) domicile is Espoo and its address is Revontulenkujä 1, 02100 Espoo, Finland. The financial statements are available at www.lahitapiola.fi.

In its meeting on 6 April 2022, the Board of Directors approved the financial statements for 1 January–31 December 2021.

13.1 Summary of key accounting principles

The **receivables from credit institutions** item includes the 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.

Debt securities comprise all marketable debt instruments, such as treasury bills, local government papers, bonds issued by governments and other public entities, certificates of deposits by banks, commercial papers, as well as bonds and convertible bonds issued by banks and companies. Debt securities are classified for valuation as measured at amortised cost.

Shares and holdings are individually classified for valuation as financial assets at fair value. Subsequent valuation is achieved at cost if the fair value cannot be determined reliably (Tier 3). Investments in subsidiaries, associates and joint undertakings are measured at amortised cost.

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

The **other tangible assets** balance sheet item comprises equipment, presented in the balance sheet at cost, net of planned amortisation and depreciation. The annual amortisation rate of equipment is 25% of net expenditure.

Under **net commissions**, commissions are recognised when the service or separate measure in question has been carried out. The amount of net commissions is the fair value of the consideration received.

Interest income shows the interest income derived from the balance sheet items included in the 'Receivables from credit institutions' assets. Negative interest rates are shown in interest expenses.

Other operating expenses shows rental expenses as well as the control, inspection and membership fees charged by public authorities.

The report of the Board of Directors uses the term '**operating result**' to refer to operating profit (loss), and the term '**result for the financial period**' to describe the profit (loss) for the financial period.

The report of the Board of Directors uses the term '**gross assets under management**' to refer to the value of the investments under the group companies' management and the value of the assets in portfolio management, calculated at fair value and inclusive of any possible debt portions, plus the irrevocable investment commitments callable from customers and the other assets contractually managed by the group companies.

The report of the Board of Directors uses the term '**net customer assets under management**' to refer to the fair value of the assets invested by customers, plus the irrevocable investment commitments callable from customers and the other assets contractually managed by the group companies.

13.2 Accounting principles for consolidated financial statements

LocalTapiola Asset Management's consolidated financial statements are prepared as a combination of the subsidiaries' income statements, balance sheets and notes, from which the following are eliminated: receivables and liabilities

between these companies, as well as income and expenses, profit distribution, group-internal realised gains and losses, and mutual share ownership.

The shareholding internal to the consolidated financial statements is eliminated using the acquisition cost method. As all subsidiaries are wholly owned, there is no minority interest in the consolidated financial statements. Neither does the group have any associates.

Leases that are deemed material and under which the commodity benefits and liabilities transfer to the lessee are transferred in the consolidated financial statements to the lessee's balance sheet. In the leases in force in 2022, these criteria were considered not to be met.

13.3 Changes in accounting principles affecting comparability of result for financial period with result for previous financial period

No material changes have taken place in the companies' accounting principles. The group was formed on 1 January 2022, which is why no comparative figures are available for it.

14 Notes on group's risk management

LocalTapiola Asset Management Group's prudential management process is based on the in-force Investment Firms Regulation and Directive (IFR/IFD).

Risk management at LocalTapiola Asset Management is based on current legislation, the regulations, guidelines and interpretations issued by the relevant authorities, and Asset Management Group's internal documents: the risk management plans and the principles of internal control. Additionally, the policies and practices employed by LocalTapiola Group guide operations. The company's risk management process is part of the Group's Own Risk and Solvency Assessment (ORSA).

14.1 Publication of solvency data

The solvency data required under the prudential regulation governing investment firms and the solvency data laid down in the Financial Supervisory Authority's regulations are included in the report of the company's Board of Directors.

14.2 Rationale for risk management

Risk management is active and proactive activity that identifies, assesses, limits, utilises and monitors hazards to business operations, as well as the new opportunities arising from evolving external and internal conditions or from LocalTapiola's own strategic intent. The aim is to promote the continuity of customers' financial security and to support the achievement of operational and financial targets. In accordance with the principles of responsible business conduct, the group reliably manages and provides information on risks and risk management to customers and other stakeholders.

