EVLI

EVLI PLC

# CARVE-OUT FINANCIAL STATEMENT FOR THE FINANCIAL YEAR ENDED 31.12.2021

# Table of contents

# Combined comprehensive income statement

| | Note | carve-out 2021 | carve-out 2020 |
|---|---|---|---|
| Fee and commission income | 1 | 114,4 | 79,9 |
| Net income from securities transactions | 2 | 3,7 | 2,6 |
| Income from equity investments | 3 | 0,0 | 0,0 |
| Interest income | 4 | 1,4 | 1,5 |
| Other operating income | 5 | 0,2 | 0,2 |
| INCOME TOTAL | | **119,7** | **84,2** |
| | | | |
| Fee and commission expenses | 6 | -2,7 | -3,1 |
| Interest expenses | 7 | -0,8 | -1,0 |
| NET REVENUE | | **116,2** | **80,1** |
| | | | |
| Administrative expenses | | | |
| Personnel expenses | 8 | -36,6 | -29,6 |
| Other administrative expenses | 9 | -17,6 | -11,6 |
| Depreciation and amortization on tangible and intangible assets | 10 | -4,8 | -6,0 |
| Other operating expenses | 11 | -1,3 | -0,9 |
| | | | |
| Expected credit losses on loans and other receivables | 12 | 0,1 | -0,1 |
| Impairment losses on other financial assets | 12 | - | - |
| Share of profit or loss of associates | 13 | 0,5 | 0,4 |
| OPERATING PROFIT/LOSS | | **56,6** | **32,3** |
| Income taxes | 14 | -11,2 | -6,8 |
| PROFIT / LOSS FOR THE FINANCIAL YEAR | | **45,5** | **25,5** |
| | | | |
| **Attributable to** | | | |
| Minority interest | | 6,7 | 1,9 |
| Shareholders of parent company | | 38,8 | 23,5 |
| PROFIT / LOSS FOR THE FINANCIAL YEAR | | **45,5** | **25,5** |
| | | | |
| OTHER COMPREHENSIVE INCOME / LOSS | | | |
| Foreign currency translation differences - foreign operations | | 0,1 | 0,2 |
| **Other comprehensive income/loss** | | **0,1** | **0,2** |
| | | | |
| Other comprehensive income after taxes / loss for the year | | 0,1 | 0,2 |
| OTHER COMPREHENSIVE INCOME / LOSS FOR THE YEAR | | **45,6** | **25,7** |
| | | | |
| **Attributable to** | | | |
| Non-controlling interest | | 6,7 | 1,9 |
| Equity holders of parent company | | 38,9 | 23,7 |

# Combined balance sheet

| | Note | carve-out 2021 | carve-out 2020 |
|---|---|---|---|
| ASSETS | | | |
| Cash and equivalents | 15 | 0,0 | 0,0 |
| Claims on credit institutions | 16 | 47,8 | 28,0 |
| Claims on the public and public sector entities | 17 | 87,4 | 108,7 |
| Debt securities | 18 | 0,7 | 1,8 |
| Shares and participations | 19 | 49,6 | 57,3 |
| Derivative contracts | 20 | 26,4 | 52,2 |
| Shares and participations in associates | | 4,0 | 4,2 |
| Intangible assets and goodwill | 21 | 13,8 | 16,0 |
| Property, plant and equipment | 22 | 1,2 | 1,3 |
| Right-of-use assets | 23 | 7,6 | 9,7 |
| Other assets | 24 | 127,1 | 154,4 |
| Accrued income and prepayments | 25 | 2,3 | 2,7 |
| Income tax receivables | | 0,1 | 0,5 |
| Deferred tax assets | 26 | 0,1 | 0,1 |
| **TOTAL ASSETS** | | **368,3** | **436,7** |

| | Note | carve-out 2021 | carve-out 2020 |
|---|---|---|---|
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| Liabilities to credit institutions and central banks | 27 | 8,6 | 24,8 |
| Debt securities issued to the public | 28 | 91,0 | 121,1 |
| Derivative contracts and other liabilities held for trading | 29 | 26,3 | 52,5 |
| Other liabilities | 30 | 105,4 | 137,0 |
| Accrued expenses and deferred income | 31 | 29,3 | 21,3 |
| Income tax liability | | 5,5 | 1,8 |
| Deferred tax liabilities | 32 | 0,0 | 0,0 |
| **TOTAL LIABILITIES** | | **266,1** | **358,5** |
| EQUITY | | | |
| Translation difference | | 0,1 | 0,2 |
| Invested equity and retained earnings | | 96,8 | 75,1 |
| Non-controlling interest | | 5,2 | 3,0 |
| **TOTAL EQUITY** | 33 | **102,1** | **78,2** |
| **TOTAL LIABILITIES AND EQUITY** | | **368,3** | **436,7** |

## Combined statement of changes in equity

| | Translation difference | Invested equity and retained earnings | Equity attributable to owners of new Evli | Non-controlling interest | Total equity |
|---|---|---|---|---|---|
| **Equity 31.12.2019** | **0,0** | **63,2** | **63,2** | **1,7** | **64,8** |
| Translation difference | 0,2 | | 0,2 | | 0,2 |
| Profit/loss for the period | | 23,5 | 23,5 | 1,9 | 25,5 |
| Dividends to Evli Bank Plc's shareholders | | -15,3 | -15,3 | -1,0 | -16,3 |
| Transactions with non-controlling interest | | | | | |
| Other changes | | 4,4 | 4,4 | 0,4 | 4,8 |
| Equity transactions with Evli Bank | | -0,8 | -0,8 | 0,0 | -0,8 |
| **Equity 31.12.2020** | **0,2** | **75,1** | **75,2** | **3,0** | **78,2** |
| Translation difference | -0,1 | | -0,1 | | -0,1 |
| Profit/loss for the period | | 38,8 | 38,8 | 6,7 | 45,5 |
| Dividends to Evli Bank Plc's shareholders | | -17,4 | -17,4 | -3,1 | -20,5 |
| Transactions with non-controlling interest | | | | | 0,0 |
| Other changes | | 1,5 | 1,5 | -1,3 | 0,1 |
| Equity transactions with Evli Bank | | -1,1 | -1,1 | | -1,1 |
| **Equity 31.12.2021** | **0,1** | **96,8** | **96,9** | **5,2** | **102,1** |

Other changes include among others the accrual of expenses arising from granted retention share programs, which is presented as part of the change in the invested equity and retained earnings column. In 2021 other changes includes also one-off impact from the acquisition of Alexander Incentives Oy.

# Combined cash flow statement

| | carve -out 2021 | carve -out 2020 |
|---|---|---|
| Operating activities | | |
| Operating profit | 56,6 | 32,3 |
| Adjustment for items not included in cash flow | 13,6 | 8,2 |
| Income taxes paid | -7,6 | -5,0 |
| **Cash flow from operating activities before changes in operating assets and liabilities** | **62,7** | **35,5** |
| | | |
| Changes in operating asset | 59,6 | -28,1 |
| Chnages in operating liablities | -60,8 | 11,9 |
| **Cash flow from operating activities** | **61,5** | **19,4** |
| | | |
| Investing activities | | |
| Change in intangible asset | -0,6 | -0,6 |
| Change in property, plant and equipment | -0,2 | -0,2 |
| **Cash flow from investing activities** | **-0,7** | **-0,8** |
| | | |
| Financing activities | | |
| Change in Loans from credit institutions | 7,9 | -0,5 |
| Change in Loans from Evli Bank | -24,1 | -0,3 |
| Equity transactions with Evli Bank | -2,5 | -0,8 |
| Dividends paid, Evli Bank Plc's shareholders | -17,4 | -15,3 |
| Dividends paid to non-controlling interest | -3,1 | -1,0 |
| Payment of lease liabilities | -1,7 | -2,0 |
| **Cash flow from financing activities** | **-41,0** | **-19,9** |
| | | |
| Cash and cash equivalents at the beginning of period | 28,0 | 29,4 |
| Cash and cash equivalents at the end of year | 47,8 | 28,0 |
| **Change** | **19,8** | **-1,3** |

Cash + claims on credit institutions = cash and cash equivalents

# CARVE-OUT BASIS OF PREPARATION

## Background

Evli Plc was founded on 2.4.2022 through a partial demerger of Evli Bank Plc.

the partial demerger, all assets and liabilities related to Evli Bank's asset management business, custody, clearing and brokerage business and corporate finance activities and supporting activities were transferred to a new independent company called Evli Plc, which was established in a partial demerger (Demerger). In these financial statements New Evli relates to the transferred business in its entirety. The purpose of this carve-out financial statement is to act as comparative financial information for Evli Plc.

Evli Group's parent company Evli Oyj is domiciled in Helsinki and its registered address is Aleksanterinkatu 19, 00100 Helsinki.

The Carve-out financial statements are prepared according to the basis of preparation described in the following sections.

## Evli Plc's business activities

New Evli Plc is an asset manager focusing on increasing the wealth of its customers. Evli's clients are institutions, corporations and wealthy private persons. New Evli will service its clients internationally in two business segments, Wealth Management and Investor Clients and Advisory and Corporate Clients. New Evli's service and product mix includes mutual funds, asset management, capital markets services, alternative investment solutions, research, management of incentive programs and corporate finance services. The headquarter of New Evli will be in Helsinki, Finland. The Group operates in Sweden through its subsidiary Evli Corporate Finance AB and its Branch of Evli Fund Management Company, Evli Fondbolag Ab. The subsidiary Terra Nova Ltd is located in United Arab Emirates.

## Basis of preparation

The new Evli Carve-out financial statement of the financial year ended 31.12.2021 is prepared by combining other business activities than those that require a banking license included in Evli Bank Plc's consolidated figures, in principle assets, liabilities, revenues, costs and cash flows related to Wealth Management and Investor Clients business activities and Advisory and Corporate Clients business activities and the supporting functions for these businesses. Additionally, the Carve-out financial statements include allocated revenues, costs, assets, liabilities and cash flows from Evli Bank Plc. The new Evli is not formed from a sub-group of Evli Bank Plc and it has not prepared group financial figures earlier either for external or internal reporting.

The New Evli Carve-out financial statement does not necessarily illustrate the financial position and financial performance which New Evli would have had if it would have been an independent group and presented its financial information as a separate group for the review period. The aim of the Carve-out information is not either to illustrate or estimate what the financial performance, financial position or cash flows of New Evli are in the future.

The Carve-out financial statement is prepared based on the going concern principle and historical acquisition costs except for items in financial assets, financial liabilities and derivatives fair valued through profit and loss.

The Carve-out financial statement is prepared according to IFRS-standards as adopted by EU with consideration of specified Carve-out principles described in the accompanying section "Applied Carve-out principles" according to which revenues, costs, assets, liabilities and cash flows of new Evli have been measured. The Carve-out financial statements are New Evli's first IFRS financial statements as an independent combined group. Since IFRS does not include guidance on Carve-out financial statements, general methods of preparing historical financial information have been applied in preparing the Carve-out financial statements to be included in the prospectus. These principles and measures are described in the section "Applied Carve-out principles".

The Carve-out financial statement is presented in million euros, unless otherwise stated. All figures are rounded, which can cause discrepancy in summarization.

## Applied Carve-out principles

The following sections captures the accounting and other principles that have been applied in preparing the Carve-out financial statements.

The Carve-out financial statements include allocated revenues, costs, assets, liabilities and cash flows that are based on management judgement, assumptions and estimates as described below. The most significant estimates, solutions based on judgement and assumptions are related to allocating group costs, cash management, financing allocations and invested equity. According to Evli's management the allocations in the Carve-out financial statements are reasonable, but they do not necessarily illustrate the costs and revenues that would have incurred if new Evli would have been a separate unit and prepared its own consolidated financial statements. New Evli does not have other material business transactions with the remaining entity Evli Bank Plc than financing activities, common insurances, common support functions, common head quarter functions and shared premises.

## The structure of the Carve-out financial statements

The Carve-out financial statements include Evli Plc which is founded in the partial demerger and all the following subsidiaries and associated companies previously included in the Evli Bank Plc group including their subsidiaries and associated companies which are transferred to new Evli Plc in the demerger. The legal entities of New Evli Group as of 31.12.2021 are presented in the table below.

| Company | Home Country | Ownership 31.12.2020 |
|---|---|---|
| Evli Plc established through partial demerger | Finland | 100 % |
| Subsidiary: | | |
| Aurator Varainhoito Oy | Finland | 100 % |
| Evli Corporate Finance AB | Sweden | 52,10 % |
| Terra Nova Capital Advisors Ltd | United Arab Emirates | 55 % |
| Evli Research Partners Oy (Evli Corporate Finance AB subsidiary) | Finland | 70 % |
| Evli Investment Solutions Oy | Finland | 85 % |
| Evli Life Oy | Finland | 100 % |
| Evli-Rahastoyhtiö Oy | Finland | 100 % |
| Evli Fondbolag AB, Stockholm Branch | Sweden | 100 % |
| Evli Alexander Incentives Oy | Finland | 65 % |
| EAI Residential Partners Oy | Finland | 75 % |
| Evli Private Equity Partners Oy | Finland | 80 % |
| Evli Private Equity I GP Oy (Evli Private Equity Partners Oy subsidiary) | Finland | 100 % |
| Evli Private Equity II GP Oy (Evli Private Equity Partners Oy subsidiary) | Finland | 100 % |
| Evli Private Equity III GP Oy (Evli Private Equity Partners Oy subsidiary) | Finland | 92,5 % |
| EAI Feeder GP Oy | Finland | 100 % |
| Evli HC I GP Oy | Finland | 82 % |
| EGP General Partner Oy | Finland | 70 % |
| EGP General Partner II Oy | Finland | 70 % |
| Evli Infrastructure Partners Oy | Finland | 82 % |
| Evli Infrastructure I GP Oy (Evli Intrastructure Partners Oy subsidiary) | Finland | 100 % |
| Evli Impact Forest I GP Oy | Finland | 100 % |
| Evli Private Debt I GP Oy | Finland | 85 % |
| Evli Residential II GP Oy | Finland | 70 % |
| Associated company: | | |
| Northern Horizon Capital A/S | Denmark | 50 % |
| Ahti Invest Oy | Suomi | 30 % |

The New Evli Carve-out financial statements include all other functions of old Evli Bank Plc group except those functions that require a banking license to operate. The subsidiaries of Evli Bank have historically not conducted businesses requiring a banking license. The financial information of the subsidiaries is therefore used directly as basis for the Carve-out financial statements with relevant intercompany eliminations.

To the Carve-out financial statements have not been consolidated subsidiaries or associated companies in which the group has the majority of shares, but a third party has the control over the entity. Holding companies related to managing corporate customers incentive programs are not either consolidated in the carve-out financial statements. New Evli is not entitled to variable returns from these companies and does not carry the risk of the assets and liabilities of these companies. On client's behalf managed investment funds are not either consolidated, hence new Evli has not control in them.

In the partial demerger founded New Evli Plc mainly consist of Wealth Management and Investor Clients, Advisory and corporate clients business segments and their support functions. The revenues, costs, assets, liabilities and cash flows related to these functions have been derived from the parent entity Evli Bank Plc's financial statements.

## Group internal and related party transactions

Carve-out group internal transactions have been eliminated in the carve-out financial statements. The Carve-out financial statements include transactions and balances related to New Evli functions. Transactions and balance sheet items in which Evli Bank Plc is the counterparty which previously would have been eliminated as intercompany transactions are now treated as related party transactions. New Evli has no other material business transactions with Evli Bank Plc than financing arrangements.

Evli Bank Plc group internal receivables and liabilities in which Evli Bank Plc is the other counterparty and a subsidiary that is a part of the new Evli group the other, are allocated to the new Evli group as well as related finance revenues and costs. As an exception to this principle is the subsidiaries deposits to Evli Bank Plc which in these Carve-out financial statements are presented as receivables from Evli Bank Plc that has historically acted as provider of banking services to the group companies.

To the new Evli parent has also been allocated the acquisition costs of subsidiary shares and the internal ownership has been eliminated with the acquisition method.

## Equity

New Evli has not previously formed on separate legal group nor presented consolidated financial statements. Therefore, it is not appropriate to separately disclose share capital or other funds/equity items. The line Invested equity and retained earnings illustrates the net assets of New Evli at each reporting date. Non-controlling interests and translation differences are disclosed separately.

All cash flow generating and other changes in equity items which are among other dividends payments or other profit sharing to Evli Bank Plc are disclosed in the cash flow statement under the line dividends to Evli Bank Plc shareholders or other equity transactions with Evli Bank Plc and in the combined changes of equity statement under the dividends to Evli Bank Plc owners or Equity transactions with Evli Bank Plc.

These Carve-out financial statements are presented in euros, which is the functional currency and presentation currency of New Evli Plc. The subsidiaries and Branches in the new Evli Group also have other functional currencies. Translation differences arising from the accounting treatments from these subsidiaries and their changes are disclosed on the line translation differences in equity.

## Group costs

Evli Bank Plc as the group parent has been responsible for the group's leadership and general management. When preparing the Carve-out financial statements, new Evli's share of these general management and personnel costs has been estimated and allocated to new Evli group. Shared services are, among others, IT-services, Human Resources, Finance Administration, top management and Internal Services. Regarding shared services costs for IT, HR and Internal Services, the costs are allocated based on the number of employees. Top management and Finance Administration are allocated based on an estimate of used time. The management consider these estimates to be reasonable. Other general administration costs not directly invoiced from new Evli functions have been allocated based on a best estimate made by management.

Historical arrangements in Evli Group have influenced these allocations and they do not necessarily illustrate or estimate the levels in the future.

## Share-based payments

The key persons of new Evli have previously been a part of Evli Bank Plc share based incentive programs. The amounts of these programs allocated to the Carve-out financial statements are based on factual employees working for the Carve-out business functions. Realized historical costs for these programs do not necessarily illustrate the levels of costs incurred by future share-based incentive programs of New Evli's key personnel after the demerger.

## Cash management and finance arrangements

As a bank Evli Bank Plc has been responsible of the Group's financing requirements and cash management. The funding of Evli Group has consisted of equity-based funding, issued bonds or certificates and deposits. The liquid assets have consisted of deposit in the Bank of Finland and claims on credit institutions payable on demand.

New Evli's funding base in the Carve-out financial statements in accordance with the demerger plan consists of issued bonds, share of total equity and loans from Evli Bank Plc and customers for funding brokerage and derivatives collateral demands. Evli Bank Plc has provided funding for the carve-out group for brokerage and trading related collateral requirements. The level of loan from Evli Bank is based on the gap between received and paid collaterals. Previous group internal loans from Evli Bank Plc to subsidiaries have been eliminated in this carve-out financial statements as this internal receivable has been allocated to new Evli parent company. All liabilities or receivables the Carve-out group has against Evli Bank Plc are disclosed as related party transactions.

New Evli's cash and cash equivalents consist of the subsidiaries bank accounts in credit institutions (including deposits in Evli Bank) and those claims on credit institutions in previous Evli Bank Plc that are related to Carve-out business functions according to the demerger plan. Due to the fact that new Evli Plc is founded through a partial demerger and the different functions have previously shared Evli Bank's cash and cash equivalents, this allocation of cash and cash equivalents has required management assessment.

