

# Annual General Meeting

## Company Participants

- Bjorn Wahlroos, Chairman of the Board
- Jarmo Salonen, Head of Investor Relations and Group Communications
- Knut Arne Alsaker, Chief Financial Officer
- Mirko Hurmerinta, Investor Relations
- Torbjorn Magnusson, President and Chief Executive Officer

## Presentation

### Jarmo Salonen {BIO 1860650 <GO>}

Distinguished Sampo shareholders, I would like to welcome you to our questions where Bjorn Wahlroos, our Chairman of the Board; and Torbjorn Magnusson, President and CEO; and Knut Arne Alsaker, Group CFO will be answering the questions.

My name is Jarmo Salonen, I'm the Head of IR at Sampo. Together with my colleague Mirko Hurmerinta, we will be moderating today's event. We have a streamlined program for today. We will be starting with Mr. Wahlroos' presentation and then after that, we will give the floor to your questions and hear the presenters; answers. First, Mr. Wahlroos answers until 2:30. And then we will move to Stockholm and we will hear Mr. Magnusson's presentation and then after that Mr. Magnusson together with CFO, Alsaker, will be taking questions.

You can still send in your questions. So keep sending them and below the screen, below the video feed, you can see the box into which you can type your questions. Please, just one question per message that makes it easier for us to tell the questions apart.

Before I give the floor to Mr. Wahlroos, a few questions -- a few comments on the languages. You can listen to the original floor sound or you can listen to the presentation entirely in English or entirely in Finnish. And you can find the button for making the selection on the bottom-left corner.

Well, there may be people who have not understood a word so far. If you want to listen to this in English, please look at the lower-left hand corner of the screen and you will find a button, English. That will keep your name in translation of the event.

With these words, after a short introduction video, I'll hand over to Bjorn.

### Bjorn Wahlroos {BIO 1763401 <GO>}

Distinguished shareholders and others who may be watching our webcast, the year 2020 was a lot more surprising and turbulent than we anticipated and this applies to the world and to Sampo. The markets, at the beginning of the year in March, decreased quite radically due to the COVID-19 pandemic, and actually the pandemic created a huge question mark, which meant that we were waiting for answers for a month or two months. And then for the rest of the year, we have been looking for better answers, more specific answers.

The most surprising element in this reaction and in the market environment in 2020 was how quickly the markets recovered after the dip or dive they took in March and April. And actually the year ended in record high numbers and they have kept that level this year as well. At the background of this phenomenon, there are many facts that apply to the economy -- many changes that apply to the economy and the most important one is that interest rates are still very, very low. In euro, interest rates are negative. Now inflation rates have started to accelerate and it seems that real interest rates remain negative as well.

Another important question has been technology. If you look at indices, even quickly, you can see that the biggest increases have been seen in technology companies, companies that have benefited from the COVID-19 crisis and technology companies are among the companies that are expected to benefit from the change in consumer behavior that was caused or accelerated by the pandemic.

The third factor that has supported this increase at a later stage was the huge public deficits. They are surprisingly big. They have surprised markets and you can say that spending discipline has been thrown out. And the surprise to the markets, especially in the short-term has been positive.

So these three factors have caused the markets to recover very quickly and markets are in overdrive even, but that doesn't mean that COVID-19 had not hurt our economies permanently or at least, it has caused permanent changes. I have mentioned one of these changes and it is that digitalization took a huge leap forward. Many have even talked about how something happened now in months that was expected to take years. So consumer behavior has changed radically in many, many fields, in retailing, in restaurant -- in the restaurant business and there are countless others as well.

Of course, there are negative effects as well. They are still being talked off and we don't have any real information on them. I assume that business travel, downtown real estate, the hospitality industry, hotels, restaurants, they will experience the negative impact for a while yet. So this has been the environment. Some could call it, exciting, others challenging. This was the environment in which Sampo was forced to operate in 2020. And in hindsight, I could say that we fared pretty well.

