

**Advance information about the Financial Statements of LocalTapiola Group companies for the period from 1 January 2015 to 31 December 2015**

**Notice 19 February 2016**

**For release at 9:00am**

## **LocalTapiola Group improved its result**

- LocalTapiola Group's operating profit in the non-life insurance business increased to EUR 252.0 million (EUR 151.1 million). The overall result in the non-life insurance business increased to EUR 215.4 million (EUR 159.9 million). The combined ratio of the non-life insurance business was 96.3 per cent (100.3 per cent). Return on investment at fair value was 4.2 per cent (4.2 per cent). The non-life insurance business comprises the combined result of LocalTapiola General and the 20 regional companies.
- LocalTapiola General's operating profit rose to EUR 181 million (EUR 72.3 million) and its overall result was EUR 150.3 million (EUR 61.5 million).
- LocalTapiola Life's operating profit rose to EUR 98.9 million (EUR 85.6 million) and its overall result was EUR 51.7 million (EUR 79.1 million). Investment income was 4.8 per cent (5.3 per cent).
- The amount of customer funds managed by LocalTapiola Asset Management Ltd grew by 3.6 per cent to EUR 9,406.9 million (EUR 9,078.1 million).
- LocalTapiola Real Estate Asset Management Group's operating profit increased to EUR 4.1 million (EUR 3.7 million).

### **Comments by Erkki Moisander, CEO of LocalTapiola Group**

2015 was a good year for LocalTapiola Group on several measures. We reinforced our position in several sub-areas in the non-life insurance business. In the life insurance business, premium income increased more rapidly than in the sector as a whole. We saw particular success in sales of risk life insurance and unit-linked life insurance.

This year, we were particularly successful in our corporate customer business. The results in 2015 in terms of net transfers of occupational accident insurance policies were the best in the company's history among large companies as well as SMEs. Closer collaboration with our earnings-related pension partner, Elo, also helped us to achieve this strong result.

In 2015, LocalTapiola was more successful than expected in its investment business. The operating environment has been characterised by uncertainty, which has manifested itself in terms of relatively large fluctuations on the equity and bond markets. Return on investments made by LocalTapiola General in 2015 was 4.8 per cent, while LocalTapiola Life had a return of 4.8 per cent. LocalTapiola Asset Management, which manages the assets of LocalTapiola's insurance companies, is well known for the foresight of its asset management based on its own financial analysis and company research. LocalTapiola Asset Management continued its successful record in 2015.

The insurance sector is facing numerous upheavals in forthcoming years. New operators are entering the sector. In 2015, two foreign companies began operating on Finnish markets and we expect new competitors to enter the sector in forthcoming years. This is also likely to affect price competition. In 2016, we will increase tariffs moderately and constantly review our pricing in line with risk.

We will continue our strategic partnership with S Group, which has been well received by customers. More than 750,000 customers are already receiving bonuses for their LocalTapiola insurance premiums.

In terms of products and services, we are developing property insurance and asset management, as well as personal insurance and health and wellbeing services based on the needs of our customers. Good examples of this include the TerveysHelppi telephone service and the working capacity service for corporate customers, as well as smart life insurance, which was launched in June last year. This is the first product of its kind in Finland.

### **LocalTapiola General improved its result**

- "We were successful in a difficult environment. Our premium income increased more rapidly than the market as a whole, we had a positive balance of net transfers, profitability was good and investment returns were highly competitive. Our solvency also remained excellent," says LocalTapiola General's Managing Director, **Jari Sundström**.

LocalTapiola General's operating profit was EUR 181.0 million (EUR 72.3 million). The overall result was EUR 150.3 million (EUR 61.5 million). The improved operating profit is due to good investment performance and a better technical result than in 2014. Premium income was EUR 506.6 million (EUR 547.6 million). During the financial period, changes were made to the calculation bases for technical provisions for pension-like claims outstanding. The technical rate of interest was reduced again, falling from 1.8 per cent to 1.6 per cent. This change had the effect of decreasing the result by EUR 50.8 million.

LocalTapiola General's combined ratio excluding technical rate of interest expenditure was 98.3 per cent (107.8 per cent). The return on capital employed at fair value was 4.8 per cent (4.1 per cent). The company's solvency capital totalled EUR 1,743.6 million (EUR 1,685.7 million). The solvency ratio – solvency capital in relation to premiums earned – was 371.0 per cent (307.8 per cent).

### **LocalTapiola Life's premium income grew more rapidly than the sector as a whole**

- "LocalTapiola Life continued to develop positively in 2015," says Managing Director **Minna Kohmo**.

LocalTapiola Life's operating profit was EUR 98.9 million (EUR 85.6 million). The overall result was EUR 51.7 million (EUR 79.1 million). Premium income increased significantly faster than the sector as a whole, growing by 8.7 per cent to EUR 423 million (EUR 389 million). Market share in terms of premium income strengthened in all of the insurance classes for which the Federation of Finnish Financial Services publishes statistics, with the exception of savings life insurance.

A successful increase in sales of risk insurance led to a 36.8 per cent increase in acquisition costs. At the same time, other operating costs decreased by 16.5 per cent – a decrease of EUR 4.9 million – due to measures taken to boost efficiency. The expense ratio was 120.7 per cent of the total expense loadings (120.2 per cent). The overall expense ratio, which takes into account bonus payments on unit-linked insurance, was 110.6 per cent (113.3 per cent). The result for risk premiums collected – EUR 21.8 million (EUR 18.1 million) – was record-breaking.

The return on capital employed at fair value was 4.8 per cent (5.3 per cent). The solvency ratio – solvency capital in relation to technical provisions – was 26.4 per cent (26.3 per cent). The solvency margin was 3.9 (4.0) times the minimum value.

## Customer assets managed by LocalTapiola Asset Management increased

The amount of customer funds managed by LocalTapiola Asset Management Ltd grew by 3.6 per cent to EUR 9,406.9 million (EUR 9,078.1 million). The operating result was EUR 7.1 million (EUR 11.2 million). Turnover was EUR 22.5 million (25.3)

According to Tom Liljeström, the Managing Director of LocalTapiola Asset Management, the result for the financial period was good, thanks to increasing commission income from the investment services business.

- "The operating environment has been characterised by uncertainty, which has manifested itself in terms of relatively large fluctuations on the equity and bond markets," says Managing Director **Tom Liljeström**.

During the year, LocalTapiola Asset Management won praise from independent bodies for its mutual funds and the responsibility and customer service of its investment operations. The unaffiliated mutual fund rating agency Lipper selected LocalTapiola's World 50 as the best Nordic fund in 2014.

LocalTapiola Asset Management was named Finland's best responsible investor by Scandinavian Financial Research (SFR). Last year, LocalTapiola Asset Management focused on new digital services. A new online service for asset management customers was opened in June, and an online service for fund customers was opened in November.

## Record turnover for real estate asset management

"Turnover grew to a new record. Despite the challenging market environment we were successful in terms of new investments and construction," says LocalTapiola Real Estate Asset Management's Managing Director, **Vesa Immonen**.

LocalTapiola Real Estate Asset Management Group's result improved thanks to the growth in the mutual fund business. LocalTapiola Real Estate Asset Management Group increased both its turnover and operating profit compared with the previous year. The Group's turnover rose by 17 per cent to EUR 16.1 million (EUR 14.3 million). The Group's operating profit increased to EUR 4.1 million (EUR 3.7 million).

The market value of the real estate assets managed by the company was EUR 3,468 million (EUR 3,170 million). The majority of the growth in the portfolio consisted of new investments in real estate capital funds.