## Derivatives

External derivatives made by Evli Bank Plc that directly relate to New Evli business functions according to the demerger plan have been allocated to the Carve-out financial statement. These derivatives mainly consist of derivatives related to structured bond issues or FX-derivatives where Evli acts as an intermediary between the market and the client.

## Income taxes

The subsidiaries of new Evli have been separate tax entities during the review period. The tax expense and tax assets and liabilities regarding the subsidiaries are presented as actual outcomes in the Carve-out financial statements.

Evli Plc, founded in the partial demerger from Evli Bank Plc has not declared taxes of its own for the financial periods covered by the Carve-out financial statements. New Evli Plc tax expense is disclosed as New Evli would have been a separate tax entity.

Tax amount illustrated as tax for the review period consists of tax receivables or tax liabilities based on separate hypothetical tax declaration of each individual company, which has been booked as tax expense for the review period in carve-out financial statement and as business transaction between Evli Bank Plc, that has been booked in invested equity. The line paid taxes in the cash flow statement illustrate paid taxes by the Carve-out entities according to tax declarations.

The tax expenses in the combined income statement do not necessarily illustrate future tax expenses.

## Earnings per share

Due to the fact that the financial statement is prepared according to Carve-out principles, earnings per share cannot be determined for the review period. New Evli has not had share capital and a part of the outstanding shares of Evli Bank Plc cannot be allocated to new Evli. Due to these facts, the management of Evli has assessed that calculating an estimated earnings per share of Carve-out information would not be correct and therefore the requirements of IAS 33 "Earnings per share" standard have not been complied with.

## Management judgement

The preparation of Carve-out financial statement has required judgement and estimates from the management that affect the figures and disclosures presented in the carve-out financial statement. These judgements and estimates of historical evidence and probable future scenarios are assessed for financial statement day. The actual outcomes may differ from these estimates and assumptions. The most essential assumptions and estimates which include more judgement are those related to Carve-out principles, impairment testing parameters and theoretically valued financial instruments.

# Basis of presentation

## Translation of items denominated in foreign currency

The figures showing the profit/loss and financial position of the Group's units are measured in the currency used in each unit's main functional environment ("functional currency"). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Group's parent company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transaction. Monetary balance sheet items are translated into the functional currency at the rate prevailing on the balance sheet date. Exchange rate differences arising in connection with the valuation are included in net income from foreign exchange.

The income statements of foreign Group entities are translated into euros at the weighted average rates for the period, and the balance sheets at the rates prevailing on the balance sheet date. In the consolidated income statement and balance sheet, the translation differences resulting from the use of different rates for the translation of Group results for the period is recognized in income and expenses recognized directly in equity and presented under equity. The translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and from post-acquisition cumulative changes in equity items are recognized in income and expenses recognized directly in equity and presented under equity. When a subsidiary is disposed of wholly or partly, the cumulative translation differences are recognized in profit or loss as part of gains or losses from disposal.

## Financial assets and liabilities

The Group's financial assets and liabilities are classified in accordance with the IFRS 9 Financial Instruments standard. Under the IFRS 9 standard the classification of financial assets is based on the business model and the type of contractually accrued cash flows. The business model reflects how a group of financial assets are managed in a business unit in order to meet a certain financial objective. The following are the classification groups:

- Financial assets measured at amortized cost
- Financial assets measured at fair value through comprehensive income
- Financial assets measured at fair value through profit or loss.

A financial asset is classified at amortized cost if the following criteria are met:

- the aim of the business model is to collect contractual cash flows
- the contractual cash flows only contain payments of principal and interest (i.e. a debt instrument).

A financial asset is classified at fair value through comprehensive income if the following criteria are met:

- the aim of the business model is both to collect contractual cash flows and to sell them
- the contractual cash flows only contain payments of principal and interest (i.e. a debt instrument).

Financial assets are reclassified only if a business unit's operating model changes substantially. Previously recorded profits and losses are not changed retrospectively. Financial liabilities are measured at amortized acquisition cost, or at fair value through profit or loss.

The classification is done when a financial instrument is recognized initially. An impairment based on expected credit losses is recognized in conjunction with the recognition of financial assets that are classified at amortized acquisition cost.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Group has transferred substantially all the risks and rewards of ownership of the financial asset to an external party. Financial assets and liabilities are recognized according to the trade date. A financial liability is derecognized when the obligation specified in the contract is discharged.

A financial asset and a financial liability shall be offset only when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. There are no substantial offset items in the consolidated balance sheet.

The Group's measurement process for financial instruments is approved by Evli Bank's Board of Directors. The measurements are based on IFRS 9 and IFRS 13, and on the Financial Supervisory Authority's regulations 1/2013: Bookkeeping in the financial sector. The bank's financial administration together with risk management administers the Group's measurement process which includes the inspection and validation of valuation prices, checking the parameters used in measurement, and classification of financial instruments in accordance with the standard. Every quarter, the bank's Audit Committee audits and submits for approval by the Board of Directors the measurement of equities and units for which no market value is available (instruments in measurement level 3 and associate companies).

## Financial Assets

## Equity investment and derivatives

### Financial assets recognized at fair value through profit or loss

The Group's equity investments and derivatives are all classified at fair value through profit or loss as a general principle. This group includes equities and derivatives in the trading book, and longer-term mutual fund and equity investments by Group Operations. Unrealized and realized gains and losses arising from changes in the fair value are recognized in net income or loss from securities trading in profit or loss for the period in which they were incurred.

### Financial assets recognized at fair value through comprehensive income

There were no equity investments recognized through comprehensive income in the consolidated balance sheet on the balance sheet date.

The value of financial assets at fair value is determined on the basis of prices quoted on active markets, i.e. bid quotations on the balance sheet date and closing prices. In cases where price quotations are not available from active markets, the fair value is determined using common theoretical measurement models.

Common derivatives pricing models are used in the pricing of unquoted derivatives, or the price is obtained from the counterparty in the case of an OTC instrument.

The fair value of unquoted shares is estimated primarily using the instrument's net asset value or using a cash flow analysis based on future outlook. If the company's share has been traded, this price information is used in the assessment. If the acquisition price of an unquoted investment falls short of the theoretical valuation, in individual cases, the instrument's acquisition price may be used as the measurement principle, subject to consideration. The acquisition price may be used if other sufficient or sufficiently accurate information does not exist for making the measurement.

In measurement of private equity funds and real estate funds the fund's management company's most recently published valuation price, which is usually published four times per year, is used.

## Debt instruments

### Financial assets recognized at fair value through profit or loss

The Group's investments in bonds and money market instruments are all classified at fair value through profit or loss as a general principle. The Treasury function's investments in bonds and other interest-bearing papers, including items in the liquidity reserve and the corporate bond investments of the trading book, are included in this group. Unrealized and realized gains and losses on bonds arising from changes in the fair value are recognized in net income or loss from securities trading for the period in which they were incurred. Changes in the value of money market instruments are recognized as fixed income returns or expenses.

## Financial assets recognized at fair value through comprehensive income

The Group has not classified bond investments as financial assets recognized at fair value through comprehensive income.

The value of interest-bearing papers measured at fair value is determined on the basis of prices quoted on active markets, i.e. bid quotations on the balance sheet date and closing prices. The fair value of money market instruments is calculated by discounting cash flows with the relevant interest curve, and with the yield spread that was valid on the day of acquiring the instrument. For unquoted bonds, a price quotation issued by an individual bank or operator is used, or the price of the interest-bearing paper is calculated by Evli Bank in such a way that the instrument's return requirement corresponds to the return requirement of similar instruments with the same risk level.

## Financial assets measured at amortized cost

The Group's lending, including promissory notes and accounts with credit facility, receivables from credit institutions and other financial assets are classified under financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at fair value inclusive of expenses immediately caused by the acquisition. After initial recognition, the items are measured at amortized cost using the effective interest rate method. This refers to the interest rate at which the future payments that are expected to become payable or receivable during the financial instrument's assumed exercise period are discounted to the level of the financial instrument's net book value. The book value is adjusted by a credit loss provision using the expected credit loss measurement model (see next section Impairment of financial assets).

Distribution of financial assets IFRS 9

| | | | | |
|---|---|---|---|---|
| Financial assets | Measured at amortized cost; expected credit loss calculation applied | | Receivables from credit institutions and central banks | |
| | | | Receivables from the public; lending | -Promissory notes from individuals and corporate entities<br>-Accounts with credit facility, individuals and companies |
| | Financial assets measured at fair value through profit or loss | | Financial assets held for trading | -Shares and participations, quoted<br>-Derivatives<br>-Bonds |
| | | | Other financial assets measured at fair value through profit or loss | -Shares and participations, quoted and unquoted<br>-Bonds and money market instruments<br>-Mutual funds<br>-Private equity and real estate funds |
| | Financial assets measured at fair value through comprehensive income | | The Group has not classified assets in this group | |

*Impairment of financial assets*
Calculation of expected credit loss is used in impairment of financial assets, where credit losses are recognized already in conjunction with granting of loans and on reporting dates. In the impairment model, the change in the quality of the credit is evaluated after original recognition according to a three-phase model. The expected credit loss calculation is applied to financial assets that are measured at amortized cost, such as granted loans. Impairments also concern off-balance sheet commitments, such as unused credit facilities. Impairment is not applied to financial assets measured at fair value, unless they are measured at fair value through comprehensive income. A simplified calculation method has been devised for sale and rental receivables.

Expected credit losses (ECL) are calculated using the following formula with weighted probabilities: Liability * PD (probability of default) * LGD (loss % of liability when realization of collateral is included). The ECL is an indicator of the bank's estimate of how much less cash flow it will receive on the loan than it should under the contract. The probability of loss is estimated using various statistical methods such as analyzing the bank's loan portfolio and its loss history, and a wider group with a credit risk that is assumed to be similar. In the calculations, an estimate of the future market environment and its trends must also be used.

In IFRS 9, credit losses are measured using a three-phase model. In the first phase, the likelihood that the debtor will experience payment issues within the following 12 months is estimated. Phase 1 includes items where credit risk is estimated not to have materially increased after initial recognition or the credit risk of the item is estimated to be low. If the debtor's credit risk has materially increased after initial recognition, expected credit loss is estimated for the entire duration of the contract (phase 2). Assets in phase 3 are assets with impaired value regarding which matters have already come to light that will have a negative impact on future cash flows, including the insolvency of the counterparty.

In a situation in which already impaired loans and receivables are purchased, the model in which the expected credit loss is estimated for the entire exercise period is directly applied.

The loss provision is presented in the income statement on its own row. The fixed income returns on financial assets are presented for gross principal for financial assets in phases 1 and 2, and for net principal, i.e. after provisions, for items in phase 3.

Factors that influence the estimation of counterparty credit risk include overdue payments and contract violations, negative changes in the counterparty's financial situation and credit rating and material changes in macroeconomic factors that have a direct influence on the borrower's solvency.

A loan is recognized as non-performing when more than 90 days have passed without the borrower paying interest or making repayment or if it is estimated that the borrower is unlikely to perform on its future payment obligations.

The impairment is recognized as a credit loss when the debtor has been found insolvent in bankruptcy proceedings, it has closed down operations or the receivable has been forgiven in a voluntary or statutory loan arrangement.

Additional information on impairment and the calculation model is provided in the note IFRS 9: Expected credit losses.

*Financial liabilities*

## Financial liabilities measured at amortized cost

Financial liabilities are initially recognized at fair value based on the consideration received inclusive of expenses immediately caused by the acquisition. After initial recognition, financial liabilities such as bonds issued by the company, deposits by the public and other financial liabilities are measured using the effective interest rate method at amortized cost.

### Financial liabilities recognized at fair value through profit or loss

Liabilities recognized at fair value through profit or loss include shorted equities and derivative liabilities held for trading, such as set stock options.

The fair value of liabilities measured at fair value through profit or loss is determined principally on the basis of prices quoted on active markets, i.e. asking prices quoted on the balance sheet date and closing prices on the balance sheet date. In cases where price quotations are not available from active markets, the fair value is determined using common theoretical measurement models.

In securities lending occurring in conjunction with shorting shares, the securities are retained in the original owner's balance sheet.

The liability corresponding to assets acquired with financial leasing agreements is included under other liabilities.

Distribution of financial liabilities IFRS 9

| | | |
|---|---|---|
| Financial liabilities | Financial liabilities measured at fair value through profit or loss | - Derivative contracts<br><br>-Shorted shares |
| | Other financial liabilities, at amortized cost | -Deposits by financial institutions<br>-Deposits by the public<br>-Issued bonds<br>-Other financial liabilities |

*Hedge accounting*

The Group does not apply hedge accounting in accordance with IFRS 9 in the financial statements.

## IFRS 3 Business combinations

Business combinations are carried out using the acquisition method. Acquired, identifiable assets and liabilities, with limited exceptions, are measured at fair value at the time of acquisition. The Group recognizes the non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or, alternatively, based on the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

To the extent that the acquisition price exceeds the identifiable net assets of the acquiree, the surplus is recognized as goodwill. If the acquisition price is less than the value of the identifiable net assets, the difference is recognized in profit or loss. In the event that part of the purchase price payment is deferred, future amounts are discounted to their present value at the time of the transaction. The discount rate used is based on management's estimate of the Group's cost of debt.

## IFRS 15 Revenue from contracts with customers

The IFRS 15 guidance applies to all revenues collected from clients that are not processed in accordance with other IFRS standards such as IFRS 9. Interest and dividend income are also examples of revenue items that do not come under IFRS 15. According to IFRS 15, revenue is recognized when a company transfers control of goods or services to a customer either over time or at a point in time.

Key revenue streams that fall under the standard and are based on client contracts have been analyzed using the five-step model. The client contract on which the stream is based and any performance criteria on which fees are based have been identified for each revenue stream. The fee charged has then been allocated to each performance criterion and the revenue recognition principles have been built around meeting the criteria. Breakdown of revenue in accordance to IFRS standard between overtime and at a point in time recognized revenue is shown as part of the segment reporting.

## IFRS 16 Leases

Group as lessee

In IFRS 16, in principle, all leases are recognised as right-of-use assets and lease liabilities, with the exception of short-term leases and low-value asset contracts. The future cash flows of leases have been discounted to the present time using the interest rate on the company's additional credit at the time of adoption of the standard. The rents payable are allocated to capital and financial expenditure. Financial expenditure is recognised in profit or loss during the lease period with the same interest rate on the outstanding liability for each period.

Based on the analysis, the IFRS 16 standard mainly applies to leases of premises. Typically, lease contract terms range between two and five years and may contain an option to extend the lease term. Evli has negotiated individual contracts with potentially differing terms and conditions for each location. Potential options to extend current leases have not been considered due to uncertainty related to the use of those options.

Table: Measurement of lease liabilities

| | carve-out 2021 | carve-out 2020 |
|---|---|---|
| **Lease liability recognized in the beginning of the period** | **9,7** | **5,1** |
| Of which are: | | |
| Current lease liabilities | 2,3 | 2,3 |
| Non-current lease liabilities | 7,4 | 2,8 |
| Additions | | |
| Deductions | 0,0 | 6,9 |
| | -2,2 | -2,2 |
| **Lease liability (right-of-use assets) according to balance sheet at the end of the period** | | |
| Of which are: | **7,4** | **9,7** |
| Current lease liabilities | | |
| Non-current lease liabilities | 1,7 | 2,3 |
| **Commitments related to leases on 31.12.2018** | 5,7 | 7,4 |

# Notes to the income statement

This part of the financial statements focuses on the result and profitability of New Evli. The notes in this section discloses information regarding the different components in the income statement.

| 1. Fee and commission income | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Credit related fees and commissions | 0,1 | 0,0 |
| Income from payment transactions | - | - |
| Insurance brokerage | 0,3 | 0,1 |
| Advisory services | 21,2 | 10,1 |
| Securities brokerage | 12,5 | 9,2 |
| Securities issue | - | - |
| Mutual funds | 64,9 | 47,6 |
| Asset management | 15,0 | 10,8 |
| Custody services | 0,2 | 0,3 |
| Other operations | 0,3 | 1,7 |
| **Commission income, total** | **114,4** | **79,9** |

| 2. Net income from securities transactions | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Net income from securities transactions | | |
| Financial assets held for trading | 0,1 | -0,2 |
| Financial assets at fair value through profit or loss | 1,8 | 1,5 |
| Net income from foreign exchange operations | 1,7 | 1,3 |
| **Net income from securities transactions, total** | **3,6** | **2,6** |

| 3. Income from equity investments | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Dividends from financial assets valued at fair value | 0,0 | 0,0 |
| Dividends from available-for-sales securities | -0,0 | 0,0 |
| Dividends from associated companies | - | - |
| **Income from equity investments, total** | **0,0** | **0,0** |

| 4. Interest income | carve-out 2021 | carve-out 2020 |
|---|---|---|
| At fair value through profit or loss | | |
| Debt securities | - | 0,0 |
| Derivative contracts | - | - |
| Interest income from other loans and claims | - | - |
| Claims on credit institutions | 0,0 | - |
| Claims on the public and public sector entities | 1,4 | 1,5 |
| Other interest income | 0,0 | 0,0 |
| **Interest income, total** | **1,4** | **1,5** |

| 5. Other operating income | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Rental income | - | - |
| Gain on sale of owner-occupied investment properties | - | - |
| Other income | 0,2 | 0,2 |
| **Other operating income, total** | **0,2** | **0,2** |

| 6. Fee and commission expenses | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Trading fees paid to stock exchanges | -0,8 | -1,8 |
| Other | -2,0 | -1,3 |
| Commission expenses, total | -2,7 | -3,1 |

| 7. Interest expenses | carve-out 2021 | carve-out 2020 |
|---|---|---|
| At fair value through profit or loss | | |
| Derivative contracts and trading liabilities | - | - |
| Interest expenses from other borrowing | | |
| Liabilities to the public, public sector entities and credit institutions | -0,6 | -0,6 |
| Debt securities issued to the public | -0,1 | -0,4 |
| Other interest expenses | -0,0 | -0,0 |
| **Interest expenses, total** | **-0,8** | **-1,0** |

| 8. Personnel expenses | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Wages and salaries | -28,8 | -23,8 |
| of which bonuses | -7,0 | -4,7 |
| Other social security costs | -1,6 | -1,2 |
| of which relating to bonuses | -0,2 | -0,1 |
| Pension expenses | -4,7 | -3,3 |
| of which relating to bonuses | -0,6 | -0,2 |
| defined contribution plans | -4,8 | -3,3 |
| Equity-settled share options | -1,5 | -1,3 |
| **Employee benefits, total** | **-36,6** | **-29,6** |

| | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Number of personnel during the period, average | 272 | 244 |
| Number of personnel at the end of the period | 283 | 254 |
| | | |
| Employees by business segment at the end of the period | | |
| Advisory and Corporate Clients | 74 | 53 |
| Wealth Management and Investor Clients | 166 | 160 |
| Group Operations | 43 | 41 |
| **Total** | **283** | **254** |
| | | |
| **Employees by geographic market at the end of the period** | | |
| Finland | 258 | 238 |
| Sweden | 23 | 15 |
| Arab Emirates | 2 | 1 |
| **Total** | **283** | **254** |

*Salaries and benefits to management*

| carve-out 2021 | | | |
|---|---|---|---|
| | Board | CEO | Rest of leadership team |
| Salaries and bonuses | 0,3 | 0,5 | 1,5 |
| Additional pensions | - | 0,1 | - |
| Share based payments, granted | - | - | - |

| carve-out 2020 | | | |
|---|---|---|---|
| | Board | CEO | Rest of leadership team |
| Salaries and bonuses | 0,3 | 0,4 | 1,2 |
| Additional pensions | - | 0,0 | - |
| Share based payments, granted | - | - | - |

These carve-out financial statements include the allocated part of salaries and benefits paid to the management of Evli Bank. This allocation is not aimed to represent an estimate of the forthcoming level of compensation to the management of new Evli.

