

LocalTapiola Finance Ltd

Report of the Board of Directors and
financial statements for 2020
business ID: 2856773-8



LÄHITAPIOLA

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REPORT OF THE BOARD OF DIRECTORS

LocalTapiola Finance Ltd (LocalTapiola Finance) is part of the LocalTapiola group of insurance companies, the leading parent company of which is LocalTapiola General Mutual Insurance Company. LocalTapiola General's financial statements, which cover the consolidated financial statements for the group of insurance companies, have been published at LocalTapiola's website at www.lahitapiola.fi.

LocalTapiola Finance Ltd 2020

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

Despite the pandemic which dominated 2020, LocalTapiola Finance's profitable growth continued. We rationalised our operations in an operating environment which had changed rapidly. We moved to adopt automated processes and fully electronic signatures in our financial operations. Additionally, we boosted our refinancing by entering the bond market and by opening the international financing facilities by carrying out a private securitisation operation in autumn 2020.

Supported by our strong new sales, our portfolio continued to grow, and the quality of our portfolio remained at a good level while our credit losses kept significantly lower than planned.

Events after the financial period

After Jari Sundström's retirement from LocalTapiola General, his term as Chair of LocalTapiola Finance's Board of Directors came to an end on 31 December 2020. Jari Eklund started as the new Chair of the Board of Directors on 1 January 2021.

Future prospects

The exceptional market environment, the uncertainty prevailing in the financial market and economic uncertainty all pose clear challenges for 2021. However, we start the new year on a positive note despite the uncertain market. We have reached a strong position in the market and believe that our growth will continue and profitability will remain at least on the current level. With the help of our product concept and our automated efficient processes, we are able to

offer our end-clients competitive products while helping our dealership partners to grow the sales of cars, financing and insurance policies alike.

Board of Directors

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

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

Managing Director

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

Auditor

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

Personnel

At the end of the financial period, the number of personnel at LocalTapiola Finance was 53.

Compensation

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

Proposal by the Board of Directors to the Annual General Meeting

The Board of Directors proposes that the profit for the financial period, 2,775,571.89, be recognised in the company's profit and loss account and that no dividend be distributed.

FINANCIAL STATEMENTS FOR 1 JANUARY 2020–31 DECEMBER 2020

LocalTapiola Finance Ltd primary financial statements

Balance sheet

		31 December 2020	31 December 2019
ASSETS			
Receivables from credit institutions	1	6 397 154,28	8 004 354,24
Receivables from the public and public-sector entity	2	575 357 243,27	575 973 318,52
Leasing assets	3	107 832 277,36	63 525 264,13
Intangible assets	4, 6	3 210 250,96	3 258 991,59
Tangible assets	5, 6		
Other tangible assets		36 688 785,11	32 909 277,81
Other assets	7	852 524,32	2 969 536,13
Accrued income and prepaid expenses	8	3 267 062,60	4 144 642,04
Assets, total		733 605 297,90	690 785 384,46
LIABILITIES			
Liabilities			
Loans to Group companies	9	288 450 000,00	417 005 336,67
Loans to credit institutions	9	100 085 555,56	100 126 611,11
Bonds	9	115 048 913,33	0,00
Commercial papers	9	132 203 333,49	114 895 834,78
Other liabilities	10		
Trade payables		253 115,71	258 118,27
Other liabilities		3 287 951,36	1 162 813,33
Accrued expenses and advances received	11	7 230 015,05	4 800 828,79
Liabilities, total		646 558 884,50	638 249 542,95
Capital and reserves			
Share capital	12	10 345 200,00	3 998 200,00
Unrestricted funds	12		
Invested unrestricted equity fund	12	41 380 800,00	15 992 800,00
Profit (loss) for previous financial periods	12	544 841,51	-2 254 489,32
Profit (loss) for the financial period	12	2 775 571,89	2 799 330,83
Equity subordinated loan	12	32 000 000,00	32 000 000,00
Capital and reserves, total		87 046 413,40	52 535 841,51
Liabilities, total		733 605 297,90	690 785 384,46

