

LocalTapiola Group semi-annual report 1-6/2020: We supported our customers in many different ways in the exceptional circumstances

Comments by Juha Koponen, President of LocalTapiola Group:

"The first half of 2020 has been exceptional. Because of the coronavirus epidemic, the economy and investment markets clearly weakened, and this could also be seen in LocalTapiola's result development during the period January - June. The operating profit and total result of LocalTapiola Group have clearly decreased compared to last year's corresponding period as a result of strong movement in the investment market. We are, however, a very solvent group of companies and therefore able to withstand exceptional movements in the investment market.

From January to June, LocalTapiola Group's premiums written in direct insurance amounted to EUR 786 million. This was a 4.7 per cent increase to the same period last year. Non-life insurance's combined ratio excluding the unwinding of discount expenses improved and was 95.9 per cent. Premiums written in life insurance came to EUR 225 million, a decrease of eight per cent to the previous year. This was due to a decrease in unit-linked savings premiums written. Because of negative investment income, the Group's total result showed a loss of EUR 210 million.

We want to be a valued day-to-day partner for lifelong security for our customers. Responsibility and local lifelong security actions are at the core of our lifelong security. The coronavirus epidemic had an impact on both our private and corporate customers, and we supported them by offering various kinds of customer flexibility for example for payment deadlines and rents. In addition, we donated in excess of one million euros to the Finnish Red Cross for work to combat corona."

Security – We safeguard our customers against risks and prevent loss and damage

- Of the premiums written for non-life insurance, nearly 40 per cent comes from insuring traffic and vehicles.
- Car sales, which was slowed down by the coronavirus epidemic, also had an impact on LocalTapiola's car insurance sales, particularly in April. Since then, sales have returned almost to the previous level. We remain the market leader in motor liability insurance, and our market share is strong both in all vehicles (32%) and in private individuals' cars (30%).

Finances – We help our customers prepare financially and become wealthier

- In the investment market, coronavirus caused turbulence for many investors and in many savings products. Improving our own security and that of our friends and family has been highlighted during the coronavirus epidemic. LocalTapiola Life's risk life insurance online sales doubled compared to last year. LocalTapiola Life is the market leader in risk life insurance in Finland with a 30 per cent market share.
- After the review period, LocalTapiola Group acquired a majority of shares in Seligson & Co Fund Management Plc to strengthen its services in long-term saving and investment. The company's fund business complements LocalTapiola Group's financial services and when executed, will offer our customers an even more versatile package of services that is known to be of high quality. The acquisition still requires authority approval.

Health – We promote our customers' health and well-being in a proactive way and supporting rehabilitation.

- Our customers' contacts in our TerveysHelppi service increased, particularly in March. Customer satisfaction has remained at a good level (NPS 79).

LocalTapiola Group's key figures, 1–6/2020

LocalTapiola Group	1-6/2020	1-6/2019
Group non-life insurance business		
Premiums written in direct insurance (EUR million)	786.1	750.5
Growth of premiums written in direct insurance (%)	4.7	4.2
Premiums written (EUR m)	853.5	812.5
Increase in premiums written (%)	5.0	4.0
Combined ratio excl. unwinding of discount expense (%)	95.9	96.7
Risk ratio (%)	66.5	65.7
Cost ratio (%)	29.4	31.0
Group life insurance business		
Expense ratio, % of total expense loadings	141.4	136.5
Premiums written (EUR m)	224.8	243.3
Increase in premiums written (%)	-7.6	2.5
Group's result		
Operating profit, EUR m	-27.7	255.7
Total result, EUR m	-210.4	422.0
Solvency II solvency ratio at the end of the year (%)	174.9	172.9

LocalTapiola General	1-6/2020	1-6/2019
Premiums written in direct insurance (EUR million)	218.2	208.8
Growth of premiums written in direct insurance (%)	4.5	5.2
Premiums written (EUR m)	326.6	310.6
Increase in premiums written (%)	5.2	3.8
Combined ratio excl. unwinding of discount expense (%)	105.1	93.1
Risk ratio (%)	80.9	68.5
Cost ratio (%)	24.2	24.5
Net investment income at current value, %	-1.6	4.4
Operating profit, EUR m	-23.8	102.2
Total result, EUR m	-56.9	122.9
Solvency II solvency ratio at the end of the year (%)	298.1	284.2

LocalTapiola Life	1-6/2020	1-6/2019
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Premiums written (EUR m)	224.8	243.3
Increase in premiums written (%)	-7.6	2.5
Net investment income at current value, %	-2.0	4.3
Operating profit, EUR m	-14.4	106.9
Total result, EUR m	-73.7	144.3
Solvency II solvency ratio at the end of the period (%)	177.0	181.6