## SHARE BASED INCENTIVES DURING THE REPORTING PERIOD 1.1.2021 - 31.12.2021

| Plan | Restricted Share Plan 2017 | Restricted Share Plan 2018 | Restricted Share Plan 2019 | Restricted Share Plan 2021 | Performance Period 2021-2025 | Total |
|---|---|---|---|---|---|---|
| Type | | | SHARE | | | |
| Initial amount, pcs | 233 000 | 233 000 | 350 000 | 118 000 | 120 000 | 1 054 000 |
| Initial allocation date | 30.9.2017 | 8.6.2018 | 14.6.2019 | 12.2.2021 | 12.2.2021 | |
| Vesting date | 30.9.2021 / 30.9.2022 / 30.9.2023 | 30.6.2022 / 30.6.2023 / 30.6.2024 | 30.6.2024 | 8.2.2026 | * | |
| Maximum contractual life, yrs | 6,0 | 5,1 | 5,0 | 5,0 | - | 5,3 |
| Remaining contractual life, yrs | 1,7 | 1,5 | 2,5 | 4,1 | - | 2,3 |
| Number of persons at the end of the reporting year | 8 | 16 | 15 | 21 | 2 | |
| Payment method | Cash & Equity | Cash & Equity | Cash & Equity | Cash & Equity | Cash & Equity | |

* The reward is awarded in installments during 2021–2025 when the required performance criteria are met. Each installment has a three-year deferral period. Ownership rights to the shares subject to the reward are transferred to the beneficiary only after the end of the deferral period. The shares paid as a reward will be subject to a one-year transfer restriction.

| Changes during the period | Restricted Share Plan 2017 | Restricted Share Plan 2018 | Restricted Share Plan 2019 | Restricted Share Plan 2021 | Performance Period 2021-2025 | Total |
|---|---|---|---|---|---|---|
| **1.1.2021** | | | | | | |
| Outstanding at the beginning of the reporting period, pcs | 148 730 | 137 346 | 350 000 | 0 | 0 | 636 076 |
| **Changes during the period** | | | | | | |
| Granted | 0 | 0 | 0 | 118 000 | 120 000 | 238 000 |
| Forfeited | 15 333 | 0 | 0 | 8 000 | 0 | 23 333 |
| Invalidated during the period | 0 | 0 | 0 | 0 | 0 | 0 |
| Excercised | 72 065 | 68 673 | 0 | 0 | 0 | 140 738 |
| Expired | 0 | 0 | 0 | 0 | 0 | 0 |
| **31.12.2021** | | | | | | |
| Excercised at the end of the period | 148 735 | 68 673 | 0 | 0 | 0 | 217 408 |
| Outstanding at the end of the period | 61 332 | 68 673 | 350 000 | 110 000 | 120 000 | 710 005 |

*) weighted average price for the company share during the reporting period or partial instrument term there in.

FAIR VALUE DETERMINATION

The fair value of share based incentives have been determined at grant date and the fair value is expensed until vesting. The pricing of the share based incentives granted during the period was determined by the following inputs and had the following effect:

| Valuation parameters for instruments granted during period | |
|---|---|
| Share price at grant, € | 16,05 |
| Share price at reporting period end, € | 26,20 |
| Expected dividends, € | 5,25 |
| Fair value 31 Dec 2021, € | 1 824 218 |

| Effect of Share-based Incentives on the result and financial position during the period | |
|---|---|
| Expenses for the financial year, share-based payments, equity-settled | 1 511 818 |
| Future cash payment to be paid to the tax authorities from share-based payments, estimated at the end of the period | 8 593 666 |

## Share based incentives 1.1.2020 - 31.12.2020

| Plan | Option program 2016 | Restricted Share Plan 2017 | Restricted Share Plan 2018 | Restricted Share Plan 2019 | TOTAL |
|---|---|---|---|---|---|
| Type | Option | | Share | | |
| Annual General Shareholders` Meeting date | 8.3.2016 | - | - | - | |
| Initial amount, pcs | 233 000 | 233 000 | 233 000 | 350 000 | 1 049 000 |
| The subscription ratio for underlying shares, pcs | 1 | - | - | - | |
| Initial exercise price, € | 8,74 | - | - | - | |
| Dividend adjustment | Yes | - | - | - | |
| Current exercise price, € | - | - | - | - | |
| Initial allocation date | 14.6.2016 | 30.9.2017 | 8.6.2018 | 14.6.2019 | |
| | | 30.9.2023 | 30.6.2023 | 30.6.2024 | |
| Vesting date | 1.6.2020 | 30.9.2021 / 30.9.2022 / 30.9.2023 | 30.6.2021 / 30.6.2022 / 30.6.2023 | 30.6.2024 | |
| Maturity date | 31.8.2020 | - | - | - | |
| Maximum contractual life, years | 4,2 | 6,0 | 5,1 | 5,0 | 5,1 |
| Remaining contractual life, years | 0,0 | 2,7 | 2,5 | 3,5 | 2,3 |
| Number of persons at the end of the reporting year | 0 | 10 | 16 | 15 | |
| Payment method | Equity | Cash & Equity | Cash & Equity | Cash & Equity | |

* Share subscription price is always at least EUR 2,0

| Changes during the period | Option program 2016 | Restricted Share Plan 2017 | Restricted Share Plan 2018 | Restricted Share Plan 2019 | Weighted average exercise price, € | Total |
|---|---|---|---|---|---|---|
| 1.1.2020 | | | | | | |
| Outstanding at the beginning of the reporting period, pcs | 208 000 | 225 400 | 68 673 | 350 000 | 6,99 | 852 073 |
| Changes during the period | | | | | | |
| Granted | 0 | 0 | 68 673 | 0 | | 68 673 |
| Forfeited | 0 | 0 | 4 667 | 0 | | 0 |
| Invalidated during the period | 0 | 0 | 0 | 0 | | 0 |
| Exercised | 208 000 | 76 670 | 0 | 0 | 6,99 | 284 670 |
| Weighted average subscription price, € | - | - | - | - | 6,99 | - |
| Weighted average price of shares, € *) | - | - | - | - | 9,13 | - |
| Expired | 0 | 0 | 0 | 0 | | 0 |
| 31.12.2020 | | | | | | |
| Exercised at the end of the period | 208 000 | 76 670 | 0 | 0 | 6,99 | 284 670 |
| Outstanding at the end of the period | 0 | 148 730 | 137 346 | 350 000 | - | 636 076 |

*) weighted average price for the company share during the reporting period or partial instrument term there in

FAIR VALUE DETERMINATION

The fair value of share based incentives have been determined at grant date and the fair value is expensed until vesting. The pricing of the share based incentives granted during the period was determined by the following inputs and had the following effect:.

| Valuation parameters for instruments granted during period | |
|---|---|
| Share price at grant, € | 8,62 |
| Share price at reporting period end, € | 12,20 |
| Expected dividends, € | 1,49 |
| Fair value 31 Dec 2020, € | 440 427 |

| Effect of Share-based Incentives on the result and financial position during the period | |
|---|---|
| Expenses for the financial year, share-based payments, equity-settled | 1 314 863 |
| Future cash payment to be paid to the tax authorities from share-based payments, estimated at the end of the period | 3 880 064 |

| 9. Other administrative expenses | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Office expenses | -1,2 | -1,3 |
| IT and infosystems | -7,5 | -6,5 |
| Business expenses | -0,6 | -0,5 |
| Travel expenses | -0,2 | -0,3 |
| Car costs | -0,1 | -0,1 |
| Other HR related expenses | -0,9 | -0,5 |
| Marketing expenses | -0,9 | -0,6 |
| Banking and custodian expenses | -0,8 | -0,7 |
| External services | -5,4 | -1,3 |
| **Other administrative expenses, total** | **-17,5** | **-11,6** |

| 10. Depreciation and amortization on tangible and intangible assets | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Depreciation and amortization | | |
| Applications and software | -2,4 | -2,3 |
| Other intangible assets | -0,3 | -0,9 |
| Leasehold improvements | - | -0,1 |
| Assets acquired under finance leases | - | - |
| Right-of-Use assets | -1,8 | -2,4 |
| Equipment and furniture | -0,2 | -0,2 |
| Depreciation, amortization and impaiment losses, total | -4,8 | -5,9 |

| 11. Other operating expenses | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Supervision expenses | -0,4 | -0,3 |
| Rental expenses | -0,0 | -0,2 |
| Other expenses | -0,9 | -0,4 |
| **Other operating expenses, total** | **-1,3** | **-0,9** |

| 12. Expected credit losses on loans and other receivables and Impairment losses on other financial assets | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Claims on the public and public sector entities | | |
| Expected credit losses on group level | 0,1 | -0,1 |
| Expected credit losses individual | 0,0 | 0,0 |
| Guarantees and other off-balance sheet commitments | - | - |
| Sales receivables | - | - |
| Realised loan losses | - | -0,1 |
| Impairment losses on other financial assets | - | - |
| **Impairment losses, total** | **0,1** | **-0,1** |

| 13. Share of profit or loss of associates | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Northern Horizon Capital A/S | 0,5 | 0,4 |

| 14. Income taxes | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Current tax expense | -11,1 | -6,5 |
| Taxes from previous years | -0,1 | -0,4 |
| Deferred taxes | 0,0 | 0,1 |
| Other taxes | 0,0 | -0,0 |
| **Income taxes, total** | **-11,2** | **-6,8** |

Reconciliation between the income tax expense recognized in the income statement and the taxes calculated using the parent company's domestic tax rate

| | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Profit/loss before taxes, Finland | 45,8 | 31,0 |
| Profit/loss before taxes, other countries | 10,8 | 1,3 |
| **Profit/loss before taxes, total** | **56,6** | **32,3** |
| | | |
| Tax at domestic tax rate | -11,2 | -6,5 |
| Effect of foreign subsidiaries' differing tax rates | 0,1 | -0,2 |
| Tax at source paid abroad | 0,3 | - |
| Income not subject to tax | - | 0,0 |
| Expenses not deductible for tax purposes | -0,0 | -0,0 |
| Taxes from previous years | - | -0,4 |
| Other change | 0,0 | 0,1 |
| Unrecognised tax assets on previous years' losses | - | - |
| Other taxes | -0,3 | -0,0 |
| **Income tax charge in the consolidated income statement** | **-11,1** | **-7,0** |

## Revenue recognition

From the Wealth Management and Investor Clients- segment, Evli receives management fee income from mutual funds and pays clients fee refunds related to management fees. Fund fees consisting of management fees and client refunds are recognized on a monthly basis and are mainly invoiced retrospectively in one, three, six- or twelve-month periods. These fees are typically calculated based on the market value or initial investment in the fund as well as on agreed upon fee percentage over time. Any non-recurring fees related to the mutual funds, such as acquisition, subscription or redemption fees, are allocated to the month in which the right to the fee arises.

With successful investment activities, fee income may include performance-related fees. These may consist of performance fees related to mutual and special investment funds, carry fees received by the general partner of an alternative investment fund as well as performance fees related to asset management portfolios. The performance-based fees of mutual funds are taken into account daily in the values of the funds and invoiced retrospectively on a monthly basis. The performance-based fees of special investment funds are invoiced on a quarterly basis. Performance fees related to the asset management portfolios are recognized as income only when the final amount of the fee can be reliably estimated. Evli Group annually reviews the performance-based fees of alternative investment funds due to the general partner of the fund, the so-called carry fees, and models the probabilities related to their realization. The company will only consider the performance fee for the alternative funds to the extent that it is probable that the amount of accrued recognized income will not need to be significantly reversed at a later date.

Securities brokerage transactions are recorded according to the trading date.

The calculatory commission from issued equity linked notes is recognized immediately in the income statement. The entire commission is available for use on the date of issue of the notes, and the commission is used to cover the arrangement and issuance of the notes. The notes are recognized in the balance sheet at the amortized cost, and the interest component of the loan, which is the same as the value of the option, is recognized as a separate debt item in the group "Derivative contracts and trading liabilities". The interest expense for the notes is calculated by using the effective interest method.

Evli's Advisory and Corporate Clients-segment receives monthly retainer fees and success fees related to corporate consulting, ie Corporate Finance. Monthly retainer fees are recognized as income over time whereas recognition of success fees, which are treated as variable consideration, is linked to the completion of projects. Project success fee income is recognized as income in the period when the outcome of the project can be estimated reliably and when the performance obligation has been met. Costs incurred for any project are expensed immediately.

Evli also receives fees related to the design and management of incentive programs. Fees related to the design of incentive programs are invoiced on a monthly basis and recognized as income for the period in which the invoicing has taken place. For the management of incentive programs, fees are billed on a quarterly, semi-annual or annual basis. Remuneration is accrued evenly over the period to which the work relates. Other consultancy fees, including analytical services, are recognized in the period in which the work is performed.

## Management judgement, Commission income

The commission income of asset management and mutual funds is subject to adjustment items that can in some circumstances include ambiguity with respect to the date of validity and scope, among other things. This applies to situations in which price reductions have been agreed upon with clients by using "fee reimbursement contracts". For this reason, the management has used its judgment and has strived to make the most conservative assessment of the fee reimbursement debt arising from these, or any contracts of which there is knowledge but have not yet been entered in the system. The debt is recovered monthly and is included as an item that reduces fund and asset management fees.

## Interest income and expenses

Interest income and expenses are calculated using the effective interest rate method. In recognizing an impairment loss on a contract classified as a financial asset, the recovery of interest is continued at the lowered accounting balance using the original effective interest rate of the contract. If the receipt of interest is unlikely, it is recognized as an impairment loss. Interest income obtained from financial assets is recognized as interest income.

## Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred. The directly attributable transaction costs of a certain borrowing are included in the original amortized cost of the borrowing and are amortized as interest expense by using the effective interest method or, if necessary, by following a formula whose result can be deemed as being sufficiently near the sum calculated by using the effective interest method.

## Employee benefits

The total salaries paid by the Evli Group to its personnel consist of fixed salaries and remuneration, variable remuneration under the annually adopted reward system, and long-term incentive systems.
Fixed salaries play an important role in the company. By aiming to offer its employees a competitive pay level, the company ensures that it continues to be staffed by a skilled workforce. A reward system based on variable salaries applies to all the Group's employees. The objective of the reward system is to support the implementation of the company's strategy as well as promote its competitiveness and long-term financial success.

In addition to the above remuneration methods, the company may create separate long-term incentive systems. The company has five share-based incentive program that are currently in effect: Share Program 2017, 2018, 2019, 2021 and 2021-2025. Under 2017 and 2018 programs, shares are issued gratuitously during the next three years in equal installments to the members of the program, provided that the person is still employed by the company. After granting, there is still a three-year evaluation period during which the company has the right to recall the shares if there is a valid reason, such as resignation. Correspondingly, under 2019 and 2021 programs the share are issued after a four year vesting period, provided that the person is still employed by the company. The company's Board of Directors decides upon the distribution of shares.

The Evli Group provides a reward fund for its employees. All employees of the Evli Group companies that are based in Finland are members of the fund. Using the fund is voluntary. Decisions to enter rewards in the fund are made one year at a time. Social security costs are not withheld from assets invested in the fund. The fund invests its member share capital in accordance with the Act on Personnel Funds. Capital is invested in accordance with a strategy prepared jointly by the fund's Board of Directors and Wealth Management.
In the payment of benefits payable upon termination of employment, Evli complies with normal agreements related to termination of employment pursuant to valid legislation. During the financial year, the company has not paid sign-on payments to new employees.

All the Evli Group's retirement plans are defined contribution plans. Payments to defined contribution plans are reflected in profit or loss in the period in which they are incurred. The Evli Group finances all its retirement plans as contributions to pension insurance companies. The contributions take different countries' local regulations and practices into account.

## Management judgement, Shares and participations in associated companies

An impairment is recognized in an associate's value if the company's financial position has deteriorated substantially or if the company's future outlook is deemed to contain substantial risk factors that, if realized, would weaken the associated company's financial position. The valuation is calculated using theoretical methods, and the impairment is reported in the income statement under "share of associated companies' profit".

## Income taxes

The profit and loss account's tax expenses comprise current and deferred tax. Current tax is calculated on the taxable profit for the period determined on the basis of the enacted tax rate of each country, adjusted by any taxes related to previous periods.

Deferred tax is generally calculated on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The largest temporary differences arise from the depreciation of fixed assets and tax losses. No deferred tax is recognized on the undistributed profits of subsidiaries to the extent it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is measured by using the tax rates enacted by the balance sheet date.

## Segment reporting

The segment information is based on historical information reported to the Board of Evli Bank PLC (CODM). During the preparation of carve-out financial statements, information relating to the carve-out businesses have been separated and presented below as carve-out segment information. The format for carve-out segment reporting is the same as for previous Evli Bank Plc segment reports that are based on Credit Institution income statement format. The format differs slightly from the format used by Investment firms (New Evli carve-out format)

Segment information is reported in accordance with the Group's division of business and geographical segments. The business segments consist of business units whose products and services and earnings logic and profitability differ from one another. The business risks related to the business segments are also different. Evli's operations are divided by client type and services into two segments: The Wealth Management and Investor Clients segment and the Advisory and Corporate Clients segment. Operations not included above are classified as Group Operations, and the business segments mentioned above make use of these operations.

The Wealth Management and Investor Clients segment offers personal asset management services to present and future high net worth private individuals and institutions. The comprehensive product and service selection includes fund products offered by Evli and its partners, and various capital market services and alternative investment products. The segment also includes production and implementation activities that directly support core activities.

The Advisory and Corporate Clients segment provides services related to M&A transactions, including corporate acquisitions and divestments, and advisory services related to IPOs and share issues. The segment also offers administration of incentive programs and corporate analysis for listed companies.

The Group Operations segment includes support functions serving the business areas, such as Information Management, Financial Administration, Group Communications and Investor Relations, Legal Department, Human Resources and Internal Services. The company's own investment operations that support the company's operations, and the Group's supervisory functions; Compliance, Risk Management and Internal Audit, are also part of Group Operations.

Inter-segment pricing occurs in arm's length transactions at fair value. The revenue and expenses that are deemed as directly attributable to or can be allocated on a reasonable basis to a particular business area are allocated to that business area. The revenue and expenses that are not allocated to a particular business area, and the inter-business-area eliminations in the Group, are reported under Group Operations. The distribution of the Group's assets and liabilities among the business areas is not monitored on a regular basis and is therefore not reported in connection with the segment reporting.