In financial terms, one of the factors behind our performance was that the epidemic has impacted P&C insurance business all over the world and it has had a positive impact, because the damages have been below normal level. And of course, in the motor insurance business, for example, that has really driven the earnings formation in that field, but it's not dramatically important element in our figures. Actually, our P&C business is

doing great and that of course entails a lot of other things besides motor insurance. So, we are glad to see this development and we can be quite confident about it.

For us, 2020 was a year of change, not just due to the turbulence on the markets. We got a new President and CEO to the Group. Of course, he had been practicing to take on that role for about a year as the CEO of Nordea and he had other jobs or tasks in the Group as well. And that is why Torbjorn was able to get a flying start and start with great confidence. And you can ask your questions to him directly after my presentation. And I am excited to be working with him, to be going through this change with him.

Torbjorn and his team launched a new strategy or a framework of a strategy for the Sampo Board. And now in February, Sampo Board adopted it and it was introduced to our investors and our shareholders during our Strategy Day or Capital Markets Day. And I think it has been received, I would say, surprisingly well, because we clearly said that we would be focusing on the insurance business and P&C insurances. In particular, the reactions were very, very positive.

Our leadership team at Sampo has been doing that job for 20 years, now -- more than 20 years now and investors response was very clear that this strategy is a good one. And due to that, we have taken certain decisions. One of the most visible ones was that we have started on a new market geographically. In the UK, we purchased the company called Hastings. We started with it quite calmly, but our idea is to build an even better offering in P&C insurance through Hastings on that market.

At the same time, we made public our initial outlook on decreasing the Group's dependence on banks and banking. The wave of regulation that has swept over Europe will mean that the banking business in the future will be in its nature quite different to what it was a few years back at least. And in that sense, although, we strongly believe that banking and the valuation levels of banks will increase in the future. We didn't think that we could achieve the kind of figures we were looking for in terms of return. So in the medium term, we will be exiting that business and in -- our investments in that business.

The year 2021 has started in positive terms. I think many of you have seen our Q1 report. It speaks for itself. We have a very confident outlook towards the current market situation, both in terms of our business areas and the investment market in general. And in that sense, it is easy to support the future outlook in our interim report. In Sampo, they remain pretty stable and that is our way of saying that we try to generate excellent, but stable return on investors' money.

How about the future? We have now identified the key factors, the framework that we will be working in the few coming years. Our strategy is in place. We will be focusing on insurance. We will be expanding in P&C insurance in Northern Europe and now the UK market is attached to that as well and we will be progressing in all that. And as I just said, we have decided to decrease and finally, exit our holdings in Nordea and I think we will be quite lucky in that because the situation is quite clearly that investors seem to have understood that the bogeyman that is in the investment market, i.e., inflation is in banking quite positive in fact.

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Inflation produces two good things for banks. It increases valuation when credits are nominal, but then guarantees are inflation-linked. And then on the other hand inflation expectations and inflation itself produce slowly a positive curve on yields, interest rates turn from negative to positive and when interest rate return to a sensible level into positive, a little or even little more above zero and the yield the banks get from taking in people's deposits will improve significantly. And this means that in the medium term, the outlook for banks in Europe and in Northern Europe, especially where we don't have to worry about the solvency of banks, this is a good time to let that investment go to exited, because as we have seen, investors on the market price Nordea on a different level than they did only six months ago.

Sampo already during this year has gone through a significant change. We will continue with that. We have a new team which is getting new members all the time. It's a very streamlined lined team and we are very confident about the future and we hope that this year will again become a great year for this Group in its history and I hope that you will still join us during that journey.

Now, I would be happy to take your questions.

## Questions And Answers

### A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Let's move over to the questions in the order we have received them.

Could Sampo remain a Nordea owner because the banking business is in better shape now that the interest rates are normalizing?

