

## LocalTapiola Group's financial statement presentation for 1 January–31 December 2023: Record year sees more need for lifelong security than ever

LocalTapiola's role as a strong and financially sound lifelong security company appealed in an uncertain time. Increased risk awareness and concerns over accessing healthcare resulted in a growing demand for insurance. LocalTapiola Group's operating result increased to EUR 494 million and total result to EUR 628 million. We paid EUR 928 million in non-life insurance claims to customers.

<b>Key figures, LocalTapiola Group</b>	<b>1–12/2023</b>	<b>1–12/2022</b>
<b>Premiums written, direct non-life insurance, MEUR</b>	<b>1,408</b>	<b>1,308</b>
Change, %	7.7	3.2
<b>Premiums written, term life insurance, MEUR</b>	<b>137</b>	<b>127</b>
Change, %	8.3	5.3
<b>Net sales, savings life insurance, MEUR</b>	<b>301</b>	<b>-5</b>
<b>Assets under management (gross), BEUR</b>	<b>28.9</b>	<b>26.5</b>
<b>Customer bonuses, MEUR</b>	<b>149</b>	<b>135</b>
<b>Number of customers at year-end, thousand</b>	<b>1,792</b>	<b>1,588</b>
<b>Non-life insurance combined ratio, %</b>	<b>85.7</b>	<b>90.6</b>
<b>Non-life insurance cost ratio, %</b>	<b>30.8</b>	<b>30.2</b>
<b>Operating result, MEUR</b>	<b>494</b>	<b>194</b>
<b>Total result, MEUR</b>	<b>628</b>	<b>-470</b>

### Comment by CEO Juha Koponen:

"A year full of changes, 2023 prompted Finns to prepare both for a rainy day and for the worst. Risks and uncertainty dominated the business environment internationally as well as in Finland. At the beginning of the year, responsibility for the provision of public social and health services transferred to the wellbeing services counties, and this change highlighted the cracks in the care system even more clearly. With healthcare waiting lists making the headlines, many Finns sought peace of mind by preparing for the future through individual arrangements. Increased prices and interest rate levels hit households and worsened the monetary situation of many companies. On the investment markets, the year was – despite everything – good: the global stock markets grew more than 20 per cent. Unfortunately, the Finnish stock exchange swam against the tide, ending up in the negative.

LocalTapiola's mission is to provide Finns with accurate and adequate cover for their health, finances and property. Of these, in 2023, particular emphasis fell on health and finances. Concerns over accessing healthcare and over the problems faced by the public healthcare system were clearly evident: sales of our voluntary personal insurance products went up 15.2 per cent. An increasing number of people protected

themselves also against critical illness, for which sales jumped more than 50 per cent. What's more, term life insurance sales increased 10.2 per cent year on year.

As a mutual group of companies, we are here for our customers: according to our ownership intent, we focus on constantly increasing customer benefit. In 2023, we paid EUR 149 million in customer bonuses, over 10 per cent more than the year before. Our life insurance customers enjoyed bonuses also in the form of a specific customer reward. Last year, this reward came in the form of either a 25 per cent increase of the amount of insurance cover or a 20 per cent discount on the premium, depending on the customer's contract.

In 2023, the economy of Finns was impacted by increases in consumer prices and by decreased purchasing power in the first quarter. Purchasing power rebounded in the second quarter due to higher than normal wage increases, and this development continued for the rest of the year. More people than before wanted a profit on their saved-up funds, and the long-term work carried out to enhance awareness of LocalTapiola's investment services paid off. We occupy a solid position as the asset manager for the LocalTapiola Group insurance companies and other institutional investors, and we succeeded to expand this position more strongly than before also to private customers. All in all, the assets under our management increased 9 per cent, and we now manage assets valued at EUR 28.9 billion.

The rapidly increased interest rates called for adjustment on the real estate market, but on the other hand they activated fixed-income investors. The fixed-income market is among insurance companies' solid competencies, and last year we were able to attract more fixed-income funds for our management than ever before. Last year, the yield on LocalTapiola Group insurance companies' own fixed-income investments was nearly 8 per cent. For the listed equity investments of the Group's insurance companies, yield rose to as high as 12 per cent.

The number of claims that occurred to Finns continued its post-COVID-19 pandemic growth. The highest increase was witnessed in comprehensive motor vehicle insurance claims and in pet, medical and leisure accident claims, with their numbers going up more than 10 per cent year on year. Price increases, higher numbers of claims and the termination of certain types of Kela reimbursement reflected in the non-life insurance claims paid, which grew 13.7 per cent. All in all, we paid a total of EUR 928 million in non-life insurance claims to customers.

LocalTapiola's reputation as a strong, financially sound and local lifelong security company appealed in an uncertain time. Our total result increased to EUR 628 million, premiums written in direct non-life insurance grew 7.7 per cent and our year-end solvency ratio was 204 per cent. In motor insurance, our market share developed positively for the fifth consecutive year now, further bolstering our leading market position.