In addition to business segments, the Group uses geographical areas in monitoring revenue: Finland, Sweden and other countries.

## carve-out 2021

| | Investor Clients | Corporate Clients | Group Operations | Unallocated | Group |
|---|---|---|---|---|---|
| REVENUE | | | | | |
| Net Interest Income | -0,1 | 0,0 | 0,7 | 0,0 | **0,6** |
| Commission income and expense, net | 91,5 | 20,2 | 0,0 | 0,0 | **111,7** |
| Net income from securities transactions and foreign exchange dealing | 0,0 | 0,0 | 3,8 | 0,0 | **3,7** |
| Other operating income | 0,0 | 0,0 | 0,2 | 0,0 | **0,2** |
| External sales | 91,4 | 20,2 | 4,6 | 0,0 | **116,2** |
| Inter-segment sales | 0,0 | 0,0 | 0,0 | 0,0 | **0,0** |
| **Total revenue** | **91,4** | **20,2** | **4,6** | **0,0** | **116,2** |
| Timing of revenue recognition | | | | | **0,0** |
| Over time | 64,3 | 6,5 | 0,0 | 0,0 | **70,8** |
| At a point of time | 27,2 | 13,7 | 0,0 | 0,0 | **40,9** |
| | | | | | **0,0** |
| RESULT | | | | | **0,0** |
| Segment operating expenses | -35,5 | -10,2 | -9,7 | 0,0 | **-55,4** |
| **Business units operating profit before depreciations and Group allocations** | **56,0** | **10,1** | **-5,2** | **0,0** | **60,9** |
| Depreciation, amortisation and write-down | -2,2 | -0,4 | -2,2 | 0,0 | **-4,8** |
| Impairment losses on loans and other receivables | 0,0 | 0,0 | 0,1 | 0,0 | **0,1** |
| **Business units operating profit before Group allocations** | **53,8** | **9,6** | **-7,3** | **0,0** | **56,1** |
| Allocated corporate expenses | -9,0 | -2,3 | 11,3 | 0,0 | **0,0** |
| **Operating profit including Group allocations** | **44,8** | **7,4** | **4,0** | **0,0** | **56,1** |
| Share of profits (losses) of associates | 0,0 | 0,0 | 0,5 | 0,0 | **0,5** |
| Income taxes* | -4,8 | -2,0 | -4,3 | -0,1 | **-11,2** |
| **Segment profit/loss after taxes** | **39,9** | **5,3** | **0,3** | **-0,1** | **45,5** |

## Carve-out 2021

| Geographical net revenue and assets | Finland | Sweden | Other countries | Group |
|---|---|---|---|---|
| Net revenue | 99,6 | 12,1 | 4,5 | 116,2 |
| Assets | 354,6 | 13,3 | 0,3 | 368,3 |

## carve-out 2020

| | Investor Clients | Corporate Clients | Group Operations | Unallocated | Group |
|---|---|---|---|---|---|
| REVENUE | | | | | |
| Net Interest Income | 0,0 | 0,0 | 0,5 | 0,0 | **0,5** |
| Commission income and expense, net | 67,2 | 9,7 | -0,1 | 0,0 | **76,8** |
| Net income from securities transactions and foreign exchange dealing | -0,1 | 0,0 | 2,7 | 0,0 | **2,6** |
| Other operating income | 0,0 | 0,1 | 0,2 | 0,0 | **0,2** |
| External sales | 67,1 | 9,7 | 3,2 | 0,0 | **80,1** |
| Inter-segment sales | 0,0 | 0,0 | 0,0 | 0,0 | **0,0** |
| **Total revenue** | **67,1** | **9,7** | **3,2** | **0,0** | **80,1** |
| Timing of revenue recognition | | | | | **0,0** |
| Over time | 52,0 | 5,4 | 0,0 | 0,0 | **57,4** |
| At a point of time | 15,2 | 4,3 | 0,0 | 0,0 | **19,4** |
| | | | | | **0,0** |
| RESULT | | | | | **0,0** |
| Segment operating expenses | -30,3 | -6,6 | -6,5 | 1,1 | **-42,3** |
| **Business units operating profit before depreciations and Group allocations** | **36,9** | **3,1** | **-3,3** | **1,1** | **37,8** |
| Depreciation, amortization and write-down | -3,4 | -0,4 | -0,5 | -1,5 | **-5,7** |
| Impairment losses on loans and other receivables | 0,0 | 0,0 | -0,1 | 0,0 | **-0,1** |
| **Business units operating profit before Group allocations** | **33,5** | **2,7** | **-3,9** | **-0,4** | **31,9** |
| Allocated corporate expenses | -5,8 | -0,9 | 6,7 | 0,0 | **0,0** |
| **Operating profit including Group allocations** | **27,7** | **1,8** | **2,8** | **-0,4** | **31,9** |
| Share of profits (losses) of associates | 0,0 | 0,0 | 0,0 | 0,4 | **0,4** |
| Income taxes* | -3,6 | -0,7 | -2,5 | 0,1 | **-6,8** |
| **Segment profit/loss after taxes** | **24,1** | **1,1** | **0,3** | **0,1** | **25,5** |

## Carve-out 2020

| Geographical net revenue and assets | Finland | Sweden | Other countries | Group |
|---|---|---|---|---|
| Net revenue | 74,1 | 4,6 | 1,4 | 80,1 |
| Assets | 427,8 | 7,7 | 1,2 | 436,7 |

# NOTES TO BALANCE SHEET

This section illustrates the financial position of the Group. In the following notes discloses the composition of the Group's assets and liabilities.

| 15. Cash and equivalents | carve-out 2021 | carve-out 2020 |
|---|---|---|
| petty cash | 0,0 | 0,0 |
| Balances with central banks | - | - |
| Other | - | - |
| Cash and cash equivalents total | 0,0 | 0,0 |

| 16. Claims on credit institutions | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Repayable on demand | | |
| Domestic credit institutions | 42,7 | 26,8 |
| Foreign credit institutions | 5,1 | 1,2 |
| **Repayable on demand, total** | **47,8** | **28,0** |
| Other than repayable on demand | | |
| Domestic credit institutions | - | - |
| Foreign credit institutions | - | - |
| **Other than repayable on demand, total** | **-** | **-** |
| **Claims on credit institutions, total** | **47,8** | **28,0** |

Claims on domestic credit institutions include deposits to Evli Bank.

| 17. Claims on the public and public sector entities | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Repayable on demand | | |
| Financial and insurance corporations | - | - |
| Repayable on demand, total | - | - |
| Other than repayable on demand | | |
| Enterprises and housing associations | 22,6 | 27,0 |
| Financial and insurance corporations | 1,2 | 0,9 |
| Households | 56,4 | 70,9 |
| Foreign countries | 7,3 | 9,9 |
| Other than repayable on demand, total | 87,4 | 108,7 |
| Claims on the public and public sector entities by sector, total | 87,4 | 108,7 |

| 18. Debt securities | carve-out 2021<br>Publicly quoted | carve-out 2021<br>Other | carve-out 2021<br>Total |
|---|---|---|---|
| Issued by public corporations | | | |
| Local government notes | - | - | - |
| Issued by other than public corporations | - | - | - |
| | | | |
| Issued by other than public corporations | | | |
| Fair valued | | | |
| Bonds issued by banks | - | 0,1 | 0,1 |
| Other debt securities | - | 0,7 | 0,7 |
| **Issued by other than public corporations** | **-** | **0,7** | **0,7** |
| **Debt securities, total** | **-** | **0,7** | **0,7** |

| 18. Debt securities | carve-out 2020<br>Publicly quoted | carve-out 2020<br>Other | carve-out 2020<br>Total |
|---|---|---|---|
| Issued by public corporations | | | |
| Local government notes | - | 0,0 | 0,0 |
| **Issued by other than public corporations** | **-** | **0,0** | **0,0** |
| | | | |
| Issued by other than public corporations | | | |
| Fair valued | | | |
| Bonds issued by banks | - | 0,4 | 0,4 |
| Other debt securities | - | 1,4 | 1,4 |
| **Issued by other than public corporations** | **-** | **1,8** | **1,8** |
| **Debt securities, total** | **-** | **1,8** | **1,8** |

| Debt securities by balance sheet category | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Debt securities eligible for refinancing with central banks | | |
| On public sector entities | - | - |
| Other | - | - |
| Debt securities | | |
| On public sector entities | - | - |
| Other | 0,7 | 1,8 |
| Total | 0,7 | 1,8 |

| Debt securities by country | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Finland | 0,7 | 1,8 |

| 19. Shares and participations | Publicly quoted | carve-out 2021<br>Other | Total |
|---|---|---|---|
| Balance sheet category | | | |
| Shares and participations | | | |
| Valued at fair value through profit or loss | | | |
| Held for trading | 0,0 | - | 0,0 |
| Other | 42,1 | 7,5 | 49,6 |
| **Shares and participations, total** | **42,1** | **7,5** | **49,6** |

| Shares and participations | Publicly quoted | carve-out 2020<br>Other | Total |
|---|---|---|---|
| Balance sheet category | | | |
| Shares and participations | | | |
| Valued at fair value through profit or loss | | | |
| Held for trading | 0,1 | - | 0,1 |
| Other | 49,9 | 7,2 | 57,0 |
| **Shares and participations, total** | **50,0** | **7,2** | **57,1** |

Net risk position is described in section Market Risk, Notes on Risk Position.
Other items that are fair valued and recognized in profit and loss are mainly investments in open ended and closed ended investment funds.

## Derivatives

Derivative financial instruments are initially recognized at cost, which corresponds to their fair value. Subsequently derivative financial instruments are measured at fair value. Resulting gains and losses are treated in accordance with the purpose of the derivative instrument. Positive changes in the value of derivative contracts are recognized in the balance sheet as assets and negative changes as liabilities.

The company does not apply hedge accounting, and derivative financial instruments are classified as held for trading. Changes in the value of derivatives in this category during the year and the realized gains/losses are presented in the income statement under net income from securities trading. Equity derivatives in the banking book hedge the equity risk in equity-linked bonds issued to the public. The interest rate derivatives hedge the interest rate risk in liabilities in the balance sheet

| 20. Derivative contracts | 2021<br>Maturity: <1 years | Maturity: 1-5 years | Maturity: 5-15 years | Fair value (+/-) | Assets | Liabilities |
|---|---|---|---|---|---|---|
| **Overall effect of risks associated with derivative contracts** | | | | | | |
| Nominal value of underlying , gross | | | | | | |
| **Remaining maturity** | | | | | | |
| **Held for trading** | | | | | | |
| Interest rate derivatives | | | | | | |
| Interest rate swaps | 4,5 | 70,5 | 3,2 | 0,0 | 2,0 | 2,0 |
| Equity-linked derivatives | | | | | | |
| Futures | 2,2 | 1,0 | - | 0,0 | 0,4 | 0,4 |
| Options bought | - | - | - | 0,0 | 0,0 | 0,0 |
| Options sold | - | - | - | 0,0 | 0,0 | 0,0 |
| Currency-linked derivatives | 4 073,2 | 8,3 | - | 0,1 | 24,1 | 24,0 |
| **Held for trading, total** | **4 079,9** | **79,8** | **3,2** | **0,1** | **26,4** | **26,3** |
| **Derivative contracts, total** | **4 079,9** | **79,8** | **3,2** | **0,1** | **26,4** | **26,3** |

| 20. Derivative contracts | 2020<br>Maturity: <1 years | Maturity: 1-5 years | Maturity: 5-15 years | Fair value (+/-) | Assets | Liabilities |
|---|---|---|---|---|---|---|
| **Overall effect of risks associated with derivative contracts** | | | | | | |
| Nominal value of underlying , gross | | | | | | |
| **Remaining maturity** | | | | | | |
| **Held for trading** | | | | | | |
| Interest rate derivatives | | | | | | |
| Interest rate swaps | 2,1 | 100,7 | 2,2 | 0,0 | 1,0 | 1,0 |
| Equity-linked derivatives | | | | | | |
| Futures | 0,7 | 3,4 | - | 0,0 | 0,0 | 0,0 |
| Options bought | - | - | - | 0,0 | 0,0 | 0,0 |
| Options sold | - | - | - | 0,0 | 0,0 | 0,0 |
| Currency-linked derivatives | 4 555,2 | 32,1 | - | 0,1 | 51,1 | 51,0 |
| **Held for trading, total** | **4 558,0** | **136,1** | **2,2** | **0,1** | **52,2** | **52,0** |
| **Derivative contracts, total** | **4 558,0** | **136,1** | **2,2** | **0,1** | **52,2** | **52,0** |

## Goodwill

Goodwill represents the excess of the cost of an acquired entity over the Group's interest in the fair value of the identifiable net assets acquired at the acquisition date. Goodwill is measured at historical cost less cumulative impairment losses. Goodwill is not amortized. Goodwill arising in connection with acquisitions is tested annually in December or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For this purpose, goodwill is allocated to cash-generating units, or, in the case of a subsidiary, goodwill is included in the subsidiary's acquisition cost and the subsidiary forms a cash-generating unit. If the carrying amount of goodwill for a cash-generating unit exceeds its recoverable amount, an impairment loss equal to the difference will be recognized.

For the testing of impairment, the recoverable amounts of an asset are determined by calculating the asset's value in use. The calculations are based on five-year cash flow plans approved by the management.

In the cash flow model, items affecting each cash-generating unit's operational cash flow – mainly income and expenses – are examined. Cash flows extending after the five-year forecast period have been calculated using the "final value method".

The income and expenses of each asset are estimated based on the management's understanding of future development.

In the final value method growth is determined using the management's conservative assessment of the long-term growth of cash flow. In the testing carried out in 2020, annual growth of either 1 or 2 percent, depending on the risk of the unit tested, has been used as the growth factor of the final value. The cash flows used to measure value in use are discounted to the present value using the discount rate that reflects assessments of the time value of money and the risks specific to the asset.

The table below present closer information of the parameters used in the impairment testing.

| 2021 | | | | |
|---|---|---|---|---|
| | Management of incentive programs | Portfolio management, funds | Private wealth management | Alternative investment funds |
| Goodwill, M€ | 5,5 | 0,5 | 1,2 | 2,1 |
| Revenue growth estimate | 7 % | -2 % | 0 % | 4 % |
| Cost increase estimate | 2 % | 2 % | 0 % | 5 % |
| Discount factor | 11 % | 11 % | 11 % | 11 % |
| Terminal growth | 2 % | 1 % | 1 % | 2 % |

| 2020 | | | | |
|---|---|---|---|---|
| | Management of incentive programs | Portfolio management, funds | Private wealth management | Alternative investment funds |
| Goodwill, M€ | 5,5 | 0,5 | 1,2 | 2,1 |
| Revenue growth estimate | 7 % | -2 % | 0 % | 4 % |
| Cost increase estimate | 2 % | 2 % | 0 % | 5 % |
| Discount factor | 11 % | 11 % | 11 % | 11 % |
| Terminal growth | 2 % | 1 % | 1 % | 2 % |

As a part of the goodwill testing, the sensitivity of the testing to changes in the variable affecting each result is also assessed. Sensitivity analyses are performed on goodwill impairment testing calculations using worst-case scenario forecasts. These scenarios were used to examine the change in value in use by changing the basic assumptions in the definition of value. Future income and expense cash flows, the discount rate and final value growth rate were changed in the sensitivity analyses.

Among others, the following tests were performed:

• Income expectations for the five-year period under review were stressed using 20% lower return assumptions than originally assumed;
• The cost trend was stressed using 30% higher cost-development than originally assumed
• The terminal value was set at 0 percent
• The discount rate was increased by 3 percent

On the basis of the sensitivity analyses carried out, the change in the recoverable amount for the units tested does not lead to a situation in which the carrying amount is greater than the value in use.

## Management judgement, Goodwill

Impairment testing of goodwill is based on the estimated future recoverable net cash flows of the cash generating units to which goodwill has been allocated, which is then compared to these units' carrying amounts. The testing requires making of assumptions concerning variables such as the growth rate of returns, costs of operations and the discount rate at which the incoming cash flows are converted to the current value

## Intangible assets

Intangible assets are recognized in the balance sheet only if their acquisition cost can be reliably measured and if it is probable that the expected future economic benefits attributable to the assets will flow to the company. Intangible assets with definite useful lives are recognized in the balance sheet at historical cost and are amortized in the profit and loss account on a straight-line basis over their known or estimated useful lives. Intangible assets include software licenses and other intangible rights whose useful life is 3-5 years.

## Impairment of tangible and intangible assets

At each balance sheet date the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. In addition, goodwill and intangible assets not yet available for use are tested for impairment annually, regardless of the existence of indication of impairment. The need for impairment is assessed for each cash-generating unit.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is determined as the future net cash flows expected to be derived from the said asset or cash-generating unit which are discounted to present value. The discount rate used is a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset is higher than its recoverable amount. The useful life of the asset is reviewed when the impairment loss is recognized. An impairment loss is reversed if circumstances have changed and the recoverable amount has changed since the date of recognizing the impairment loss. Impairment losses recognized for goodwill are not reversed under any circumstances.

## Tangible assets

Tangible fixed assets are measured at historical cost less accumulated depreciation and impairment losses. Subsequent costs are included in the carrying amount of tangible fixed assets only if it is probable that the future economic benefits attributable to the assets will flow to the Group and that the cost of acquiring the assets can be reliably measured. Other repair and maintenance costs are recognized in profit or loss in the period in which they were incurred.

Assets are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

Machinery and equipment: 5 years
IT equipment: 3 years
Assets under finance leases: 3-5 years
Renovations of leased premises: term of lease

The residual values and useful lives of assets are reviewed at each reporting date and, if necessary, are adjusted to reflect changes occurring in expectations of useful life.

The depreciation of an item of property, plant and equipment will cease when the tangible fixed asset is classified as held for sale under IFRS 5 Non-current assets held for sale and discontinued operations.

Gains and losses from the sales or disposals of tangible fixed assets are included in other operating income and expenses.