### A - Bjorn Wahlroos {BIO 1763401 <GO>}

Well, that's what I tried to say at the end of my speech that the prerequisites for banking have improved, but partially it has been capitalized in banking share prices and therefore the profit in our banking business is much better now than six months ago.

### A - Jarmo Salonen {BIO 1860650 <GO>}

We have one interesting question to ponder, related to our Nordea ownership.

### A - Bjorn Wahlroos {BIO 1763401 <GO>}

In Finland, we have quite special tax regulation. If you have a 10% ownership in a company, the -- selling it off will be tax-free. So, if we reduce our ownership to under 10%, we are now owning 15.9%, so 10% is not so far off. So it would be better to sell it off completely because according to the Finnish tax regulation, in the share taxation, you value it in order where the latter part of the profit is biggest and this means that if we go under 10% ownership, we have 12 months to sell off the total last part and the tax saving of that is significant because the profits for the latter part, because we used to buy Nordea shares EUR2 per share at the time, so the tax effect would be great. So the answer is that Nordea is a very interesting target for investments in the short term, although it has been

that for six months now, but the tax scheme is supposed to leave to the situation where in the short or the medium term we have to sell. It's completely independent on what kind of an investment we would see Nordea as.

**A - Jarmo Salonen {BIO 1860650 <GO>}**

Thank you. We have several similar questions. So the quarterly dividends. How do you see that? Could Sampo consider paying out dividend per quarter?

**A - Bjorn Wahlroos {BIO 1763401 <GO>}**

Well, the short summary is that, of course, we can consider it. I personally have always been somewhat skeptical to those who said that this would have a great significance in the share price formulation. I'm sure that this won't happen because our financial markets function do well that if someone has a great liquidity -- liquidation problem per quarter, they can correct it by the financial markets. But on the other hand, when these mechanisms and the IT systems function well, there aren't so many counter arguments. So therefore, we will ponder this issue and you will continue keeping it up as shareholders. And we take this question somewhat positively and we will see whether it will become a custom or not, but I don't see any great obstacle to it.

**A - Jarmo Salonen {BIO 1860650 <GO>}**

Good. Next question then on your -- the purchase of own shares. Can Sampo consider this, if the share price is low enough?

**A - Bjorn Wahlroos {BIO 1763401 <GO>}**

Well, of course, we can consider it. That's why we are trying to get an appointment from the shareholders to this during this AGM as well. But the stakes are high, because our CFO, for example, or the one who would present this would have to present a significant under evaluation before we would take up such action of repurchasing shares. So during my time in this company, I think that only on three occasions and only once in a significant amount have we repurchased own shares. But I have to say that in the past six months, we have been discussing this and with the leadership team, we have been considering it whether it would be the right time now. When the share price was quite low at one point, one central argument then was that, in the banking sector, the ECB has set quite tight restrictions on capital distribution, actually a prohibition, a ban on dividends and purchasing of own shares. So I think that this might be quite difficult regarding the authorities if we would put on a significant repurchase of own shares. But my answer is clear. Of course, we can consider this. And I could say that this scheme in Finland has in the withholding tax issue caused with foreign investors who are not British, it would be quite natural to repurchase our own shares, because for many shareholders the tax treatment is not so nice.

**A - Jarmo Salonen {BIO 1860650 <GO>}**

Then several questions on Mandatum, whether leasing of Mandatum is on the schedule and the timetable.

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## A - Bjorn Wahlroos {BIO 1763401 <GO>}

Well, the answer is no. At this point, we have considered and we still consider that Mandatum is a core part of the Sampo Group. We discussed the role of Mandatum when we looked at the new strategy of Sampo and we have defined Mandatum as a strategic part of this group and therefore -- you looked at me so that I thought that I was answering in a wrong manner or something like that. Well -- and with this definition, we mean that Mandatum stays with us. But of course, nothing is permanent in business. So currently we do not have any need to divest some of our parts. Mandatum actually releases capital because its capital absorbing life insurance business is already 20 years old and it has been under ramp down for some time now. So when we look into the future, Mandatum doesn't actually bind lots of our capital in the group. So the justification should be something else, but Mandatum now plays an important role in the total asset management and their balance sheet is used for the group capital position formulation. Therefore, it is an fundamental part of our group.