Profit and loss account

		1 January 2020– 31 December 2020	1 January 2019– 31 December 2019
Interest income	13	15 522 837,55	11 438 062,14
Net income from leasing activities	14	3 085 171,76	1 415 298,91
Interest expenses	15	-7 299 784,16	-2 563 058,54
Net interest income		11 308 225,15	10 290 302,51
Commissions and fees	16	8 175 842,57	1 884 012,03
Commission expenses	17	-373 222,47	-214 028,62
Other operating income			
Operating expenses			
Personnel costs			
Salaries and other short-term benefits	18	-4 541 534,87	-3 011 207,26
Social security costs	18		
Pension costs	18	-568 331,40	-518 545,86
Other social security costs	18	-97 148,58	-41 233,95
Other administrative expenses	18	-4 671 787,19	-2 178 290,81
Amortisation and impairments on tangible and intangible assets	19	-585 461,43	-513 128,27
Other operating expenses	20	-801 180,41	-714 610,46
Credit losses	21	-2 670 957,82	-1 709 626,27
OPERATING PROFIT (LOSS)		5 174 443,55	3 273 643,04
Income taxes		-2 398 871,66	-474 312,21
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		2 775 571,89	2 799 330,83

Notes to the financial statements

Notes to balance sheet items

	2020	2019
1. Receivables from credit institutions		
From Finnish credit institutions		
Repayable on demand	6 397 154,28	8 004 354,24
2. Receivables from the public and public-sector entities		
Companies	132 332 165,95	80 636 264,59
Households	443 025 077,32	495 337 053,93
Receivables from the public and public-sector entities, total	575 357 243,27	575 973 318,52
3. Leasing assets		
Advance payments	-13 318,09	-12 625,30
Machinery and equipment	107 845 595,45	63 537 889,43
Leasing assets, total	107 832 277,36	63 525 264,13
4. Intangible assets	3 210 250,96	3 258 991,59
5. Tangible assets		
Tangible assets	180 922,58	279 317,53
Other tangible assets	36 507 862,53	32 629 960,28
Tangible assets, total	36 688 785,11	32 909 277,81
6. Changes in tangible and intangible assets during the financial period		
Intangible assets		
Acquisition cost 1 Jan.	3 831 063,56	3 149 287,06
Increases	491 368,76	681 776,50
Decreases	0,00	0,00
Acquisition cost 31 Dec.	4 322 432,32	3 831 063,56
Accumulated amortisation and impairments 1 Jan.	-572 071,97	-157 464,36
Accumulated amortisation of decreases	0,00	0,00
Planned amortisation and depreciation during the financial period	-540 109,39	-414 607,61
Accumulated amortisation and impairments 31 Dec.	-1 112 181,36	-572 071,97
Book value 31 Dec.	3 210 250,96	3 258 991,59
Tangible assets		
Acquisition cost 1 Jan.	469 686,95	389 054,28
Increases	29 177,09	117 547,48
Decreases	-67 264,50	-36 914,81
Acquisition cost 31 Dec.	431 599,54	469 686,95
Accumulated amortisation and impairments 1 Jan.	-190 369,42	-97 263,57
Accumulated amortisation of decreases		
Planned amortisation and depreciation during the financial period	-60 307,54	-93 105,85
Accumulated amortisation and impairments 31 Dec.	-250 676,96	-190 369,42
Book value 31 Dec.	180 922,58	279 317,53

7. Other assets	852 524,32	2 969 536,13
8. Accrued income and prepaid expenses	3 267 062,60	4 144 642,04
9. Loans to the public and public-sector entity		
Loans to Group companies	288 450 000,00	417 005 336,67
Loans to credit institutions	100 085 555,56	100 126 611,11
Bonds	115 048 913,33	0,00
Commercial papers	132 203 333,49	114 895 834,78
Loans to the public and public-sector entity, total	635 787 802,38	632 027 782,56
10. Other liabilities		
Trade payables	253 115,71	258 118,27
Other liabilities	3 287 951,36	1 162 813,33
Other liabilities, total	3 541 067,07	1 420 931,60
11. Accrued expenses and advances received	7 230 015,05	4 800 828,79
12. Capital and reserves		
Share capital	10 345 200,00	3 998 200,00
Invested unrestricted equity fund	41 380 800,00	15 992 800,00
Profit (loss) for previous financial periods	544 841,51	-2 254 489,32
Profit (loss) for the financial period	2 775 571,89	2 799 330,83
Equity subordinated loan	32 000 000,00	32 000 000,00
Capital and reserves, total	87 046 413,40	52 535 841,51