## Management judgement, Tangible and intangible assets

At each balance sheet date the management assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated.

| 21. Intangible assets and goodwill | carve-out 2021 | carve-out 2020 |
|---|---|---|
| **Goodwill** | | |
| Cost at 1.1. | 9,3 | 5,0 |
| Increases/Decreases | -0,0 | 4,3 |
| Cost at 31.12. | 9,2 | 9,3 |
| Accumulated depreciation at 1.1. | 0,0 | 0,0 |
| Impairment losses for the period | | |
| Accumulated depreciation at 31.12. | 0,0 | 0,0 |
| **Book value at 31.12.** | **9,2** | **9,2** |
| | | |
| **Software or projects in progress** | | |
| Cost at 1.1. | - | 0,1 |
| Increases/Decreases | | -0,1 |
| Cost at 31.12. | - | - |
| **Book value at 31.12.** | **-** | **-** |
| | | |
| **Applications and software** | | |
| Cost at 1.1. | 24,1 | 23,3 |
| Increases/Decreases | 0,6 | 0,7 |
| Cost at 31.12. | 24,7 | 24,1 |
| Accumulated amortisation and impairment losses at 1.1. | -17,7 | -15,4 |
| Amortisation for the period | -2,4 | -2,3 |
| Accumulated amortisation and impairment losses at 31.12. | -20,1 | -17,7 |
| **Book value at 31.12.** | **4,5** | **6,4** |
| | | |
| **Other intangible assets** | | |
| Cost at 1.1. | 7,1 | 7,1 |
| Increases/Decreases | - | - |
| Cost at 31.12. | 7,1 | 7,1 |
| Accumulated amortisation and impairment losses at 1.1. | -6,7 | -5,9 |
| Amortisation for the period | -0,3 | -0,9 |
| Accumulated amortisation and impairment losses at 31.12. | -7,1 | -6,7 |
| **Book value at 31.12.** | **-** | **0,3** |

The most significant "Other intangible assets" are client relationships.

| | | |
|---|---|---|
| **Book value of intangible assets at 31.12.** | **13,8** | **16,0** |
| **Intangible assets, total at 31.12.** | **13,8** | **16,0** |

| 22. Property, plant and equipment | carve-out 2021 | carve-out 2020 |
|---|---|---|
| **Equipment and furniture** | | |
| Cost at 1.1. | 1,9 | 1,7 |
| Exchange difference | -0,0 | -0,0 |
| Increases/Decreases | 0,2 | 0,2 |
| Cost at 31.12. | 2,1 | 1,9 |
| Accumulated amortisation and impairment losses at 1.1. | -1,4 | -1,2 |
| Translation difference from depreciation for the period | -0,0 | -0,0 |
| Amortisation for the period | -0,2 | -0,3 |
| Accumulated amortisation and impairment losses at 31.12. | -1,7 | -1,4 |
| **Book value at 31.12.** | **0,4** | **0,5** |
| | | |
| **Property, plant, and equipment, total 31.12.** | **0,4** | **0,5** |
| | | |
| **Leasehold improvements** | | |
| Cost at 1.1. | 1,4 | 1,4 |
| Cost at 31.12. | 1,4 | 1,4 |
| Accumulated depreciation at 1.1. | -1,3 | -1,1 |
| Depreciation for the period | -0,0 | -0,1 |
| Accumulated depreciation at 31.12. | -1,3 | -1,3 |
| **Book value at 31.12.** | **0,1** | **0,1** |
| | | |
| **Other tangible assets** | | |
| Cost at 1.1. | 0,6 | 0,6 |
| Cost at 31.12. | 0,6 | 0,6 |
| **Book value at 31.12.** | **0,6** | **0,6** |
| | | |
| **Property, plant and equipment, total at 31.12.** | **1,2** | **1,3** |
| | | |
| **Book value of tangible assets at 31.12.** | **1,2** | **1,3** |

| 23. Right-of-use assets | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Rental liabilities up to one year | 1,7 | 2,3 |
| Rental liabilities over one year and less than 5 years | 5,6 | 6,1 |
| Rental liabilities over 5 years | 0,1 | 1,4 |
| | | |
| Leasing liabilities not later than one year | - | 0,1 |
| Leasing liabilities over year not later than five year | - | 0,3 |

| 24. Other assets | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Securities sale receivables | 1,5 | 0,2 |
| Commission receivables | 23,3 | 19,9 |
| Securities broking receivables | 55,7 | 52,9 |
| Other receivables | 46,6 | 81,4 |
| **Other assets total** | **127,1** | **154,4** |

Other assets include trading related collateral receivables.

| 25. Accrued income and prepayments | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Interest | 0,2 | 0,2 |
| Taxes | - | - |
| Staff-related | 0,0 | 0,1 |
| Other items | 2,1 | 2,4 |
| **Accrued income and prepayments total** | **2,3** | **2,7** |

| 26. Deferred tax assets | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Tax assets | | |
| Due to timing differences* | 0,0 | 0,0 |
| Other temporary differences | - | - |
| From tax losses carried forward | 0,1 | 0,1 |
| **Deferred taxes total** | **0,1** | **0,1** |

*Deferred tax assets result from timing differences in fixed asset depreciation.

| 27. Liabilities to credit institutions and central banks | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Credit institutions | | |
| Repayable on demand | - | - |
| Other than repayable on demand | 8,6 | 24,8 |
| **Liabilities to credit institutions and central banks, total** | **8,6** | **24,8** |

Other liabilities than repayble on demand 2020 include a loan facility from Evli Bank which is used to facilitate trading activities. The loan facility is disclosed in related party transactions.

| 28. Debt securities issued to the public | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Certificate of deposits | - | - |
| Bonds | 91,0 | 121,1 |
| **Debt securities issued to the public, total** | **91,0** | **121,1** |

| 29. Derivative contracts and other liabilities held for trading | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Derivative contracts | 26,3 | 52,0 |
| Due to short selling of shares | - | 0,4 |
| **Derivative contracts and other liabilities held for trading, total** | **26,3** | **52,5** |

| 30. Other liabilities | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Securities broking liabilities | 61,6 | 54,7 |
| Securities purchase liabilities | 0,8 | - |
| Finance lease payables | | |
| right-of-use liability | 7,6 | 9,9 |
| Income tax payable | 0,1 | 0,0 |
| Personnel related | 0,8 | 0,7 |
| Other short-term liabilities | 39,1 | 65,5 |
| Prepayments of cash customers | -7,0 | 4,3 |
| VAT payable | 2,5 | 1,8 |
| **Other liabilities, total** | **105,4** | **137,0** |

Other short term liabilities are trading related short liabilities.

| 31. Accrued expenses and deferred income | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Interest | 0,0 | 0,1 |
| Personnel related | 15,5 | 11,4 |
| Other accrued expenses | 13,7 | 9,8 |
| **Accrued expenses and deferred income, total** | **29,3** | **21,3** |

| 32. Deferred tax liabilities | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Due to timing differences | 0,0 | - |
| **Deferred tax liability, total** | **0,0** | **-** |

| 3.2. Breakdown of off-balance sheet commitments | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Commitments given to a third party on behalf of a customer | 0,4 | 5,4 |
| Irrevocable commitments given in favour of a customer | 2,6 | 2,3 |
| Guarantees on behalf of others | - | 0,0 |
| Unused credit facilities, given to clients | 18,1 | 9,6 |

## Equity and number of shares

Evli Oyj is founded trough the partial demerger of Evli Bank Plc and the carve-out financial statements are prepared according to the basis of presentation presented in note 1. Due to the carve-out principles equity is not disclosed from previous periods. Shareholders of Evli Bank Plc will get as demerger consideration one share in Evli for each share they own in Evli Bank Plc. The number of outstanding shares in Evli Bank Plc as of 31.12.2021 was 24.109.420 and Evli's equity that will be registered on the demerger date is 23.745.901,95 euros.

## Translation differences

Translation differences arise from converting the financial statements from subsidiaries with another functional currency than euro to euros in the Group financial statements. These differences are included in translation differences.

# IFRS 9, expected credit losses

## Accounting policies

IFRS 9 is a standard related to expected losses, i.e. evaluating a substantial increase in credit risk, and the calculation model for expected credit losses, including the grouping of loans for calculation. The model includes multiple input data that are subject to consideration and can have a substantial effect on the results of the calculation model. The results produced by the bank's calculation model are reported regularly in the Group's Risk Committee. The Group's Financial Administration together with the Group's Risk Control and Treasury evaluates credit risks and maintains the calculation model.

## Evaluation of substantial increase in credit risk

A key component of the IFRS 9 standard is the analysis of counterparties' credit risks and changes in credit risks that take place after a loan is granted. The credit risks of financial assets are under constant scrutiny at the bank. Evli Bank monitors various factors, both quantitative and qualitative, which are estimated to be significant in evaluating credit risk. Estimates of future economic trends are also taken into account. In these estimates, factors that are accessible without unreasonable expenses and effort are taken into account. If the credit risk of a liability has grown substantially after a loan is granted, and the credit risk has not been estimated to be low, the liability's risk level is raised to phase 2, in which case the expected credit loss of the liability or loan is estimated for the entire exercise period. The risk level is also separately evaluated for entire credit groups. The following criteria indicate that credit risk has increased substantially:

- The payments on a receivable are delayed by more than 30 days, for non-technical reasons
- Changes in the counterparty's financial position, such as a substantial deterioration of creditworthiness and financial status, and payment defaults. Information on changes in the counterparties' financial positions is obtained automatically through the credit investigation service
- A substantial reduction in the value of collateral; the counterparty is unable to cover the collateral shortfall
- The loan payment plan and terms and conditions have been rearranged because of an increase in credit risk
- A material change for the worse in macroeconomic factors has taken place, which would have an impact on the counterparties' financial position
- Other factors that have a substantial impact on credit risk or the value of collateral.

## Factors that cause a loan to be classified as phase 3

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

- the company's bankruptcy or liquidation, or other significant financial difficulties
- payments (repayment or interest) more than 90 days late
- counterparty declared insolvent.

## Credit risk decreases after classification change

If based on all available information it is estimated that the credit risk has decreased substantially after the loan's risk level has been raised to phase 2, and the risk is at the same level as at the time of granting the loan, the loan's risk level can be returned to phase 1.

## Calculation model for expected credit losses (ECL)

ECL is an estimate, with weighted probabilities, of the difference between the following cash flows: Contractual cash flows of the liability – the cash flows that the bank expects to receive from an agreement.

ECL = Probability of default (PD) * LGD (total loss when realization of collateral is included) * principal of liability

The PD on a liability is estimated for the following 12 months (phase 1 financial assets) or for the entire exercise period (phase 2 and 3 financial assets).

The principals that are included in the calculation are assets measured at amortized cost:

- promissory notes and accounts with credit facility (receivables from the public)
- receivables from credit institutions; fixed-term deposits
- unused credit arrangements and facilities, and guarantees on behalf of others
- sales receivables

## Grouping of loans for calculation

Since it is not practical or affordable to analyze the counterparties of loans on an individual basis in credit risk evaluation, the loan portfolio is divided into various groups that are similar in terms of their credit risk, counterparties, product type, collateral type, and exercise period. The grouping is examined at regular intervals to avoid evaluation errors from taking place in a situation in which a group is no longer homogenous in terms of its credit risk. On the balance sheet date, Evli Group had six different loan groups in the calculation model. The largest group was investment loans of Wealth Management customers.

## Determining the probability of default

In the model PD indicates the probability that the borrower will not perform on its future obligations, either on the horizon of the following 12 months, or during the entire remaining exercise period.

In phase 1, the probabilities of default are determined at the bank at the group level as a general principle, provided that the PD of an individual loan does not substantially differ from the group's PD value, and it is not practical to set a separate group for the loan. A simplified model has been devised for sales receivable items, where the PD is determined based on how many days late the receivable is and whether the counterparty belongs in the normal or high-risk group. When the PD is being determined for a counterparty, the counterparty's collateral is not taken into account.

At Evli, the group-level initial PD percentage for household and corporate loans has been set as the proportion of non-performing loans out of the entire loan portfolio in Finland. Since the bank does not have a sufficiently comprehensive history of its own credit losses at its disposal, a wider comparison group is also used, in which the credit risk is assumed to be similar. This model is justified by the fact that Evli's loan portfolio consists primarily of Finnish household and corporate loans. The Group's loan portfolio is assessed as being low- risk for the most part, which is also reflected in the average PD values. Lending is focused primarily on Wealth Management clients whose historical credit risk has been very low.

The PD percentages of loans were between 0.25 percent and 1.54 percent on the balance sheet date for household and corporate clients, for phase 1 assets.

If a loan is transferred to phase 2, the PD is always redefined individually. In this case, the loan's future cash flows are estimated for the loan's entire exercise period, and are discounted to the current value, giving an estimate of the total loss on the loan before realizing collateral. In phase 2 PD assessments, the assessments of credit investigation services are also used. The PD percentage of other corporate receivables, high-risk items and credit institution receivables is determined with a statistical risk of making a loss that is available on the basis of credit ratings. The statistical information is obtained from credit rating agencies.

The PD percentage is also determined for off-balance sheet liabilities. The rate of use of open unused credit facilities is estimated to be 50 percent, which means that the facility is included in the calculation with a 50 percent weighting compared to facilities that have been drawn. Guarantees given on behalf of others is treated like normal drawn credit in the calculations.

If the future holds substantial uncertainty regarding significant declines in the prices of securities, GDP figures, increased unemployment or other economic factors, the group-level PD figures can be raised in phase 1.

The group-level PD figures are updated quarterly, and individual PD figures immediately when an individual liability's credit risk is evaluated as having grown substantially, or when the credit risk of a liability is evaluated as differing from the credit risk of its group.

## Definition of loss given default (LGD)

LGD determines the total loss when the realization of collateral is taken into account in a payment default situation. In the ECL calculation, the bank estimates what the loss is in a realization situation when the worst-case scenario materializes with the estimated probability: do the assets from realizing the collateral cover the loan's remaining principal in that situation. The worst-case scenario in the bank's calculation is a strong decline in prices of securities or real estate, as was the case during the stock market crash in 2008. The calculation takes into account the average collateral value of the collateral of the loans in the group, the type of collateral and the liquidity of the collateral. The collateral values given to the collateral are so conservative in the Group that losses will not be realized on promissory notes except as the result of a strong decline in share prices. LGD is determined for loans generally at group level. LGD at a one-year level is obtained by estimating the probability that the worst-case scenario will materialize during the following 12 months. An individual LGD can be determined for individual loans if the number or quality of the loan's collateral differs substantially from collateral in the group on average.

On the balance sheet date, the LGD values for lending were, depending on the group, between 5 and 30 percent, for assets measured in accordance with the first phase.

The most important variables that affect the calculation model with respect to LGD are realized and anticipated changes in prices of securities, and the estimated probability of a scenario in which the clients' collateral is no longer sufficient to cover the value of the liability.

## ITEMS MEASURED ACCORDING TO IFRS 9, EXPECTED CREDIT LOSSES

**2021**

| Asset | Total amount | Level 1 | Level 2 | Level 3 | Expected credit loss | Opening balance 1.1. credit loss reserve |
|---|---|---|---|---|---|---|
| Cash and Central bank receivables | - | | - | - | - | - |
| Claims on credit institutions | 47,8 | 47,8 | - | - | - | - |
| Claims on public and public sector entities | 87,4 | 86,8 | 0,7 | - | 0,1 | 0,2 |
| Claims on corporations | 23,6 | 23,3 | 0,3 | - | 0,0 | 0,1 |
| Claims on private persons | 63,9 | 63,5 | 0,4 | - | 0,0 | 0,1 |
| Claims on other | - | - | - | - | - | - |
| Sales receivables | 4,2 | 4,1 | 0,2 | - | 0,0 | 0,0 |
| **Total assets** | **139,5** | **138,7** | **0,9** | **-** | **0,1** | **0,2** |
| Unused credit facilities | 17,9 | 17,8 | 0,1 | - | 0,0 | 0,0 |
| Total credit loss reserve | 0,1 | 0,1 | 0,1 | - | 0,1 | 0,2 |

**2020**

| Asset | Total amount | Level 1 | Level 2 | Level 3 | Expected credit loss | Opening balance 1.1. credit loss reserve |
|---|---|---|---|---|---|---|
| Cash and Central bank receivables | - | - | - | - | - | - |
| Claims on credit institutions | 28,0 | 28,0 | - | - | - | - |
| Claims on public and public sector entities | 108,7 | 106,8 | 1,9 | - | 0,2 | 0,1 |
| Claims on corporations | 31,3 | 29,8 | 1,5 | - | 0,1 | 0,0 |
| Claims on private persons | 77,5 | 77,1 | 0,4 | - | 0,1 | 0,1 |
| Claims on other | - | - | - | - | - | - |
| Sales receivables | 2,2 | 2,2 | | - | 0,0 | 0,0 |
| **Total assets** | **139,0** | **137,1** | **1,9** | **-** | **0,2** | **0,1** |
| Unused credit facilities | 9,6 | 9,5 | 0,2 | - | 0,0 | 0,0 |
| Total credit loss reserve | 0,2 | 0,1 | 0,1 | - | 0,2 | 0,1 |

The expected credit loss is a probabilistic calculation formula with the expected probability of default of the counterparty as the parameters to be assessed and the total potential loss when the collateral for the asset is realised. The parameters are generally assessed at group levels, financial assets are classified in similar risk and collateral categories. The probabilities of default of counterparties have been assessed primarily using statistical information on credit portfolio assets at national level. For Sales receivables Evli uses a simplified model and they are not affected by the different level. Expected credit losses for sales receivables are always recognized. The Group has no assets valued at fair value through comprehensive income, and the receivable certificates have not been valued at amortised cost. During the financial year, three transfers from phase 2 to phase 1 were made, totalling EUR 1.3 million. The bank does not have overdue loan payments of more than 90 days.

# Risk management and internal control

New Evli has been a part of the Evli Bank Group and its risks have been managed as a part of the Evli Bank Group's risk management. In the demerger, New Evli will establish a risk management organization of its own and develop own risk management policies. The description of risk management disclosed in this note is based on Evli Bank Plc's approved policies and measures that relate to the businesses that will be transferred to New Evli in the demerger (asset management, custody, clearing and brokerage, corporate finance and support functions).

Evli operates in a constantly changing market environment, which subjects the company to risks caused by changes in the business environment or the company's own operations. Risk management refers to actions that systematically seek to assess, identify, analyse and prevent risks. The objective of risk management is to:

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

## Organization of the control operations

Company's Board of Directors is primarily responsible for company's risk management. The Board of Directors confirms the principles and responsibilities of risk management, the Group's risk limits and other general guidelines according to which the risk management and internal control is organized. The Board has also appointed a credit and asset liability committee (Credalco), which briefs it on risk-taking matters
Evli Group's risk management is founded on the "three lines of defense" model:

1. The first line of defense consists of the business units. The managers of the business units are responsible for ensuring that risk management is at a sufficient level in each respective unit.

2. The second line of defense consists of Risk Control and Compliance functions. The Risk Control function oversees daily operations and compliance with the risk limits granted to the business units, as well as compliance with risk-taking policies and guidelines. The Risk Management function reports on findings to Credalco, the Executive Group and the company's Board of Directors.
   The Compliance function is responsible for ensuring compliance with the rules in all of Evli Group's operations by supporting operating management and the business units in applying the provisions of the law, the official regulations and internal guidelines, and in identifying, managing and reporting on any risks of insufficient compliance with the rules.

3. The third line of defense is Internal Audit. Internal Audit is a body that is independent of business operations, supports the Board of Directors and the senior management, and is organized administratively under the CEO. Internal Audit assesses the functioning of Evli Group's internal control system, the appropriateness and efficiency of its operations, and the compliance with guidelines, through audits that are based on a plan of action for internal auditing that is confirmed annually by the Audit Committee of Evli Bank's Board of Directors.

## Risk management and the largest risks

Evli operates in a constantly changing market environment, which subjects the company to risks caused by changes in the business environment or the company's own operations. The risk factors described below might have a negative impact on the business operations or financial situation of the company, and hence its value. Also, other risks, unknown to Evli at this time, or risks not considered significant at this time, might become significant in the future.
Evli divides risks into three main categories:
1. **Financial risks:** market, credit and liquidity risks
2. **Operational risks**: legal, compliance and information security risks
3. **Strategic risks:** deployment of new products and services and outsourcing of operations.