LocalTapiola Asset Management	1-6/2020	1-6/2019
Customer assets under management at the end of the period (EUR bn)	10.4	10.9
Turnover (EUR m)	10.1	10.5
Operating profit, EUR m	-0.2	0.1

LocalTapiola Real Estate Asset Management Group	1-6/2020	1-6/2019
Real estate assets under management at the end of the period (EUR bn)	2.4	2.3
Turnover (EUR m)	7.7	7.7
Operating profit, EUR m	0.7	1.2

LocalTapiola Finance	1-6/2020	1-6/2019
Finance portfolio at the end of the review period (EUR bn)	0.9	0.3
Operating profit, EUR m	2.6	0.6

LocalTapiola Group development in the period from January to June 2020:

In the lifelong security company, the first half of the year was characterized by the exceptional corona period. The development of the investment markets has a strong effect on the financial performance of LocalTapiola Group. The coronavirus epidemic caused significant movement in the investment market during the spring. Investment income was negative at the end of June, although the values of investments had returned clearly upward from the dip in income caused by the pandemic in the spring.

The development of premium income volume in insurance operations has been good considering the current situation.

Negative development of payrolls, decrease in financial activity and slowing down of new car sales have decreased the premium income. The volumes of insurance sales have decreased in the exceptional situation, but at the same time, customer retention has improved. With the reduction in economic activity and movement, as well as increase in general cautiousness, the amounts of losses have decreased, which has a lowering impact on claims incurred. LocalTapiola's efficiency improved with the growth in premium income and with operating expenses remaining unchanged.

In LocalTapiola General, the year started well and the growth outlook for the year was positive. As a result of the coronavirus epidemic, the outlook took a turn downward, although in the early stages of the pandemic, willingness by companies to extend their insurance cover could be seen. This was evident as an increase in voluntary insurance policies.

As a result of the premium income development in the early part of the year and because of a decrease in the amount of losses, the operating profit for LocalTapiola General's first half of the year is EUR -24 million. The total result is significantly weakened by investment income, which remained negative.

The development of investment income also had a significant impact on the result of LocalTapiola Life. In the first half of the year, LocalTapiola Life's risk life insurance online sales doubled compared to last year, and premiums written in group pension insurance continued to grow. Despite the positive development of risk life insurance, LocalTapiola Life's premiums written decreased by EUR 18 million with the savings premiums written having decreased by EUR 25 million. However, the confidence in LocalTapiola of savings customers remained good during the corona crisis, which was evident as low surrender volumes considering the situation in the spring.

Despite the challenges in the investment market, our customers continue to trust in our competent and responsibly operating asset management. The fund rating company Thomson Reuters Lipper has rated LocalTapiola Asset Management the best asset manager in the Nordic countries in the small company category for four years running. Morningstar awarded LocalTapiola World 50 as the best hybrid fund, and in addition, LocalTapiola won the award for the best fund company as regards the entire portfolio.

In the properties managed by LocalTapiola, the coronavirus epidemic has been evident particularly as disruptions in the business operators of companies renting business premises. LocalTapiola has supported its tenants significantly by providing various kinds of flexibility as regards rents. During the spring, LocalTapiola Group increased its ownership share in the large-scale Tampere Deck and Arena project, in shopping centre Redi and in Helsingin Kaisaniemenkatu 1. LocalTapiola opened its first private equity funds to investors outside the Group. LocalTapiola Private Equity IV LP and LocalTapiola Private Debt II LP private equity funds have generated interest in investors.

The corona spring decreased the sales of new cars, and the effects of this will continue long into the autumn. After a dip, sales of used cars returned to strong growth, exceeding the sales of the previous year in late spring. We believe that sales of used cars will continue to be strong, if sufficient restock is received.

The share of instalment sales and leasing financing as a purchase method for cars sold increased strongly during the spring while the share of increase in other financing solutions and credit terms clearly decreased. The growth of LocalTapiola Finance's financing base continued in the spring. We prepared for the weakened general financial situation by increasing our credit loss provisions. Our performance has remained strong, and we expect the growth of profitable financing base to continue also in the autumn. The market disturbance caused by the coronavirus epidemic had a decreasing effect on LocalTapiola Asset Management's and Real Estate Asset Management's commission income.

Juha Koponen assumed responsibility for other duties of President of LocalTapiola Group in addition to duties of as Chairman of the Board of Directors as of 1 July 2020. The Group's decision-making was streamlined in the spring by rearranging the management roles of operations at Group level.

Customers were refunded nearly EUR 40 million in loyalty bonuses under non-life insurance and paid EUR 361 million in compensation. In addition, a total of EUR 17 million was refunded to customers as S Group bonuses for their insurance premiums.

The figures are unaudited.

Additional information

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www.lahitapiola.fi Press releases by LocalTapiola available at: <https://www.lahitapiola.fi/en/information-on-localtapiola/newsroom>