## A - Jarmo Salonen {BIO 1860650 <GO>}

How do you see -- what are the biggest risks in business, for example, and what kind of measures or actions have you taken to counter these risks?

## A - Bjorn Wahlroos {BIO 1763401 <GO>}

Well, first of all, I'd like to say that we -- I would say that the risks, I see them smaller now than I would have said two, three years ago and this is because our share in the banking business is smaller than it used to be and the regulation tsunami I referred to in my presentation is calming down, so that the rules of the game seem to be fixed now with one big exception and that is the ban on dividends, which should be lifted by the ECB this autumn. But the games of the -- the rules of the game being now stabilizing from ECB and other authorities. So the regulatory risk, so the surprising authorities actions, that risk has been decreasing. And at the same time, Nordea during a time when I have had to work a lot with Nordea, I invested a lot of personal resources and money for them to correct their organization and activities. For example, in anti-money laundering and I was able to prevent significant negative impacts not -- or unlike to other Nordic banks, who suffered a lot.

But our business environment now is less risky than I would have estimated two, three years ago. But on the other hand, if we've learned something from the pandemic, we have learned that in this modern world anything can happen at least from the investors point of view. So there are only few people who understand how brilliant the US former defense secretary -- Donald Trump felt was, when you say that there are three unknown factors, the third being the unknown unknowns. So those unknown factors, which we cannot even imagine, those are the worst unknowns. And after the pandemic, one could say that our business environment, the business environment of all companies, one thing is that we have used a lot of time to figure out these unknown risks and still we cannot cover these risk 100%. But we're doing quite well.

## A - Jarmo Salonen {BIO 1860650 <GO>}

Where do you see Sampo within 10 years?

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**A - Bjorn Wahlroos** {BIO 1763401 <GO>}

That's not my task. That's the easy answer, that's for someone else to decide. But I will stay on constructing the future of Sampo. Very briefly, I see, first of all, the -- currently big massive profitable technologically advanced pioneer PC insurance group ahead of me which will become one of the best and highest value insurer in the north of Europe.

**A - Jarmo Salonen** {BIO 1860650 <GO>}

That was a good segue into our next question or questions. How do you see your own future in Sampo? How long will you remain the Chairman of the Board at Sampo?

**A - Bjorn Wahlroos** {BIO 1763401 <GO>}

Well, I have gone through the decisions of this new type of Annual General Meeting. I understand that, I have been re-elected to the Sampo Board and the Board has elected me to be the Chairman. So, I have promised to stay on for one year. So maybe, I can promise that I can maybe give you another year after that, if you insist. But after that, I think we're close to the limit. Thank you. Then finally, how about the increase in interest rates and inflation? What is the impact to Sampo business? That's a good question. I already answered that partly when I talked about banking and said that inflation, when it is as low as it is now, it's almost exclusively positive for banking. It's very good for our valuation and for deposits. Inflation can be a bit more worrying in P&C business. But in our actual business, I think it's 50-50. So repair costs will go up, but so will insurance costs, the insurance premiums. So I think what is crucial here is, our balance sheet, if we take a look at Sampo's balance sheet, we noticed one interesting detail. Sampo is almost the only significant insurer in Europe who hasn't matched its receivables to debt. So in a normal language that means that in our balance sheet, we do not have a great number of debt with long maturities and we don't have government bonds with long maturities. So the small amounts that we do have or have their maturities have been shortened by using derivatives and that means that Sampo will not be facing setbacks, if interest rates increase. So rising interest rates is an opportunity for us, not a threat.