*Financial risks*
Financial risk is a risk caused by the operating environment of the company and any market changes therein, and the nature of the company's business. Financial risks include market risk that contains equity, currency and interest rate risk as well as credit and liquidity risks.

*Market risks*
Market risk means the risk for losses due to changes in market prices (price risk). Material market risks related to new Evli are more of an undirect nature. Decreasing market prices affect assets under management and therefore commissions fees related to assets under management. Decreasing prices also tend to lead to redemptions from funds and asset management portfolios. During stressed market conditions also the consulting and corporate finance services tend to have less demand.

*Equity risk*
Equity risk means the sensitivity of Evli's profitability and the market value of the balance sheet to changes in the general price level of the stock market. Evli's direct equity risks consist of Corporate Finance operations, the temporary position of the brokerage business and strategic investments.

Most of the strategic investments are private equity funds, in which Evli has either developed the product and/or acted as the distributor, or seed capital investments into Evli Fund Management Company's mutual funds, hedges associated with business operations or difficult-to-sell equities obtained in corporate transactions.

Share-based incentive plans administered under agreement on behalf of clients are implemented by purchasing shares of the client companies in question. Due to contractual arrangements made with clients, this arrangement does not pose an equity market risk to Evli. The credit risks and counterparty risks generated by changes in the market prices are monitored separately. The monitoring procedure is described in the paragraph Credit risks.

To the extent that a public market price is not available, the investment portfolio and the assets of the trading book are valued using theoretical valuation techniques. Information about the methods used in the valuation of the investment instruments is presented in the accounting policies in the financial statements. Instruments measured by theoretical means were recognized entirely through profit or loss during the financial year, because the maturity periods of theoretically measured agreements are short, and the accounting parameters used are primarily based on information from the markets.

Evli's business involves an indirect equity risk resulting from the business operations of Evli Fund Management Company and the Wealth Management and Investor Clients segment. The stock market affects the allocation, size and returns of the capital managed in these business operations.

| carve-out 2021 | | |
|---|---|---|
| Business operations | Market value | Effect of a 20% change in the stock market to the financial result |
| Brokerage | 0,1 | +- 0,0 |
| Strategic investments | 10,3 | +- 2,1 |
| Corporate Finance | - | - |

| carve-out 2020 | | |
|---|---|---|
| Business operations | Market value | Effect of a 20% change in the stock market to the financial result |
| Brokerage | 0,3 | +- 0,1 |
| Strategic investments | 8,8 | +- 1,8 |
| Corporate Finance | - | - |

*Currency risk*
The finance function manages the Group's currency risk. The currency positions as of 31.12.2021 are disclosed more in detail in the section Market risk.

*Interest risk*
Interest risk refers to the sensitivity of the current value in the balance sheet to changes in the general interest rate. Interest risk arises as a result of fixed income investments of the financial activities, trading book, derivatives market-making and strategic investments, which are seed capital investments into Evli Fund Management Company's fixed-income funds.

The basic scenario, (Scenario A) measures the effect on the current value of the balance sheet, if the interest rate changes linearly by one percentage point. Another scenario (Scenario B), which is used for measuring the fixed income investments of the bank's financial activities, measures the effect of the change in the slope of the interest rate curve to the market value in the balance sheet. In Scenario B, the short interest rates change by one percentage point, and at the same time, the over one-year interest rates change in the opposite direction by 0.5 percentage points. The net result from Scenario A and B is added up, and the result indicates the total sensitivity of the financial activities to interest rates. The interest rate risk, taking into account assets and liabilities, was EUR 1.0 million on December 31, 2021. In the other operations the interest risks were not significant.

*Credit risks*
According to Evli´s credit risk strategy, taking credit risks is not Evli's primary source of income, but a consequence of other businesses, and under no circumstances can credit risks endanger Evli's continuity. Credit risks arise from the bank's financial activities, trading book and the counterparty risk of trading.

The credit risk in Evli Bank's financial activities consists of client lending, investments of the financial activities and the counterparty risk of currency/interest rate hedging. The purpose of lending is not to be the primary source of income alone, but lending focuses on the clients of Evli's Wealth Management, and loans must have corresponding collateral. Acceptable collateral includes cash, liquid shares, mutual funds, bonds and structured products. Not all of these products are eligible for deduction in the standard method used by Evli to assess the credit risk. The concentration risk in lending is limited to five million euros per individual client entity.

The counterparty risk of currency and interest hedges is managed with daily collateral management. Only cash qualifies as collateral of the counterparties in currency and interest rate hedging. As a result, the credit risks of financial operations are at a moderate level. The limits of financial operations are set by taking into account, among other factors, the credit rating and geographical location of the issuer.

The credit risks of brokerage activities were low during the reported financial years. The counterparty risk of derivatives operations is managed by means of daily collateral management for standardized and non-standardized derivatives contracts. Evli monitors the size of the counterparties' derivatives positions and, if necessary, limits the size of the derivatives positions of an individual counterparty. Credalco gives its approvals to all counterparties with whom non-standardized derivatives agreements are made. The customer portfolios held by Evli have been set as collateral. Evli, on the other hand, places cash on the marketplace as a guarantee. Clients did not have significant collateral deficits at the turn of the years. The risks of share brokerage clearing were low during the financial years. The amount of matured sales receivables was low and was monitored with a standardized process.

*Liquidity risk*
Liquidity risk can be described with a situation where Evli's liquid assets and funds does not cover the outgoing payments and endangers the going concern of the company.

Lending and investments tie up capital. These are a major part of the tied-up capital in the Group. Working capital is also needed in Brokerage and Derivates operations in order to cover potential settling errors or to meet margin calls in derivates guarantee deposits. The finance function is responsible for managing liquidity risk and risk management function for monitoring it.

The Board of New Evli will approve limits for tied-up capital based on the proposal from the risk committee. Evli must be prepared to secure its funding base meet the limits approved by the Board. The risk management function monitors and reports to Credalco and top management maturity distribution of assets and liabilities, use of capital and liquidity.

*Operational risks*
Operational risks mean a direct or indirect danger or financial loss that is caused by insufficient or failed internal processes, systems, personnel or external factors. Operational risks also include legal risks and compliance and data security risks. Therefore, operational risks are associated with, for example, the management system, operative processes, information systems, individuals and various external factors or threats. Each unit is responsible for managing the operational risks of their respective areas. According to the risk management strategy, all relevant operational risks must be identified and mitigated to such a level that Evli's continuity or profitability is not compromised.

Evli continuously pay special attention to the identification, monitoring and control of operational risks. The business units carry out regular self-assessments of the operational risks of products, services, individuals, operating processes and systems. Evli has prepared a separate group-wide standard operating procedure for identifying, assessing, controlling and reporting operational risks.

*Legal and compliance risks*
Rapid changes in legislation and legal praxis pose challenges to the implementation of guidelines and regulations. Changes often require a lot of time and effort. The primary responsibility for compliance with specific laws and governmental regulations applicable to the different Evli companies always rests with the line management in charge of the function in question. Moreover, Company's Board of Directors has appointed a Compliance Officer, and the Executive Group has designated a Compliance Group whose members represent the various business functions.

*Information security risks*
Company's operations are based to large extent on the utilization of information technology and telecommunications. One of the key objectives of all Company's functions is the efficient, error-free and secure processing of information in a variety of formats. Company handles and stores substantial amounts of information that is designated as confidential under applicable law, guidelines or contracts or otherwise requires special security arrangements. The confidentiality, accuracy and usability of such information must be protected at all times. To manage information risk, it is necessary to ensure that information systems function properly and reliably and to pay particular attention to the correctness of information updated in databases and to the management of access rights.

Information asset owners are primarily responsible for protection of the information assets at Company. Information protection includes the correctness, availability and confidentiality of data. The system administrator is the person who takes care of the technical maintenance tasks required for the system. Company's Information Management is responsible for organizing the maintenance of Company's systems. Technical maintenance is planned and executed in collaboration with the information system owner and its administrator. For this reason, a specific "Information Security Policy" that addresses information security and related procedures has been prepared for the management of operational risks related to information systems and information security. No financial losses were sustained in 2021 as a result of misuse of information systems or disturbances affecting them. In addition to sustaining normal asset protection, Company has comprehensive insurance coverage for liability and criminal losses.

## New products and services

The safe introduction of new products and services requires that, prior to making the final decision on introduction, assurance has been obtained that all units participating in the delivery of the product know their respective duties and that they have made the function in question aware of any operational and other risks involved in launching it on the market. The indirect effects of the realization of risks on the whole Group need to be assessed with particular care. Company uses a standardized procedure concerning the approval and introduction of new products and services.

## Outsourcing operations

The delegation of business operations to agents or other outsourcing of operations does not relieve Company of its responsibilities or obligations. Company has adopted guidelines regarding the principles that must be complied with when Company's business operations are delegated outside the Group. These guidelines ensure that the management and monitoring of operational risks relating to the outsourced functions is arranged in the manner required by the Financial Supervisory Authority.

### *Continuity management*

Company's operations may be threatened by external or internal crises of a physical or other nature. In crisis situations, an organization must:

- be prepared
- have crisis management capability
- have prepared by means of drills.

To ensure operational continuity, each function has a continuity plan. The purpose of continuity planning is to ensure that, in the event of certain threats materializing, it is possible to ensure the safety of Company's clients and employees, to protect tangible and intangible property, to comply with the law and other regulations, to maintain the targeted level of customer service and internal operations and to preserve the trust of stakeholders.

Each continuity plan will include system recovery plans, including guidelines on how to get information systems into operating condition in situations of severe failure, how to continue operations and how to return operations to normal.

Company has compiled a Recovery Plan that complies with official requirements. The coordination of continuity planning is the responsibility of the Group Risk Control unit.

### *Risk monitoring and reporting*

The Group Risk Control unit is responsible for corporate-wide risk reporting, which consists of both numerical and written reports. The reports include at least the following:

1. Daily report to the Executive Group on the utilization of corporate limits
2. Monthly numerical and verbal risk management report and summary of customer exposure and limit utilization to Credalco
3. Quarterly numeric and verbal summary of risks to Evli Bank's Board of Directors
4. Annual operational risk assessment report to the Executive Group and the Board of Directors. In addition, the Compliance function and the internal audit report regularly on risk management matters to the top management.

In addition to this, Compliance and Internal Audit report regularly to the management regarding risk management matters.

*Managing capital adequacy*

An essential element of the regulations is compliance with the solvency requirement set by the regulations and the Internal Capital Adequacy Assessment Process (ICAAP). The capital adequacy regulation is based on the principle that the quantity, quality and allocation of the bank's own assets must be continuously sufficient to cover the material risks applying to the supervised party. It is not possible, however, to use capital to replace deficiencies in the qualitative aspects of risk-bearing capacity. Broadly speaking, risk-bearing capacity includes not only capital and profitability, but also reliable management, well organized internal control and risk management.

Company's Board of Directors has set a target of maintaining at least a 13.0 percent BIS capital adequacy. This target is monitored by means of the Group Risk Control´s monthly reports to the Board of Directors, the Executive Group and Credalco. Company's internal capital adequacy management calculations are updated as deemed necessary by the management. However, this updating takes place at least once a year as part of strategic planning during the budgetary process.

## GENERAL INFORMATION ON CREDIT AND DILUTION RISK (STANDARD MODEL)

Lending, exposure per geographic area and non-performing credits

| 2021 | Lending stock | Average remaining maturity years | Overdue by at least 90 days | Impaired loans |
|---|---|---|---|---|
| **Exposure and home country** | | | | |
| Private Persons Finland | 56,4 | 1,1 | 0,0 | 0,0 |
| Corporations Finland | 23,8 | 1,5 | 0,0 | 0,0 |
| Other sectors Finland | 0,0 | 0,0 | 0,0 | 0,0 |
| Private persons EU countries | 2,9 | 1,3 | 0,0 | 0,0 |
| Corporations EU countries | 1,3 | 0,3 | 0,0 | 0,0 |
| Private persons other countries | 3,1 | 1,2 | 0,0 | 0,0 |
| Total | 87,4 | 1,2 | 0,0 | 0,0 |

| 2020 | Lending stock | Average remaining maturity years | Overdue by at least 90 days | Impaired loans |
|---|---|---|---|---|
| **Exposure and home country** | | | | |
| Private Persons Finland | 70,9 | 1,5 | 0,0 | 0,0 |
| Corporations Finland | 27,9 | 2,0 | 0,0 | 0,0 |
| Other sectors Finland | 0,0 | 0,0 | 0,0 | 0,0 |
| Private persons EU countries | 3,9 | 1,9 | 0,0 | 0,0 |
| Corporations EU countries | 3,4 | 0,8 | 0,0 | 0,0 |
| Private persons other countries | 2,6 | 1,3 | 0,0 | 0,0 |
| Total | 108,7 | 1,6 | 0,0 | 0,0 |

| Exposure by risk weight, credit risk standard model<br>2021 | | | | |
|---|---|---|---|---|
| | Original exposure value | Credit risk reducing collateral | Exposure value after credit risk deductions | Risk-weighted value |
| Risk weight -% | | | | |
| 0 | 384,4 | 0,0 | 384,4 | 0,0 |
| 20 | 111,5 | 0,0 | 111,5 | 22,3 |
| 35 | 0,7 | 0,0 | 0,7 | 0,2 |
| 50 | 24,4 | 0,0 | 24,4 | 12,2 |
| 76 | 13,7 | 0,0 | 13,7 | 10,5 |
| 100 | 197,0 | -20,2 | 166,3 | 166,3 |
| 150 | 8,0 | 0,0 | 8,0 | 12,0 |
| Other | 5,4 | 0,0 | 5,4 | 8,0 |
| Exposure by risk weight, total | 745,2 | -20,2 | 714,5 | 231,5 |
| Credit value adjustment | 1,2 | 0,0 | 1,2 | 1,2 |
| Total | 746,4 | -20,2 | 715,7 | 232,7 |

| 2020 | | | | |
|---|---|---|---|---|
| | Original exposure value | Credit risk reducing collateral | Exposure value after credit risk deductions | Risk-weighted value |
| Risk weight -% | | | | |
| 0 | 340,2 | 0,0 | 340,2 | 0,0 |
| 20 | 140,3 | -0,7 | 139,5 | 27,9 |
| 35 | 3,1 | 0,0 | 3,1 | 1,1 |
| 50 | 11,4 | 0,0 | 11,4 | 5,7 |
| 76 | 15,2 | 0,0 | 15,2 | 11,6 |
| 100 | 244,5 | -77,3 | 165,9 | 165,9 |
| 150 | 0,9 | 0,0 | 0,9 | 1,3 |
| Exposure by risk weight, total | 755,6 | -78,0 | 676,2 | 213,4 |
| Credit value adjustment | 1,4 | 0,0 | 1,4 | 1,4 |
| Total | 757,0 | -78,0 | 677,6 | 214,8 |

## Techniques to reduce credit risk

The valuation of collateral uses the credit and asset liability committee, Credalco's approved collateral factors that are based on the collateral's realizability and susceptibility to changes in value. The goal is to receive liquid collateral, which can also be used as risk-reducing collateral in the capital adequacy calculations. Credalco decides the maximum amount of illiquid collateral which can be accepted per customer. Only in certain special cases, can the Bank deviate from the normal process for accepting collateral.

Principal real collateral types used in capital adequacy calculation:

• Residential property collateral
• Cash deposits
• Bonds issued by Evli

Evli does not use master netting agreements or similar agreements in capital adequacy calculation

| Exposures hedged with approved collateral in capital adequacy calculation | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Mortgages | 0,7 | 3,1 |
| Other credits | 20,2 | 26,4 |
| Counterparty exposure of OTC derivatives hedged with collateral | 38,3 | 51,6 |

## CREDIT RISK (COUNTERPARTY RISK)

| CREDIT RISK (COUNTERPARTY RISK) | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Positive fair value of OTC derivatives in the financial statement | 26,4 | 52,2 |
| The derivatives comprise equity, currency and fixed income derivatives | | |
| Collateral reducing counterparty risk in capital adequacy calculations | 38,3 | 51,6 |
| After the collateral-reducing effect the credit countervalue of derivatives totalled | 74,9 | 47,1 |

| 2021 | Exchange traded derivatives nominal value | Exchange traded derivatives fair value | OTC derivatives nominal value | OTC derivatives fair value |
|---|---|---|---|---|
| Derivatives assets | 0,0 | 0,0 | 2 066,1 | 26,4 |
| Derivatives liabilities | 0,0 | 0,0 | 2 096,8 | -26,3 |

| 2020 | Exchange traded derivatives nominal value | Exchange traded derivatives fair value | OTC derivatives nominal value | OTC derivatives fair value |
|---|---|---|---|---|
| Derivatives assets | 0,0 | 0,0 | 2 301,7 | 52,2 |
| Derivatives liabilities | 0,0 | 0,0 | 2 394,7 | -52,0 |

## MARKET RISK

| 6.4 MARKET RISK | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Minimum capital adequacy requirement, trading book | | |
| Position risk total | 0,0 | 0,1 |
| Position risk equity instruments | 0,0 | 0,1 |
| Position risk debt instruments | 0,0 | 0,0 |
| Settlement risk | 0,0 | 0,0 |
| | | |
| Minimum requirement for the currency risk of all operations | 0,6 | 0,4 |
| Total | 0,6 | 0,5 |
| | | |
| Net positions in trading book, equity instruments | | |
| Long net positions | 0,0 | 0,1 |
| Short net positions | 0,0 | -0,4 |
| Net total | 0,0 | -0,3 |
| | | |
| Net positions in trading book, debt instruments | | |
| Long net positions | 0,1 | 0,4 |
| Short net positions | 0,0 | 0,0 |
| Net total | 0,1 | 0,4 |
| | | |
| Net positions in currencies | | |
| Swedish krona | 6,0 | 4,0 |
| US dollar | 0,3 | -2,1 |
| Danish krona | 0,0 | 0,0 |
| Pound sterling | 0,1 | -0,3 |
| Japanese yen | 0,0 | 0,0 |
| Norwegian krone | 0,2 | -0,1 |
| Swiss franc | -0,6 | 0,0 |
| Other currency position | 0,1 | 0,3 |
| Total net position | 6,3 | 1,8 |

## Operational risk

The method applied in the capital adequacy calculations is the basic indicator approach, which is based on the Group's revenues for the previous three years. The capital requirement is 15 percent of the average revenue from the previous three calendar years.

## Shares and participations outside the trading book

| Type of investment | 2021 | 2020 |
|---|---|---|
| Private equity funds | 1,8 | 0,9 |
| Real estate funds | 5,4 | 6,1 |
| Unlisted shares | 0,2 | 0,3 |
| Mutual funds | 42,1 | 49,9 |
| Listed shares | 0,0 | 0,0 |
| Total | 49,6 | 57,2 |

Shares and participations in the banking book are measured at fair value through profit or loss.
The value of the investments in the financial statements as at 31.12.2021 was EUR 49.6 million, which is the fair value of the investments.