The loan is a subordinated loan referred to in Chapter 12 of the Limited Liability Companies Act, in addition to which it is an equity loan. The loan is recognised in the company's capital and reserves as a separate item after unrestricted capital. The loan has no maturity date, but the company has the right, but not an obligation, to redeem the loan. The loan is senior to the company's other equity items. The loan has an interest rate of 6-month Euribor plus a variable margin.

Notes to the profit and loss account

	2020	2019
13. Interest income		
Interest income on receivables from the public and public-sector entities	15 522 837,55	11 438 062,14
14. Net income from leasing activities		
Leasing income	19 372 217,78	7 494 688,30
Leasing depreciation	-16 287 046,02	-6 079 389,39
Net income from leasing activities	3 085 171,76	1 415 298,91
15. Interest expenses		
Interest expenses	7 299 784,16	2 563 058,54
16. Commissions and fees	8 175 842,57	1 884 012,03
17. Commission expenses	373 222,47	214 028,62
18. Administrative expenses		
Salaries and other short-term benefits	4 541 534,87	3 011 207,26
Pension costs	568 331,40	518 545,86
Other social expenses	97 148,58	41 233,95
Personnel costs, total	5 207 014,85	3 570 987,07
Other administrative expenses	4 671 787,19	2 178 290,81
Operating expenses, total	9 878 802,04	5 749 277,88
19. Amortisation and impairments on tangible and intangible assets		
Planned amortisation and depreciation	600 416,93	507 713,46
Impairments	-14 955,50	5 414,81
Amortisation and impairments, total	585 461,43	513 128,27
20. Other operating expenses		
Rental expenses	-8 459,55	215 205,67
Other expenses	-8 459,55	499 404,79
Total	-16 919,10	714 610,46
21. Credit losses		
Credit losses on receivables	1 718 910,32	486 687,95
Credit loss provisions	1 080 458,20	1 225 600,89
Credit losses returned	-128 410,70	-2 662,57
Total	2 670 957,82	1 709 626,27
22. Rental liabilities		
Amount due in the financial period started	303 831,84	173 656,22
Amount due in following years	886 176,20	1 172 664,10
23. Number of personnel at end of financial period	53	39
24. Related party transactions		
The company has no related party transactions that would have been material or concluded on terms other than ordinary. Rece from the company's related parties on 31 December 2020 totalled €124,346.05.		
25. Fees paid to the auditor		
Statutory audit	30 380,00	22 320,00
Other services	31 471,20	6 984,30
26. Other Contingent liabilities	432 749 684,29	0,00
Commitments in relation to securitisation	432 749 684,29	0,00

Accounting principles

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

General information

LocalTapiola Finance Ltd is owned by LocalTapiola General Mutual Insurance Company and the regional non-life insurance companies part of LocalTapiola Group. LocalTapiola Finance Ltd's (business ID 2856773-8) domicile is Helsinki and its address is Tietotie 9, 01530 Vantaa, Finland.

The Board of Directors approved the financial statements for 1 January 2020–31 December 2020 in its meeting on 17 February 2021.

Summary of key accounting principles

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

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

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

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

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

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

Liabilities are carried at amortised cost.

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

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

Off-balance-sheet contingent liability in the notes presents the receivables relating to securitisation.

Signatures to the report of the Board of Directors and financial statements of 31 December 2020

In Espoo, 17 February 2021

Jari Eklund
Chair of the Board of Directors

Matti Kiviniemi

Ari Lagerström

Mika Sutinen

Teemu Toivanen

Arttu Nykänen
Managing Director

Auditor's note

A report has been issued today on the audit performed.

In Espoo, _ February 2021

KPMG Oy Ab

Timo Nummi
Authorised Public Accountant

Audit report