

LocalTapiola Finance Ltd

Report of the Board of Directors and
financial statements for 2019
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 2019

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.

In 2019, the company's strong profitable growth continued, exceeding the targets set. In just under two years of operations, we reached a positive result in cumulative terms. The most significant factors contributing to the better than anticipated performance were an income level which was better than budgeted and a finance volume which was higher than expected while costs and credit losses remained more modest than expected.

Events after the financial period

The company's shareholders have decided to strengthen the company's capital and reserves by increasing the share capital and the invested unrestricted equity fund

with a MEUR 31.7 share issue. The share issue was carried out in January 2020.

Future prospects

We see 2020 as extremely positive in a slightly uncertain market. Despite the vehicle tax and propulsion discussion, which started with transport emission reductions and is still ongoing, we believe that our profitable growth will continue. With the help of our strong product concept and our offsetting programme, 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.

We see LocalTapiola Finance's growth continuing also in 2020.

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
Merja Fisher (16 April 2019–12 October 2019)

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 Mikko Haavisto, Authorised Public Accountant.

Personnel

At the end of the financial period, the number of personnel at LocalTapiola Finance was 39.

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, 2,799,330.83, be recognised in the company's profit and loss account and that no dividend be distributed.

FINANCIAL STATEMENTS FOR 1 JANUARY 2019–31 DECEMBER 2019

LocalTapiola Finance Ltd primary financial statements

Balance sheet

		31 December 2019	31 December 2018
ASSETS			
Receivables from credit institutions	1	8 004 354,24	11 947 061,26
Receivables from the public and public-sector entity	2	575 973 318,52	127 510 594,13
Leasing assets	3	63 525 264,13	8 296 117,82
Intangible assets	4, 6	3 258 991,59	2 991 822,70
Tangible assets	5, 6		
Other tangible assets		32 909 277,81	10 230 204,55
Other assets	7	2 969 536,13	1 330 312,95
Accrued income and prepaid expenses	8	4 144 642,04	2 307 134,57
Assets, total		690 785 384,46	164 613 247,98
LIABILITIES			
Liabilities			
Loans to Group companies	9	417 005 336,67	145 001 604,17
Loans to credit institutions	9	100 126 611,11	0,00
Commercial papers	9	114 895 834,78	0,00
Other liabilities	10		
Trade payables		258 118,27	101 647,12
Other liabilities		1 162 813,33	914 759,51
Accrued expenses and advances received	11	4 800 828,79	858 726,50
Liabilities, total		638 249 542,95	146 876 737,30
Capital and reserves			
Share capital	12	3 998 200,00	3 998 200,00
Unrestricted funds	12		
Invested unrestricted equity fund	12	15 992 800,00	15 992 800,00
Profit (loss) for previous financial periods	12	-2 254 489,32	0,00
Profit (loss) for the financial period	12	2 799 330,83	-2 254 489,32
Equity subordinated loan	12	32 000 000,00	0,00
Capital and reserves, total		52 535 841,51	17 736 510,68
Liabilities, total		690 785 384,46	164 613 247,98

Profit and loss account

		1 January 2019– 31 December 2019	1 July 2017– 31 December 2018
Interest income	13	11 438 062,14	2 585 268,29
Net income from leasing activities	14	1 415 298,91	113 318,13
Interest expenses	15	-2 563 058,54	-312 143,53
NET INTEREST INCOME		10 290 302,51	2 386 442,89
Commissions and fees	16	1 884 012,03	241 566,26
Commission expenses	17	-214 028,62	-22 465,08
Other operating income			
Operating expenses			
Personnel costs			
Salaries and other short-term benefits	18	-3 011 207,26	-2 094 629,68
Social security costs	18		
Pension costs	18	-518 545,86	-388 474,50
Other social security costs	18	-41 233,95	-71 822,81
Other administrative expenses	18	-2 178 290,81	-1 588 134,33
Amortisation and impairments on tangible and intangible assets	19	-513 128,27	-278 865,68
Other operating expenses	20	-714 610,46	-333 108,59
Credit losses	21	-1 709 626,27	-104 997,80
OPERATING PROFIT (LOSS)		3 273 643,04	-2 254 489,32
Income taxes		-474 312,21	0,00
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		2 799 330,83	-2 254 489,32