Private equity funds, real estate funds and mutual funds have been valued by applying the last known fair value from the funds' management companies. Listed shares are related to share based compensation programs and does not affect the market risk of the group. The fair value of unlisted shares is estimated primarily by using the share's net asset value or a cash flow analysis based on future outlooks. If no better estimate of the fair value is available, the acquisition price can be used as the fair value.

## VALUE OF FINANCIAL INSTRUMENTS ACROSS THE THREE LEVELS OF THE FAIR VALUE HIERARCHY

| carve-out 2021 | | | | |
|---|---|---|---|---|
| Financial assets: | Level 1 | Level 2 | Level 3 | Total |
| Shares and participations classified as held for trading | 0,0 | 0,0 | 0,0 | **0,0** |
| Shares and participations, other | 42,2 | 0,0 | 7,4 | **49,6** |
| Debt securities eligible for refinancing with central banks | 0,0 | 0,0 | 0,0 | **0,0** |
| Debt securities | 0,0 | 0,3 | 0,4 | **0,7** |
| Positive market values from derivatives | 0,0 | 24,1 | 2,3 | **26,4** |
| **Total financial assets held at fair value** | **42,2** | **24,3** | **10,1** | **76,6** |
| | | | | |
| Financial liabilities: | 0,0 | 0,0 | 0,0 | **0,0** |
| Shares and participations classified as held for trading (liability) | 0,0 | 24,0 | 2,3 | **26,3** |
| **Negative market values from derivatives** | **0,0** | **24,0** | **2,3** | **26,3** |

| carve-out 2020 | | | | |
|---|---|---|---|---|
| Financial assets: | Level 1 | Level 2 | Level 3 | Total |
| Shares and participations classified as held for trading | 0,1 | 0,0 | 0,0 | **0,1** |
| Shares and participations, other | 49,9 | 0,0 | 7,2 | **57,2** |
| Debt securities eligible for refinancing with central banks | 0,0 | 0,0 | 0,0 | **0,0** |
| Debt securities | 0,3 | 0,3 | 1,2 | **1,8** |
| Positive market values from derivatives | 0,0 | 51,1 | 1,1 | **52,2** |
| **Total financial assets held at fair value** | **50,3** | **51,4** | **9,5** | **111,2** |
| | | | | |
| Financial liabilities: | | | | |
| Shares and participations classified as held for trading (liability) | 0,4 | 0,0 | 0,0 | **0,4** |
| Negative market values from derivatives | 0,0 | 50,9 | 1,1 | **52,0** |
| **Total financial liabilities held at fair value** | **0,4** | **50,9** | **1,1** | **52,5** |

# Other notes

## MATURITIES OF FINANCIAL ASSETS AND LIABILITIES

| | carve-out 2021<br>Maturity: less than 3 months | Maturity: 3-12 months | Maturity: 1-5 years | Maturity: 5-10 years | Maturity: over 10 years | Total |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Financial assets at amortized cost | | | | | | |
| Cash and cash equivalents | 0,0 | - | - | - | - | 0,0 |
| Claims on credit institutions | 47,8 | - | - | - | - | 47,8 |
| Claims on the public and public sector entities | 23,6 | 21,6 | 42,2 | - | - | 87,4 |
| Financial assets at fair value through profit or loss | | | | | | |
| Debt securities eligible for refinancing with central banks | - | - | - | - | - | 0,0 |
| Debt securities | - | - | 0,4 | 0,4 | - | 0,7 |
| Shares and participations | 42,7 | 3,0 | 0,5 | 2,8 | 0,6 | 49,6 |
| Derivative contracts | 23,9 | 0,7 | 1,9 | - | - | 26,4 |
| Accrued interest | 0,1 | 0,1 | - | - | - | 0,2 |
| Other assets | 127,1 | - | - | - | - | 127,1 |
| | | | | | | |
| Liabilities | | | | | | |
| Financial liabilities at amortized cost | | | | | | |
| Liabilities to credit institutions | 8,6 | - | - | - | - | 8,6 |
| Liabilities to the public and public sector entities | 0,0 | - | - | - | - | 0,0 |
| Debt securities issued to the public | 0,9 | 10,7 | 75,2 | 4,2 | - | 91,0 |
| Financial liabilities at fair value through profit or loss | 23,7 | 0,7 | 1,9 | - | - | 26,3 |
| Accrued interest, debt | 0,0 | - | - | - | - | 0,0 |
| Other liabilities | 105,4 | - | - | - | - | 105,4 |
| Off-balance sheet commitments | 12,0 | 6,0 | 3,1 | - | - | 21,1 |
| Right-of-use liabilities | 0,2 | 1,7 | 5,7 | - | - | 7,6 |

| | carve-out 2020<br>Maturity: less than 3 months | Maturity: 3-12 months | Maturity: 1-5 years | Maturity: 5-10 years | Maturity: over 10 years | Total |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Financial assets at amortized cost | | | | | | |
| Cash and cash equivalents | 0,0 | - | - | - | - | 0,0 |
| Claims on credit institutions | 28,0 | - | - | - | - | 28,0 |
| Claims on the public and public sector entities | 4,9 | 22,7 | 80,4 | 0,7 | - | 108,7 |
| Financial assets at fair value through profit or loss | | | | | | |
| Debt securities eligible for refinancing with central banks | - | - | - | - | - | 0,0 |
| Debt securities | 0,3 | - | 1,1 | 0,4 | - | 1,8 |
| Shares and participations | 50,6 | 0,8 | 3,3 | 2,5 | 0,1 | 57,3 |
| Derivative contracts | 51,1 | 0,0 | 1,0 | - | - | 52,2 |
| Accrued interest | 0,1 | 0,1 | - | - | - | 0,2 |
| Other assets | 154,4 | - | - | - | - | 154,4 |
| | | | | | | |
| Liabilities | | | | | | |
| Financial liabilities at amortized cost | | | | | | |
| Liabilities to credit institutions | 24,8 | - | - | - | - | 24,8 |
| Liabilities to the public and public sector entities | -0,0 | - | - | - | - | 0,0 |
| Debt securities issued to the public | 1,0 | 1,8 | 116,0 | 2,2 | - | 121,1 |
| Financial liabilities at fair value through profit or loss | 51,4 | 0,0 | 1,0 | - | - | 52,5 |
| Accrued interest, debt | 0,1 | - | - | - | - | 0,1 |
| Other liabilities | 137,0 | - | - | - | - | 137,0 |
| Off-balance sheet commitments | 5,4 | 3,3 | 6,3 | - | - | 15,1 |
| Right-of-use liabilities | 0,6 | 1,7 | 6,0 | 1,4 | - | 9,7 |

# ASSETS AND LIABILITIES DENOMINATED IN DOMESTIC AND FOREIGN CURRENCY

| | Carve-out 2021 | | |
|---|---|---|---|
| | Domestic currency | Foreign currency | Total |
| Assets | | | |
| Financial assets at amortized cost | | | |
| Cash and cash equivalents | - | - | - |
| Claims on credit institutions | 42,3 | 5,6 | 47,8 |
| Claims on the public and public sector entities | 87,4 | - | 87,4 |
| Financial assets at fair value through profit or loss | | | |
| Debt securities eligible for refinancing with central banks | - | - | - |
| Debt securities | 0,7 | - | 0,7 |
| Shares and participations | 48,4 | 1,1 | 49,6 |
| Derivative contracts | 26,1 | 0,3 | 26,4 |
| Other asset items | 154,5 | 1,8 | 156,3 |
| Total | 359,4 | 8,8 | 368,2 |
| Liabilities | | | |
| Financial liabilities at amortized cost | | | |
| Liabilities to credit institutions | 8,6 | - | 8,6 |
| Liabilities to the public and public sector entities | - | - | - |
| Debt securities issued to the public | 91,0 | - | 91,0 |
| Financial liabilities at fair value through profit or loss | 26,0 | 0,3 | 26,3 |
| Other liabilities items | 137,4 | 2,8 | 140,2 |
| Total | 263,0 | 3,1 | 266,1 |

| | Carve-out 2020 | | |
|---|---|---|---|
| | Domestic currency | Foreign currency | Total |
| Assets | | | |
| Financial assets at amortized cost | | | |
| Cash and cash equivalents | 0,0 | - | 0,0 |
| Claims on credit institutions | 22,6 | 5,5 | 28,0 |
| Claims on the public and public sector entities | 108,7 | - | 108,7 |
| Financial assets at fair value through profit or loss | | | |
| Debt securities eligible for refinancing with central banks | - | - | - |
| Debt securities | 1,8 | - | 1,8 |
| Shares and participations | 57,1 | 0,2 | 57,3 |
| Derivative contracts | 51,9 | 0,2 | 52,2 |
| Other asset items | 166,3 | 22,5 | 188,8 |
| Total | 408,4 | 28,3 | 436,7 |
| Liabilities | | | |
| Financial liabilities at amortized cost | | | |
| Liabilities to credit institutions | 24,8 | - | 24,8 |
| Liabilities to the public and public sector entities | 0,0 | - | 0,0 |
| Debt securities issued to the public | 121,1 | - | 121,1 |
| Financial liabilities at fair value through profit or loss | 51,8 | 0,7 | 52,5 |
| Other liabilities items | 137,8 | 22,3 | 160,1 |
| Total | 335,5 | 23,0 | 358,5 |

## ANALYSIS OF FINANCIAL INSTRUMENTS CATEGORIZED IN LEVEL 3

| | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Financial assets: | | |
| Shares and participations classified as held for trading | - | - |
| Unlisted shares and participations | 0,2 | 0,3 |
| Venture capital funds and real estate funds | 7,2 | 7,0 |
| Debt securities | 0,4 | 1,2 |
| Quoted equity derivatives | - | - |
| OTC equity derivatives | 2,3 | 1,1 |
| Total financial assets held at fair value | 10,1 | 9,5 |
| | | |
| Financial liabilities: | | |
| Shares and participations classified as held for trading | - | - |
| Quoted equity derivatives | - | - |
| OTC equity derivatives | 2,3 | 1,1 |
| Total financial liabilities held at fair value | 2,3 | 1,1 |

## Changes during the year, considering level 3 categorized instruments:

| | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Financial Assets | | |
| Shares and participations classified as held for trading-Initial Balance | - | - |
| Shares and participations classified as held for trading-Purchases | - | - |
| Shares and participations classified as held for trading-Sales | - | - |
| Shares and participations classified as held for trading-Valuation changes | - | - |
| Shares and participations classified as held for trading | - | - |
| | | |
| Unlisted shares and participations-Initial Balance | 0,3 | 0,4 |
| Unlisted shares and participations-Purchases | 0,0 | 0,0 |
| Unlisted shares and participations-Sales | - | - |
| Unlisted shares and participations-Valuation changes | -0,0 | -0,1 |
| Unlisted shares and participations | 0,2 | 0,3 |
| | | |
| Venture capital funds and real estate funds-Initial Balance | 7,0 | 6,1 |
| Venture capital funds and real estate funds-Purchases | 0,9 | 0,3 |
| Venture capital funds and real estate funds-Sales | -1,3 | - |
| Venture capital funds and real estate funds-Valuation changes | 0,6 | 0,6 |
| Venture capital funds and real estate funds | 7,2 | 7,0 |
| | | |
| Debt securities-Initial Balance | 1,2 | 3,6 |
| Debt securities-Purchases | - | 0,1 |
| Debt securities-Sales | -0,6 | -2,0 |
| Debt securities-Valuation changes | -0,2 | -0,6 |
| Debt securities | 0,4 | 1,2 |
| | | |
| OTC equity derivatives-Initial Balance | 1,1 | 4,5 |
| OTC equity derivatives-Purchases | - | - |
| OTC equity derivatives-Sales | -0,1 | -0,5 |
| OTC equity derivatives-Valuation changes | 1,3 | -2,9 |
| OTC equity derivatives | 2,3 | 1,1 |
| | | |
| Financial liabilities | | |
| | | |
| Shares and participations classified as held for trading-Initial Balance | - | - |
| Shares and participations classified as held for trading-Purchases | - | - |
| Shares and participations classified as held for trading-Sales | - | - |
| Shares and participations classified as held for trading-Valuation changes | - | - |
| Shares and participations classified as held for trading | - | - |
| | | |
| OTC equity derivatives-Initial Balance | 1,1 | 4,5 |
| OTC equity derivatives-Purchases | - | - |
| OTC equity derivatives-Sales | -0,1 | -0,5 |
| OTC equity derivatives-Valuation changes | 1,3 | -2,9 |
| OTC equity derivatives | 2,3 | 1,1 |

## Sensitivity analysis for level 3 instruments; effect of measurements to fair values

### Derivative contracts

If the volatility estimate in the options pricing model for level 3 categorized options, is changed to a publicly available historical volatility (3 months), the options market value would change by net EUR 0.0 million. Volatility is the standard deviation or variability of the price of the underlying instrument for a given time period.

### Shares and participations

When determining the fair value of unquoted instruments Evli uses estimates of the company's future cash flows and trends. The estimates are based on conservative estimates, and the use of other realistic alternative scenarios would not change the fair value estimates significantly. For real estate funds, there are uncertainty factors related to the valuation of real estate that have an impact on the fund's NAV. The total impact on fair value in the share and participations group is under EUR -0.8 million.

### Debt securities

The return requirements used in the pricing of unquoted bonds correspond to the returns of instruments with similar risk levels and characteristics. If the discount rate used is raised by 1 percentage unit, the fair value will decline in total by less than EUR 0.1 million

## UNREALIZED PROFIT/LOSS FOR FINANCIAL INSTRUMENTS CATEGORIZED IN LEVEL 3

| | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Financial assets | | |
| Unrealized P/L shares in trading book | - | - |
| Unrealized P/L other shares | 1,0 | 0,9 |
| Unrealized P/L Debt securities | -1,4 | -1,2 |
| Unrealized P/L Derivatives | 2,3 | 1,0 |
| Unrealized P/L at year-end, financial assets | 1,9 | 0,6 |
| | | |
| Financial liabilities | | |
| Unrealized P/L Shares in trading book liabilities | - | - |
| Unrealized P/L Derivatives liabilities | -2,3 | -1,0 |
| Unrealized P/L at year-end, financial liabilities | -2,3 | -1,0 |
| | | |
| Unrealised profit/loss total, level 3 instruments | -0,4 | -0,4 |

Total unrealized profit is recorded in net income from securities transactions.

## CLASSIFICATION ON FINANCIAL INSTRUMENTS

| | Carve-out 2021 | | | | |
|---|---|---|---|---|---|
| | Financial assets measured at amortized cost | Fair value through profit and loss | Fair valued through comprehensive income | Other assets | Total |
| Assets | | | | | |
| Cash and cash equivalents | - | - | - | 0,0 | 0,0 |
| Claims on credit institutions | 47,8 | - | - | 0,0 | 47,8 |
| Claims on the public and public sector entities | 87,4 | - | - | 0,0 | 87,4 |
| Debt securities eligible for refinancing with central banks | - | - | - | 0,0 | 0,0 |
| Debt securities | - | 0,7 | - | 0,0 | 0,7 |
| Shares and participations | - | 49,6 | - | 0,0 | 49,6 |
| Derivative contracts | - | 26,4 | - | 0,0 | 26,4 |
| Shares and participations in associates | - | - | - | 4,0 | 4,0 |
| Intangible assets and goodwill | - | - | - | 13,8 | 13,8 |
| Property, plant and equipment | - | - | - | 1,2 | 1,2 |
| Other assets | - | - | - | 127,1 | 127,1 |
| Leasing assets | - | - | - | 7,6 | 7,6 |
| Accrued income and prepayments | - | - | - | 2,3 | 2,3 |
| Income tax receivables | | | | 0,1 | 0,1 |
| Deferred tax assets | - | - | - | 0,1 | 0,1 |
| Total | 135,3 | 76,7 | - | 156,3 | 368,3 |

| | Carve-out 2021 | | | |
|---|---|---|---|---|
| | Valued at amortized cost | Fair valued through profit and loss | Other debt | Total |
| Liabilities | | | | |
| Liabilities to credit institutions and central banks | 8,6 | - | - | 8,6 |
| Liabilities to the public and public sector entities | - | - | - | 0,0 |
| Debt securities issued to the public | 91,0 | - | - | 91,0 |
| | | | | |
| Financial liabilities at fair value through profit or loss | - | 26,3 | - | 26,3 |
| Other liabilities | - | - | 105,4 | 105,4 |
| Accrued expenses and deferred income | - | - | 29,3 | 29,3 |
| Income tax liability | - | - | 5,5 | 5,5 |
| Deferred tax liabilities | - | - | 0,0 | 0,0 |
| Total | 99,6 | 26,3 | 140,2 | 266,1 |

| | Carve-out 2020 | | | | |
|---|---|---|---|---|---|
| | Financial assets measured at amortized cost | Fair value through profit and loss | Fair valued through comprehensive income | Other assets | Total |
| Assets | | | | | |
| Cash and cash equivalents | 0,0 | - | - | 0,0 | 0,0 |
| Claims on credit institutions | 28,0 | - | - | 0,0 | 28,0 |
| Claims on the public and public sector entities | 108,7 | - | - | 0,0 | 108,7 |
| Debt securities eligible for refinancing with central banks | - | - | - | 0,0 | 0,0 |
| Debt securities | - | 1,8 | - | 0,0 | 1,8 |
| Shares and participations | - | 57,3 | - | 0,0 | 57,3 |
| Derivative contracts | - | 52,2 | - | 0,0 | 52,2 |
| Shares and participations in associates | - | - | - | 4,2 | 4,2 |
| Intangible assets and goodwill | - | - | - | 16,0 | 16,0 |
| Property, plant and equipment | - | - | - | 1,3 | 1,3 |
| Other assets | - | - | - | 154,4 | 154,4 |
| Leasing assets | - | - | - | 9,7 | 9,7 |
| Accrued income and prepayments | - | - | - | 2,7 | 2,7 |
| Income tax receivables | | | | 0,5 | 0,5 |
| Deferred tax assets | - | - | - | 0,1 | 0,1 |
| Total | 136,8 | 111,2 | - | 188,8 | 436,7 |

| | Carve-out 2020 | | | |
|---|---|---|---|---|
| | Valued at amortized cost | Fair valued through profit and loss | Other debt | Total |
| Liabilities | | | | |
| Liabilities to credit institutions and central banks | 24,8 | - | - | 24,8 |
| Liabilities to the public and public sector entities | - | - | - | 0,0 |
| Debt securities issued to the public | 121,1 | - | - | 121,1 |
| Financial liabilities at fair value through profit or loss | - | 52,5 | - | 52,5 |
| Other liabilities | - | - | 137,0 | 137,0 |
| Accrued expenses and deferred income | - | - | 21,3 | 21,3 |
| Income tax liability | - | - | 1,8 | 1,8 |
| Deferred tax liabilities | - | - | - | 0,0 |
| Total | 145,9 | 52,5 | 160,1 | 358,5 |