**A - Jarmo Salonen** {BIO 1860650 <GO>}

Thank you for these answers. I think we will have to close this session here.

**A - Bjorn Wahlroos** {BIO 1763401 <GO>}

Thank you. Thanks a lot and have a good rest of the webcast. Although, this is not, if I understand correctly, an official part of the Annual General Meeting. Well, anyway I will let you take over and Knut Arne and Torbjorn also.

**A - Jarmo Salonen** {BIO 1860650 <GO>}

Yes. Distinguished shareholders, we will be moving to Stockholm through a short video. And after that, Mr. Magnusson's presentation. [Video Presentation]

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

Dear shareholders, I am pleased that I'm able to meet with you at least this way in conjunction with Sampo's virtual AGM this year. I will, by way of introduction, give some words on Sampo's strategy with couple of slides from our Capital Markets Day in February and then it felt natural also to have a slide on our first quarter results we have passed of course to the first quarter of the year.

So starting here with our strategy, we are pursuing a path towards a pure-play insurance company. We have three property and casualty insurance assets. We have If P&C, we have Topdanmark, and we have Hastings Group. The track records of those assets are second to absolutely none and they all hold leading positions in their markets and their segments. We will invest and we will develop those companies without any limit to the timeframe.

The second group of assets we manage for value. This includes Nordea. Bjorn discussed this. We are pleased with the much improved development of the company in the past, so let's say, 18 months, two years and then they are now following it -- a path towards their 2022 targets. But we have decided to reduce the holding materially within 18 months from the Capital Markets Day in February this year. This group also includes a number of small investments sized EUR100 million to EUR300 million which we have done with our partners. Many of these are private equity firms, where we have a smaller ownership than our partner. They are likely to run the, let's call, it PE natural lifespan and they have been a very good and profitable group of investments.

Finally, this group also includes Mandatum Life, which is a Finnish life insurance company in great shape, performing well also during the pandemic. To maximize the value there, we will focus on extracting a strong dividend stream from the run-off book and secondly to develop capital-light products for the present financial environment.

My second slide today depicts the new financial targets that we announced in February this year. They reflect the strategy I just described. We have set targets for the combined ratios, for our P&C operations. They are ambitious multi-year targets that reflect both our strong abilities and the state of our markets. We have also set a balance sheet framework, where the ranges for solvency and leverage that are optimal for the operations that we have. Finally, we have reiterated the fact that we know dividends are important to you, our shareholders. And we keep our previous policy supplemented by the dividend from the fact that the dividend from the insurance operations should be an increasing one.

Turning then finally to our first quarter results, they show considerable strength in almost every way that you can think of. Profits are up from all segments both from operational results as well as the investment returns. But most importantly, the underwriting result, the core of our sustainable development for the Group was up significantly. The important combined ratio targets that I just mentioned were met by a wide margin, even if you correct them for the beneficial COVID effects that also Bjorn mentioned.

Thus, it was a pleasure to present our Q1 results to the market as it is a pleasure to share them again with you. And with that, Jarmo, I think we open up for questions.



**A - Jarmo Salonen {BIO 1860650 <GO>}**

Thank you, Torbjorn. Mirko Hurmerinta has joined me at -- and again I made the wrong language choice. (Foreign Language) Yes, I was meant to speak Finnish. Mirko is here with me to ask questions to Torbjorn and Knut Arne. Mirko, maybe you could ask the first question.

**A - Mirko Hurmerinta {BIO 20441689 <GO>}**

Thank you, Jarmo. The first question goes to Torbjorn. What are the growth opportunities for Sampo in the current markets in the Nordic countries, both organically and through M&A?

**A - Torbjorn Magnusson {BIO 1863476 <GO>}**

These are limited. And we have limited them to bolt-ons, i.e., things that add to the operations that we already have and can be integrated with them, et cetera. But on the other hand, I think that the opportunities to grow for us with a leading digital ability in these markets where customers gradually move over through to digital channels is one that has been there for a number of years and that is increasing in importance every year as we go along.