Investment firms must establish effective strategies, approaches, processes and systems to identify, measure, manage and control the following risk factors and the impacts of these factors, among others:

- Risks to customers
- Risks to markets
- Risks to the investment firm
- Prudential management risk
- Market risks
- Credit risks
- Liquidity risk
- Sustainability risks
- Operational risks

During the year under review, Asset Management Group's risk management principles were supplemented with regard to sustainability risk management and the sustainability goals. Sustainability risk means an environmental, social or governance event or condition that, if materialised, might have a negative impact on the value of an investment, the value of a liability, or the company's income or reputation. It is characteristic of sustainability risks that they materialise through the traditional risk categories, which is why the mapping of sustainability risks is linked to the periodically conducted operational risk mapping.

14.2.1 Organisation of risk management

The company's Board of Directors has overall responsibility for organising risk management. The Board defines the risk management targets, risk appetite, limits of risk-taking, responsibilities, metrics and monitoring principles. The Board annually confirms the plans that discuss risk management, ensures that

they are taken into account in the operational plans, and monitors the implementation of and compliance with these plans. Additionally, on a regular basis, the Board also monitors the state of risk management and the development of key risks.

The Managing Director and senior management are responsible for the practical preparation, implementation and monitoring of risk management within the risk management framework. The business units are responsible for identifying risks that relate to their own business operations, and for implementing the related risk management measures. It is for the supervisors to ensure that the control of operational processes is adequate and that there is reliable and up-to-date information available on the results of this control. All employees have an obligation to report on any risks that they observe, and on any risk management areas that need improvement which they identify. The supervisors are in charge of internal control with regard to their own subordinates, and this work also covers operational compliance. The risk management function oversees the implementation of the internal-control measures taken by supervisors, as well as reporting to management on the implementation of this control.

Asset Management's risk management function is responsible for maintaining and developing the risk management framework, as well as for the company's and the group's prudential management process and solvency calculation. LocalTapiola Group's risk management function supports and oversees the execution of risk management from the Group's perspective.

The parent company's risk management function must be able to get an adequate view of the total risk exposure with regard to the group and to ensure compliance with the risk management strategy. For their part, the risk management functions of the group's subsidiaries are responsible, with regard to the respective company, for maintaining and developing the risk management frameworks and principles of LocalTapiola Group, Asset Management Group and the individual companies.

The company's legal function supports the company's business units in complying with the applicable laws, official regulations and internal guidelines while ensuring that people at the company are aware of the regulatory requirements and official regulations to which the company is subject. The company's compliance function is part of the legal function. The compliance

function annually submits to the Board of Directors a report on the observations it has made and on the oversight carried out for the purpose of ensuring operational conformity to the applicable provisions.

Internal audit assists the Board of Directors and the management in the practical implementation of risk management controls and risk monitoring. In addition, the auditing function oversees the implementation of risk management.

14.2.2 Risk identification, measurement and management

The identification of operational risks and of risks relating to the operating environment, their probability and impacts are evaluated at the business units during annual planning and whenever there is a significant change in the risk position. The key risks identified in the risk mapping that is part of the Management Group's annual planning are included in the company's risk management plan, and they are monitored on a regular basis by the Board of Directors.

Signatures for the report of the Board of Directors and financial statements

In Espoo, 1 March 2023

Jari Eklund
Chair of the Board of Directors

Mirel Leino-Haltia

Juha Malm

Tapio Oksanen

Hanna-Leena Pesonen

Lauri Riekkola

Teemu Tähtinen

Samu Anttila
Managing Director

Auditor's note

A report has been issued today on the audit performed.

In Espoo, 20 March 2023

KPMG Oy Ab

Timo Nummi

Authorised Public Accountant



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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of LocalTapiola Asset Management Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LocalTapiola Asset Management Ltd (business identity code 1604393-7) for the year ended 31 December, 2022. The financial statements comprise the balance sheets, income statements, indirect cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

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

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

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

Helsinki, 20 March 2023

KPMG OY AB

TIMO NUMMI

Authorised Public Accountant, KHT