## SECURITIES LENDING

| | Carve-out 2021 | Carve-out 2020 |
|---|---|---|
| Market value of securities lending at 31.12., lent in | 2,3 | 2,8 |
| Market value of securities lending at 31.12., lent out | 0,0 | 0,0 |

## FAIR VALUES AND BOOK VALUES OF FINANCIAL ASSETS AND LIABILITIES

| | Carve-out 2021 | | Carve-out 2020 | |
|---|---|---|---|---|
| | Book value | Fair Value | Book value | Fair Value |
| Financial assets | | | | |
| Liquid assets | - | - | 0,0 | 0,0 |
| Debt securities eligible for refinancing with central banks | - | - | - | - |
| Claims on credit institutions | 47,8 | 47,8 | 28,0 | 28,0 |
| Claims on the public and public sector entities | 87,4 | 87,4 | 108,7 | 108,7 |
| Debt securities | 0,7 | 0,7 | 1,8 | 1,8 |
| Shares and participations | 49,6 | 49,6 | 57,3 | 57,3 |
| Derivative contracts | 26,4 | 26,4 | 52,2 | 52,2 |
| | - | - | - | - |
| Financial liabilities | | | | |
| Liabilities to credit institutions and central banks | 8,6 | 8,6 | 24,8 | 24,8 |
| Liabilities to the public and public sector entities | - | - | - | - |
| Debt securities issued to the public | 91,0 | 90,2 | 121,1 | 119,8 |
| Derivative contracts and other liabilities held for trading | 26,3 | 26,3 | 52,5 | 52,5 |

## ASSETS PLEDGED AS COLLATERAL

| | | Carve-out 2021 | |
|---|---|---|---|
| | Fair value of encumbered assets | Fair value of unencumbered assets | of which usable as collateral |
| ASSETS | | | |
| Liquid assets and Central Bank deposits | - | - | - |
| Debt securities eligible for refinancing with central banks | - | - | - |
| Claims on credit institutions | - | 47,8 | 47,8 |
| Claims on the public and public sector entities | - | 87,4 | - |
| Debt securities | - | 0,7 | - |
| Shares and participations | - | 49,6 | - |
| Other assets | 39,0 | 88,1 | - |
| Total | 39,0 | 273,7 | 47,8 |

| Usage of collateral | carve-out 2021 |
|---|---|
| Marketplace collateral, stock- and derivatives trades | 1,6 |
| Collateral for OTC derivatives trades | 34,7 |
| Collateral for securities lending | 2,7 |
| Bank Of Finland, collateral for daily limit account | - |
| Total | 39,0 |

| Received collateral | |
|---|---|
| LIABILITIES | carve-out 2021 |
| Received cash | 38,3 |

| | Carve-out 2020 Fair value of encumbered assets | Fair value of unencumbered assets | of which usable as collateral |
|---|---|---|---|
| ASSETS | | | |
| Liquid assets and Central Bank deposits | - | - | - |
| Debt securities eligible for refinancing with central banks | - | - | - |
| Claims on credit institutions | - | 28,0 | 28,0 |
| Claims on the public and public sector entities | - | 108,7 | - |
| Debt securities | - | 1,8 | - |
| Shares and participations | - | 57,3 | - |
| Other assets | 60,1 | 94,3 | 20,6 |
| Total | 60,1 | 290,1 | 48,6 |

| Usage of collateral | carve-out 2020 |
|---|---|
| Marketplace collateral, stock- and derivatives trades | 10,0 |
| Collateral for OTC derivatives trades | 47,3 |
| Collateral for securities lending | 2,8 |
| Bank Of Finland, collateral for daily limit account | - |
| Total | 60,1 |

| Received collateral | |
|---|---|
| LIABILITIES | carve-out 2020 |
| Received cash | 53,3 |

## ASSETS UNDER MANAGEMENT

| Assets under management at Evli Group as of 31 December | Carve-out 2021 | Carve-out 2020 |
|---|---|---|
| Gross | 18 170,0 | 15 059,0 |
| Net | 15 190,0 | 12 395,0 |
| | | |
| Assets under management on the basis of power of attorney | | |
| Discretionary asset management | 5 870,0 | 5 024,0 |
| Consultative asset management | 100,0 | 162,0 |
| Total | 5 970,0 | 5 186,0 |

# Consolidation

Evli own 50% of the shares Northern Horizon Capital A/S, which entitles to 45% of the votes in the AGM according to the shareholder’s agreement. Evli due not have control of the company. Nordic Horizon A/C is consolidated as an associated company according to the equity method. addition, Evli owns 30 per cent of Ahti Invest Oy. The holding was acquired in December 2021 and consolidated at cost.

Non-controlling interests in the Group financial statements are related to the following subsidiaries: Evli Corporate Finance AB, Terra Nova Capital Advisors Ltd, Evli Research Partners Oy, Evli Investment Solutions Oy, Evli Alexander Incentives Ltd, EAI Residential Partners Oy, Evli Private Equity Partners Ltd, EGP, Evli HC I GP Ltd , EGP General Partner Oy, EGP General Partner II Oy , Evli Infrastructure Partners Oy, Evli Private Equity III GP Oy, Evli Private Debt I GP Oy ja Evli Residential II GP Oy.

| | | carve-out 2021 | |
|---|---|---|---|
| **Non-controlling interest** | **ORIGIN** | **OWNERSHIP%** | **VOTES %** |
| Evli Corporate Finance AB | Sweden | 47,9 | 47,9 |
| Terra Nova Capital Adv | UAE | 45 | 45 |
| Evli Research Partners Ltd | Finland | 30 | 30 |
| Evli Investment Solutions Oy | Finland | 15 | 15 |
| EAI Residential Partners Ltd | Finland | 25 | 25 |
| Evli Private Equity Partners Oy | Finland | 20 | 20 |
| Evli HC I GP Oy | Finland | 18 | 18 |
| EGP General Partner Oy | Finland | 30 | 30 |
| Evli Infrastructure Partners Oy | Finland | 18 | 18 |
| Evli Alexander Incentives Ltd | Finland | 35 | 35 |
| Evli Private Debt I Gp Oy | Finland | 15 | 15 |
| Evli Residential II GP Oy | Finland | 30 | 30 |
| Evli Private Equity III GP Oy | Finland | 7,5 | 7,5 |
| EGP General Partner II Oy | Finland | 30 | 30 |
| **Associated companies** | | | |
| Northern Horizon Capital A/S | Denmark | 50 | 45 |
| Ahti Invest Oy | Finland | 30 | 30 |

## Financial performance in companies with non-controlling owners

| carve-out 2021 | | | | |
|---|---|---|---|---|
| Company | Assets | Liabilities | Profit/Loss for financial year | Dividends paid to non-controlling interest |
| Evli Corporate Finance AB | 6,7 | 2,1 | 4,8 | |
| Terra Nova Capital Advisors Ltd | 0,3 | 0,1 | 4,0 | 1,7 |
| Evli Research Partners Ltd | 0,4 | 0,2 | 0,0 | 0,0 |
| Evli Investment Solutions Oy | 1,2 | 0,1 | 1,1 | 0,2 |
| EAI Residential Partners Oy | 0,7 | 0,1 | 0,5 | 0,1 |
| Evli Private Equity Partners Oy | 0,7 | 0,0 | 1,7 | 0,4 |
| Evli HC I GP Oy | 0,5 | 0,4 | 0,0 | |
| EGP General Partner Oy | 0,6 | 0,1 | 0,5 | 0,2 |
| Evli Infrastructure Partners Oy | 0,0 | 0,0 | 0,4 | 0,0 |
| Evli Alexander Incentives Ltd | 7,3 | 3,1 | 2,8 | 0,4 |
| Evli Private Debt I Gp Oy | 0,0 | 0,0 | -0,1 | 0,0 |
| Evli Residential II GP Oy | 0,1 | 0,0 | 0,0 | 0,0 |
| Evli Private Equity III GP Oy | 0,0 | 0,0 | 0,0 | 0,0 |
| EGP General Partner II Oy | 0,4 | 0,1 | 0,2 | 0,0 |

| carve-out 2020 | | | | |
|---|---|---|---|---|
| Company | Assets | Liabilities | Profit/Loss for financial year | Dividends paid to non-controlling interest |
| Evli Corporate Finance AB | 1,6 | 1,7 | -0,2 | 0,5 |
| Terra Nova Capital Advisors Ltd | 1,2 | 0,2 | 1,0 | 0,0 |
| Evli Research Partners Ltd | 0,5 | 0,2 | 0,2 | 0,1 |
| Evli Investment Solutions Oy | 1,5 | 0,0 | 1,4 | 0,2 |
| EAI Residential Partners Oy | 0,5 | 0,1 | 0,3 | 0,1 |
| Evli Private Equity Partners Oy | 1,1 | 0,3 | 0,7 | 0,0 |
| Evli HC I GP Oy | 0,5 | 0,4 | 0,0 | 0,0 |
| EGP General Partner Oy | 0,9 | 0,3 | 0,6 | 0,2 |
| Evli Infrastructure Partners Oy | 0,2 | 0,1 | -0,1 | 0,0 |
| Evli Alexander Incentives Ltd | 7,8 | 1,5 | 1,8 | 0,1 |

| Shares and participations in associates and joint ventures | carve-out 2021 | carve-out 2020 |
|---|---|---|
| At the beginning of the period | 4,2 | 3,8 |
| Share of profit/loss | 0,5 | 0,0 |
| Additions | 1,0 | 0,3 |
| Disposals | -1,7 | 0,0 |
| **At the end of the period** | **4,0** | **4,2** |

| Holdings in consolidated associated companies | carve-out 2021 | carve-out 2020 |
|---|---|---|
| Company name | Northern Horizon Capital A/S | Northern Horizon Capital A/S |
| Domicile | Denmark | Denmark |
| Assets | 6,7 | 8,3 |
| Liabilities | 1,3 | 1,0 |
| Revenue | 6,4 | 6,2 |
| Profit/Loss | 1 | 0,4 |
| Profit adjustment | 0 | -0,2 |
| Evli's share of profit/loss | 0,5 | 0,0 |
| Ownership (%) | 50 | 50 |

## Related parties

Evli Bank Plc, subsidiaries and associated companies belong to Evli's related parties. Also the management, their immediate family members, companies controlled by management or by their immediate family members and the board members of subsidiaries belong to related parties.

Information regarding salaries and benefits to management are presented in note 8.

The transactions between management and the company are typical transactions between an investment firm and its clients. Receivables from management consist of loans issued by normal terms. The arrangements between management and the company do not differ in terms from other arrangements between Evli and its other clients.

The business transactions new Evli has conducted with Evli Bank Plc are presented as related party transactions. Evli Bank Plc has funded new Evli's working capital requirements related to brokerage and derivatives business. This funding is presented as a debt to Evli Bank Plc. New Evli's subsidiaries money deposits to Evli Bank Plc are presented as receivables from Evli Bank Plc in claims on credit institutions in the balance sheet, since Evli Bank Plc has historically been the banking service provider for New Evli. There are no other material business transactions between new Evli and Evli Bank Plc than these financing activities mentioned above.

| Transactions with related parties | carve-out 2021 | | | carve-out 2020 | | |
|---|---|---|---|---|---|---|
| | Evli Bank Plc | Associated companies | Group management | Evli Bank Plc | Associated companies | Group management |
| Sales | 0,0 | 0,0 | 0,0 | | 0,0 | 0,0 |
| Purchases | 0,1 | 0,0 | 0,0 | 0,1 | 0,0 | 0,0 |
| Receivables | 39,8 | 0,0 | 0,7 | 22,3 | 0,0 | 0,5 |
| Liabilities | 0,0 | 0,0 | 0,0 | 24,1 | 0,0 | 0,0 |

## Changes in group structure

Acquisitions have been accounted for by using the acquisition method. The consideration paid for the acquisition is determined at the fair value of the transferred assets, assumed liabilities and equity instruments issued at the time of acquisition. Any contingent additional purchase price has been measured at fair value at the time of acquisition and is classified as either a liability or equity. The additional purchase price classified as a liability is measured at fair value at the end of each reporting period and the resulting gain or loss is recognized in profit or loss. The identifiable assets, liabilities and contingent liabilities of the acquiree are measured at fair value at the acquisition date. Goodwill includes the amount by which the consideration transferred, the non-controlling interest in the acquiree and the previously owned interest together exceed the fair value of the net assets acquired. If the amount is less than the identifiable fair value of the acquiree's net assets and it is a bargain purchase, the difference is recognized directly in the consolidated income statement.

When acquiring a company, the consideration to be paid for the acquisition and the acquired net assets are measured at fair value. The fair value of the contingent consideration included in the consideration for the acquisition has been estimated based on the present value of the expected cash flows. The determination of the fair value of the acquired net assets is based on the fair value of similar assets (property, plant and equipment), estimated expected cash flows (intangible assets such as customer relationships and brands) or an estimate of the payments required to settle the obligation. In determining the fair value of property, plant and equipment, management compares the market prices of the corresponding assets and assesses the impairment, depreciation and other similar factors due to the age of the acquired asset. The determination of the fair value of intangible assets is based on estimates of the cash flow projects of the asset as no information is available of similar assets. Valuation based on replacement values, expected cash flows or estimated payments requires management judgment and assumptions. Management believes that the estimates and assumptions used are sufficiently reliable to determine fair value.

There have been annual changes in the group's legal structure as New Evli buys or sells its shares in its subsidiaries. These have mainly been related to the start-up of new businesses or share repurchases in accordance with shareholder agreements. No major acquisitions took place during the review period.

## FEES PAID TO AUDITORS

| Fees paid to auditors | carve-out 2021 | carve-out 2020 |
|---|---|---|
| **Audit - Group** | | |
| PricewaterhouseCoopers | 0,3 | 0,2 |
| Other companies | 0,0 | 0,0 |
| **Total** | **0,3** | **0,2** |
| **Audit - Parent Company** | | |
| PricewaterhouseCoopers | 0,2 | 0,0 |
| Other companies | 0,0 | 0,0 |
| **Total** | **0,2** | **0,0** |
| **Other than auditing fees** | | |
| **Other services - Group** | | |
| PricewaterhouseCoopers | 0,3 | 0,1 |
| Other companies | 0,0 | 0,0 |
| **Total** | **0,3** | **0,1** |
| **Other services - Parent company** | | |
| PricewaterhouseCoopers | 0,3 | 0,0 |
| Other companies | 0,0 | 0,0 |
| **Total** | **0,3** | **0,0** |

## EVENTS AFTER THE BALANCE SHEET DATE

Evli Bank Plc and Fellow Finance Plc announced on July 14, 2021, that they had agreed in a combination agreement of an arrangement whereby Evli Bank will demerge through a partial demerger into a new asset management group Evli Plc ("Evli") which will be listed and a company that will carry on Evli Bank's banking services and into which Fellow Finance will merge. The new Evli shares to be issued as demerger consideration were registered in the book-entry accounts of shareholders on April 2, 2022. In connection with the demerger, Evli made an investment of approximately EUR 9.5 million in the Fellow Bank formed in the arrangement. With the investment, Evli became one of Fellow Bank's largest shareholders with a 17.6 percent holding together with Taaleri Plc.

On April 22, 2022, Evli Plc ("Evli") and EAB Group Plc ("EAB") signed a letter of intent, according to which the parties will explore the possibility of Evli and EAB merging their operations. The proposed merger would form one of the leading companies on the Helsinki Stock Exchange offering investment and asset management services to institutional, corporate and private clients. The parties aim to sign the merger plan, the merger agreement and other transaction agreements during May 2022. The planned merger is expected to take place in the fall of 2022.

The Board for Evli Plc that was created in the partial demerger of Evli Bank Plc was elected in the extraordinary shareholder's meeting 22.12.21 and one additional member was elected in the annual general meeting 9.3.2022. The Board of Directors of Evli Plc consist of Henrik Andersin, Fredrik Hacklin, Sari Helander, Robert Ingman, Antti Kuljukka and Teuvo Salminen. Maunu Lehtimäki acts as CEO. The Board and the CEO are responsible for preparing the carve-out financial statements.

# Signing of carve-out financial statements

Evli Plc

Helsinki, May 19, 2022

| | | |
|---|---|---|
| Henrik Andersin<br>Chairman of the Board | Teuvo Salminen<br>Board member | Robert Ingman<br>Board member |
| Sari Helander<br>Board member | Fredrik Hacklin<br>Board member | Antti Kuljukka<br>Board member |
| Maunu Lehtimäki<br>CEO | | |

# Auditor's Report (Translation of the Finnish Original)

To the Board of Directors and Managing Director of Evli Plc

## Report on the Audit of the Carve-out Financial Statements

### Opinion

In our opinion the carve-out financial statements give a true and fair view of Evli's combined financial position and combined financial performance and combined cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with carve-out principles described in the notes of thecarve-out financial statements.

**What we have audited**

We have audited the carve-out financial statements for the year ended 31 December 2021 (the "carve-out financial statements") prepared for Evli Bank Plc's asset management services, custody, clearing, settlement and brokerage services, corporate finance activities and their support services to be carved out and transferred from Evli Pankki Plc in a partial demerger to a new company established in the demerger, Evli Plc ("Evli"). The carve-out financial statements includes a combined balance sheet, a combined comprehensive income statement, a combined statement of changes in equity and a combined cash flow statements and notes to the carve-out financial statements, including summaries of significant accounting principles of the carve-out financial statements.

The Board of Directors and Managing Director of Evli Plc have prepared the carve-out financial statements in order to present comparative historical financial information of Evli Plc.

This auditor's report is provided only for the Board of Directors and Managing Director of Evli Plc in connection with the purpose described in the previous paragraph.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under these standards are described in more detail in the Auditor's Responsibilities for the Audit of carve-out financial statements section of our report.

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

**Independence**

We are independent of Evli 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.

### Emphasis of Matter – Principles Applied in Preparing the Carve-out Financial Statements

We draw attention to the note Carve-out basis of preparation in the carve-out financial statements. The note includes a description of the principles applied with regards to the designation of assets and liabilities, as well as revenues and costs and cash flows directly attributable to Evli. In addition, the note explains that Evli has not formed a separate legal group of entities during the year presented. Thus, the carve-out financial statements are not necessarily indicative of the financial position, financial performance and cash flows of Evli if it had operated as a separate legal group of entities during the financial year presented, nor future performance. Our opinion is not modified in respect of this matter.

## Responsibilities of the Board of Directors and the Managing Director for the Carve-out Financial Statements

Evli Plc'sBoard of Directors and Managing Director are responsible for the preparation of the carve-out financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with carve-out principles described in the notes of the carve-out financial statements. 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 the carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, the Board of Directors and the Managing Director are responsible for assessing Evli'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 carve-out financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate Evli or to cease operations, or there is no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Carve-out Financial Statements

Our objectives are to obtain reasonable assurance about whether the carve-out 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 ISA 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 carve-out financial statements.

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

- Identify and assess the risks of material misstatement of the carve-out 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 Evli's internal control.

- Evaluate the appropriateness of accounting principles applied in the carve-out financial statements 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 Evli'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 carve-out 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 Evli to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events so that the carve-out financial statements give a true and fair view.

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.

Helsinki 19 May 2022

**PricewaterhouseCoopers Oy**
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)