Over the year, we invested in a better digital customer experience. As set out in our strategy, our aim is to provide our customers with the best service in the sector personally, locally and by digital means. Changing customer behaviour patterns and emphasis on digital services are a key element in LocalTapiola's growth strategy. In the long term, we will invest several hundreds of millions of euro in reforming our core systems, aiming at an increasingly better customer experience. To accelerate this reform, in March, we also purchased a majority stake in Finnish P&C Insurance Ltd, known as POP Vakuutus. Partly as a result of this corporate acquisition, our customer numbers increased 13 per cent, currently standing at nearly 1.8 million. In a similar fashion, our online sales of insurance policies increased 86 per cent year on year.

There was increased interest in LocalTapiola as an employer last year. A reputation as a good employer cannot be achieved without good leadership, in support of which in 2023 we diffused the Group's common leadership promises. Our role as a responsible and sustainable company that embodies value-based leadership and management is also reflected in how, in 2023, the Group companies provided support to many communities to the tune of some EUR 3.2 million. To crystallise the strategic goals of our sustainability work, we prepared the sustainability programme. All our employees are needed in order to implement this programme in the coming years.

Climate change and the green transition are challenging LocalTapiola and the entire insurance sector to develop their products and services. Weather extremes, such as the mass fires in Greece last summer, have increased the price of reinsurance. Domestically, claims for flood, storm and insect losses have grown in number, and their volume is estimated to increase. In many ways, the electrification of transport is changing the insuring of vehicles, with the cold last winter highlighting several of the teething troubles faced by electrifying transport. The green transition also raises questions about how we assess risks associated with new forms of energy production, such as hydrogen production plants and offshore wind generation, and on the other hand how we see them as investments. At the same time, we are facing new types of claims, including for leaks and fires that are due to incorrect installation of solar panels.

Looking forward, the concerns Finns have about the future are, in many ways, justified. For Finland and Finns alike, the 2020s will be a time when several long-term risks materialise, leading to increased calls for changes both in Finnish society and in terms of the arrangements Finns personally make to prepare for the future. To set the fiscal recovery of our country on a sustainable path is a task that will span several government terms, and in Finland the value of households' assets continues to lag behind the other Nordic countries. A change of direction towards a financially and ecologically sustainable future requires sustained action and the courage for reform. For its part, LocalTapiola Group stands as an example of how a traditional, blue-and-white company is striving to face the global trends and opportunities that present themselves at an accelerating pace of change – investing significantly in reform that is difficult yet necessary, reform that creates value not only to our owner-customers but also to our entire society.”

## LocalTapiola Group's key outturn factors in 2023

LocalTapiola Group's total result was EUR 628 million. The positive year-on-year development in total result was supported particularly by the positive development of the investment business. The Group's operating result remained strong: EUR 494 million. The Group's solvency continues to be at a high level, with the solvency ratio at the end of December at 204 per cent. As a mutual group of companies, we use our result to strengthen solvency, to develop products and services for our owner-customers and to increase customer benefit.

### Non-life insurance

LocalTapiola Group's premiums written in direct non-life insurance stood at EUR 1,408 million, a year-on-year growth of 7.7 per cent. The acquisition of a majority stake in Finnish P&C Insurance Ltd increased premiums written by EUR 30.9 million, with the organic year-on-year growth of premiums written in direct non-life insurance at 5.3 per cent. The growth in premiums written is supported, in addition to this corporate acquisition, by a high customer retention rate and active sales work, in which we succeeded in 2023 both

locally in face-to-face encounter channels and digitally. Strong growth in premiums written was recorded for both corporate and private customers. In terms of our insurance lines, growth was highest in comprehensive motor vehicle insurance, for which premiums written experienced a growth of 10.6 per cent. For voluntary personal insurance, premiums written increased 7.0 per cent.

Claims paid to customers stood at EUR 928 million, reflecting a growth of 13.7 per cent. The effect of claims inflation is estimated to have been some 5 per cent, and the numbers of claims increased under several insurance lines over the comparison period. In 2023, claims incurred totalled EUR 865 million, and the risk ratio, which describes the profitability of the core insurance business, was thus 54.9 per cent. The realised amount of claims incurred includes non-recurring adjustments to the actuarial principles, which in total decreased the amount of claims incurred by way of reduction in compensation liability.

Non-life insurance operating expenses were EUR 416 million, representing year-on-year growth of 8.3 per cent. Operating expenses were increased by growth in the volume of non-life insurance, by inflation and by the investments made in operational development.

Balance on the technical account for non-life insurance was EUR 180 million. Balance before the change in the equalisation provision is composed of premiums earned less the claims incurred and operating expenses.

#### Life insurance

LocalTapiola Life's operating result was EUR 124 million and total result was EUR 150 million. Solvency remained strong, with the solvency ratio at 264 per cent.