**A - Mirko Hurmerinta {BIO 20441689 <GO>}**

Thank you. Next one is for Knut Arne. How about the rising interest rates? How will that impact the solvency of Sampo if the interest rates there reach the level of 2% for example?

**A - Knut Arne Alsaker {BIO 18730318 <GO>}**

Rising interest rate is positive for the solvency of Sampo, basically meaning that we will have a higher value coming from the liability side of our balance sheet. And in solvency ratio terms a 1% increased interest rate is roughly EUR500 million more in solvency capital, meaning that 2% would be roughly EUR1 billion more in solvency capital.

**A - Mirko Hurmerinta {BIO 20441689 <GO>}**

Thank you. Why didn't Sampo acquire even more Topdanmark last spring when the markets crashed due to COVID?

**A - Knut Arne Alsaker {BIO 18730318 <GO>}**

If we would have wanted to do that -- I think the Topdanmark share price fell for about two weeks and actually, the turnover of Topdanmark shares every day is really very, very small. So that chance was too limited and too brief, even if we have would have wanted.

**A - Mirko Hurmerinta {BIO 20441689 <GO>}**

Then a more broad question to Torbjorn. What kind of competitive edge just If have on the Northern markets?

**A - Torbjorn Magnusson {BIO 1863476 <GO>}**

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Well, I think that If has proved in several ways with its long track record, two things. One, and most importantly, that the customer focus that that company has is really extraordinary and the services and the products that are now available on the web and with car dealers and in telephone services are absolutely superb and we have shown good growth over quite a long time period for the company. But also of course If P&C was founded on the idea of Nordic synergies and those will and are realized more than anything else in IT. And if you look at If P&C's development in the cost ratio, that reflects those synergies. I think it's probably the longest track record in the world of reducing cost ratio. It's more than a decade long by now. Every year consistently less IT cost, less cost in general and more synergies and reducing cost ratios for the benefit of the customers, of course.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Then on investments to Knut Arne. At Group level, Sampo's level is at 14% -- has -- all equity exposure is 14%. Why is it so low, should it be higher?

**A - Knut Arne Alsaker** {BIO 18730318 <GO>}

It's 14%. 14% did represent the fact that we primarily have the balance sheet consisting of P&C insurance liabilities, which funds our asset mix and investment portfolio and we need to have an investment perspective that basically takes the cash flows, the liabilities we have into perspective. And we feel with 14% or there about, that's a good mix in terms of getting return, of course, attractive return on our assets and also taking the structure of our balance sheet into account.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

At this point, I'd like to encourage you to send in more questions. A question that has been presented on several occasions is related to the COVID-19 impact on PC insurance. Once we've gotten rid of the virus, do you see some kind of a permanent impact or impact on our profitability generally speaking?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

We are expecting in the outlook for this year that the COVID effects will gradually fade, disappear in the quarter that we're in now, in the second quarter. And we operate in very rational Nordic markets. That's where the dominant part of our business is. And the Nordic markets have all the time in the past decade been rational to when prerequisite circumstances have changed in the market. So, no, I really don't see a permanent effect on the profitability. We will act rationally and change rates according to the environment that we're in all the time. And at the moment, there is no part segment of the business, where we do not see the rate changes that are the right ones, the correct ones coming through in our business.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Elliott, who has said that he owns 3% of Sampo has been quite silent in the past months, do you have any comments on that?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

Not really. We've had a good dialog with Elliott over the last year and sometimes they have been vocal in the market than they have recently, but it's been a good dialog, as we have with many owners.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Related to the UK insurance market, how do you see the price comparison websites' role changes in market development generally?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