Notes to the financial statements

Notes to balance sheet items

	2019	2018
1. Receivables from credit institutions		
From Finnish credit institutions		
Repayable on demand	8 004 354,24	11 947 061,26
2. Receivables from the public and public-sector entities		
Companies	80 636 264,59	26 777 224,77
Households	495 337 053,93	100 733 369,36
Receivables from the public and public-sector entities, total	575 973 318,52	127 510 594,13
3. Leasing assets		
Advance payments	-12 625,30	-8 657,87
Machinery and equipment	63 537 889,43	8 304 775,69
Leasing assets, total	63 525 264,13	8 296 117,82
4. Intangible assets	3 258 991,59	2 991 822,70
5. Tangible assets		
Tangible assets	279 317,53	291 790,71
Other tangible assets	32 629 960,28	9 938 413,84
Tangible assets, total	32 909 277,81	10 230 204,55
6. Changes in tangible and intangible assets during the financial period		
Intangible assets		
Acquisition cost 1 Jan.	3 149 287,06	0,00
Increases	681 776,50	3 149 287,06
Decreases	0,00	0,00
Acquisition cost 31 Dec.	3 831 063,56	3 149 287,06
Accumulated amortisation and impairments 1 Jan.	-157 464,36	0,00
Accumulated amortisation of decreases	0,00	0,00
Planned amortisation and depreciation during the financial period	-414 607,61	-157 464,36
Accumulated amortisation and impairments 31 Dec.	-572 071,97	-157 464,36
Book value 31 Dec.	3 258 991,59	2 991 822,70
Tangible assets		
Acquisition cost 1 Jan.	389 054,28	0,00
Increases	117 547,48	389 054,28
Decreases	-36 914,81	0,00
Acquisition cost 31 Dec.	469 686,95	389 054,28
Accumulated amortisation and impairments 1 Jan.	-97 263,57	0,00
Accumulated amortisation of decreases	0,00	0,00
Planned amortisation and depreciation during the financial period	-93 105,85	-97 263,57
Accumulated amortisation and impairments 31 Dec.	-190 369,42	-97 263,57
Book value 31 Dec.	279 317,53	291 790,71
7. Other assets	2 969 536,13	1 330 312,95
8. Accrued income and prepaid expenses	4 144 642,04	2 307 134,57
9. Loans to the public and public-sector entity		
Loans to Group companies	417 005 336,67	145 001 604,17
Loans to credit institutions	100 126 611,11	0,00
Commercial papers	114 895 834,78	0,00
Loans to the public and public-sector entity, total	632 027 782,56	145 001 604,17

10. Other liabilities		
Trade payables	258 118,27	101 647,12
Other liabilities	1 162 813,33	914 759,51
Other liabilities, total	1 420 931,60	1 016 406,63
11. Accrued expenses and advances received	4 800 828,79	858 726,50
12. Capital and reserves		
Share capital	3 998 200,00	3 998 200,00
Invested unrestricted equity fund	15 992 800,00	15 992 800,00
Profit (loss) for previous financial periods	-2 254 489,32	0,00
Profit (loss) for the financial period	2 799 330,83	-2 254 489,32
Equity subordinated loan	32 000 000,00	0,00
Capital and reserves, total	52 535 841,51	17 736 510,68

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 profit and loss account

	2019	2018
13. Interest income		
Interest income on receivables from the public and public-sector entities	11 438 062,14	2 585 268,29
14. Net income from leasing activities		
Leasing income	7 494 688,30	737 459,12
Leasing depreciation	-6 079 389,39	-624 140,99
Net income from leasing activities	1 415 298,91	113 318,13
15. Interest expenses		
Interest expenses	2 563 058,54	312 143,53
16. Commissions and fees	1 884 012,03	241 566,26
17. Commission expenses	214 028,62	22 465,08
18. Administrative expenses		
Salaries and other short-term benefits	3 011 207,26	2 094 629,68
Pension costs	518 545,86	388 474,50
Other social expenses	41 233,95	71 822,81
Personnel costs, total	3 570 987,07	2 554 926,99
Other administrative expenses	2 178 290,81	1 588 134,33
Operating expenses, total	5 749 277,88	4 143 061,32
19. Amortisation and impairments on tangible and intangible assets		
Planned amortisation and depreciation	507 713,46	254 727,93
Impairments	5 414,81	24 137,75
Amortisation and impairments, total	513 128,27	278 865,68
20. Other operating expenses		
Rental expenses	215 205,67	171 104,31
Other expenses	499 404,79	162 004,28
Total	714 610,46	333 108,59
21. Credit losses		
Credit losses on receivables	486 687,95	5 874,57
Credit loss provisions	1 225 600,89	99 123,23
Credit losses returned	-2 662,57	0,00
Total	1 709 626,27	104 997,80
22. Rental liabilities		
Amount due in the financial period started	173 656,22	159 867,72
Amount due in following years	1 172 664,10	1 485 581,61
23. Number of personnel at end of financial period	39	22
24. Related party transactions		
The company has no related party transactions that would have been material or concluded on terms other than ordinary. Receivables from the company's related parties on 31 December 2019 totalled €54,403.59.		
25. Fees paid to the auditor		
Statutory audit	22 320,00	14 880,00
Other services	6 984,30	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 2019–31 December 2019 in its meeting on 04 February 2020.

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.

Signatures to the report of the Board of Directors and financial statements of 31 December 2019

In Vantaa, 4 February 2020

Jari Sundström
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, 6 February 2020

KPMG Oy Ab

Mikko Haavisto
Authorised Public Accountant

Audit report