Premiums written for term life insurance increased 8.3 per cent, and the company bolstered its position as the term life insurance market leader. In group pension insurance, premiums written increased 8.2 per cent. This growth was supported by a record-breakingly good level of sales together with a stable customer retention rate. Over the year 2023, customers directed their savings to direct fund investments rather than to insurance wrapper solutions, which pushed the premiums written for savings down by 54.7 per cent. As a result of the development of premiums written for savings, LocalTapiola Life's total premiums written decreased 22.2 per cent to EUR 333 million.

LocalTapiola Life's EUR 100 million subordinated loan was repaid on 23 November 2023.

#### Asset Management

During 2023, LocalTapiola Asset Management Group continued investing in a good customer experience by developing digital services and the structure and work of the new sales organisation. The accounting year achieved record-breaking net sales of investment solutions, exceeding the EUR 300 million mark.

LocalTapiola Asset Management Group's turnover was EUR 56.9 million and operating result was EUR -4.2 million. Operating result excluding consolidated goodwill stood at EUR 2.5 million. Operating result excluding consolidated goodwill increased EUR 1.4 million year on year, buoyed by positive net sales and favourable market development.

The (gross) assets under management by the LocalTapiola Asset Management Group companies totalled EUR 28.9 billion (on 31 December 2022: EUR 26.5 billion). Of these, EUR 13.2 billion was in assets in portfolio

management, and EUR 11.3 billion was in fund capitals, EUR 1.6 billion in other contractually managed assets and EUR 2.9 billion in administered real estate.

### Motor vehicle finance

In spite of a challenging motor vehicle and fixed-income market, LocalTapiola Finance's balance sheet continued to grow profitably. The finance portfolio increased and was EUR 2.4 billion at year-end and operating result was EUR 2.4 million. Operating result was reduced by record-breakingly high increases in interest rate levels and by the negative profit-and-loss effect in 2023 of the interest rate hedge valuation differences, which at the maturity of the hedging has a neutral profit-and-loss effect. Measured by new sales, LocalTapiola Finance continues to be Finland's second largest motor vehicle finance company. Our refinancing position remained strong.

### Claims and customer benefits

LocalTapiola Group paid its owner-customers a total of EUR 928 million in non-life insurance claims. In addition, we credited to our customers EUR 97 million in non-life insurance loyalty bonuses and EUR 39 million as S Group bonuses on insurance premiums.

Under life insurance policies, we paid our owner-customers a total of EUR 370 million in claims, and LocalTapiola Life's customer bonuses stood at EUR 13 million.

### Appointments

Joel Sunabacka started as Managing Director at LocalTapiola Pohjanmaa on 23 March 2023.

Esa Tihilä started as LocalTapiola Group's Executive Vice President, ICT on 15 May 2023.

Ilkka Herva started as Managing Director at LocalTapiola Itä on 1 June 2023.

Mikko Lempiäinen started as Managing Director at LocalTapiola Etelä on 1 July 2023.

## Key figures for 1 January–31 December 2023

The figures are unaudited.

### LocalTapiola Group

	1-12/2023	1-12/2022
<b>Non-life insurance</b>		
Premiums written, EUR million	1,435	1,333
Change, %	7.6	3.1
Direct premiums written, EUR million	1,408	1,308
Change, %	7.7	3.2
Combined ratio excl. unwinding of discount expense, %	85.7	90.6
Risk ratio, %	54.9	60.4
Cost ratio, %	30.8	30.2
<b>Life insurance</b>		
Premiums written, EUR million	333	429
Change, %	-22.2	-10.8
<b>Group's result and solvency</b>		
Operating result, EUR million	494	194
Total result, EUR million	628	-470
Solvency ratio at end of review period, %	204	211

### LocalTapiola General

	1-12/2023	1-12/2022
Premiums written, EUR million	322	310
Change, %	3.8	1.6
Direct premiums written, EUR million	255	244
Change, %	4.3	2.5
Combined ratio excl. unwinding of discount expense, %	67.9	95.5
Risk ratio, %	42.1	68.5
Cost ratio, %	25.8	27.0
Net investment income at fair value, %	3.8	-4.0
Operating result, EUR million	176	18
Total result, EUR million	206	-122
Solvency ratio at end of review period, %	375	414

### LocalTapiola Life

	1-12/2023	1-12/2022
Premiums written, EUR million	333	429
Change, %	-22.2	-10.8
Net investment income at fair value, %	3.3	-5.9
Operating result, EUR million	124	64
Total result, EUR million	150	-166
Solvency ratio at end of review period, %	264	321

### LocalTapiola Asset Management Group

	1-12/2023	1-12/2022
Turnover, EUR million	56.9	53.7
Operating result, EUR million	-4.2	-4.1
Cost/income ratio, %	95.6	97.9

<b>Assets managed at Group companies at end of review period (gross), EUR billion</b>	<b>28.9</b>	<b>26.5</b>
<b>LocalTapiola Finance</b>	<b>1-12/2023</b>	<b>1-12/2022</b>
<b>Operating result, EUR million</b>	<b>2.4</b>	<b>21.0</b>
<b>Finance portfolio at end of review period, EUR billion</b>	<b>2.4</b>	<b>2.2</b>