Well, of course, it's an exciting market, the UK market where the price comparison sites, also called aggregators came to the markets, that's a couple of decades ago now and gradually took over quite a large market share in not only P&C insurance but also in P&C insurance. And the incumbents, the old insurance companies have struggled to find a way to be successful in those -- on those sites. However, there are a number of new insurance companies in the UK market that are grown up together with these price comparison sites and in one case, they even -- they are even co-owned or owned one of the aggregators. So that's a very close collaboration in a way and Hastings that we have acquired 70% of is one of the companies that has grown up in this environment and has been very successful every year in -- on the price comparison sites.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Sampo has given a very specific timetable regarding Nordea reducing ownership in the coming 18 months. What about the other financial investments?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

As I mentioned in my introduction, we don't drive the smaller investments that we have in Saxo, Nets and Nordax and a few more. So we are quite dependent on PE firms or others for the timetable of those developments. But I think there is a natural time limit for those investments that varies from investment to investment.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Sampo's share is a little bit over EUR40 -- EUR41 in share price, are you considering share splitting?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

I think that any change to the share construction is something that the Board will, of course, deliberate on regularly. However, my primary purpose is, of course, to increase the share price and that is more important to me than the exact construct of the share at the moment.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Sampo's target is to keep gearing under 30%. What significance does leverage have when you have cheap debt to be purchased on the markets?

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**A - Knut Arne Alsaker {BIO 18730318 <GO>}**

Leverage is a good tool to finance parts of our business naturally and as an insurance group, we use leverage also for solvency capital purposes. Some parts of the debt can also be used for that specific purpose. Then of course, we want to have a balance sheet which gives us some flexibility also for the future. And with the target we've set -- the leverage target we've set, we felt that flexibility is created as long as the current leverage ratio is below 30%. So that's what we stick to going forward. Obviously, if there is a certain opportunity that arises, a good business opportunity for a bolt-on acquisition, leverage could, of course, be slightly above 30% for a period of time, particularly, with the current interest rate environment naturally. But currently and over time, we will stick to a leverage target of below 30%.

**A - Mirko Hurmerinta {BIO 20441689 <GO>}**

I'll now combine a couple of questions. One question, is related to what kind of a threat do you see technology companies outside your business or that, for example, automobile companies would offer insurances from their business point of view?

**A - Torbjorn Magnusson {BIO 1863476 <GO>}**

This is a wide question, of course, very broad. Let me say a few words about it. First of all, that I'm almost proud to work in the Nordic P&C markets, because the Nordic P&C markets have met technological advances by adapting them, by developing them since 30 years back and that way, the insurance companies, not only If P&C, has been able to lead development and we have seen no influx of other global insurers to the Nordics because we have been more efficient here. So that's one point. Another is that we via If P&C have a closer relationship with the car industry than almost any other insurer I know at least in Europe, which means that the developments in the car industry is something that they do together with us to a large degree. And of course, we've been extraordinarily successful in creating long-term relationships with the car manufacturers and also distributors. So I think we're in good shape for meeting also new advances in technology.

**A - Mirko Hurmerinta {BIO 20441689 <GO>}**

How about Sampo's own M&A capability? Could Sampo be a target for a bigger operator to purchasing, Allianz for example?

**A - Torbjorn Magnusson {BIO 1863476 <GO>}**

Few companies around the globe that are in such good shape that they could acquire Sampo. Sampo is a big entity and we've had no such plans or advances made towards us. So, no.

**A - Mirko Hurmerinta {BIO 20441689 <GO>}**

A different perspective next, how important is it to Sampo to be a diverse company to have diversity, to have inclusion, and its own activity and in its investment companies as well?

**A - Torbjorn Magnusson {BIO 1863476 <GO>}**

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As to exactly what that question entails, we are specializing the company when we're saying that we are pursuing a path towards pure-play insurer of course and we are divesting a banking entity. But on the other hand, we have a lot of diversification because we operate already today in several different markets. We've added Hastings, which is the eighth market and that gives a lot of diversification also to our capital requirements. So it is important for us where diversification gives us an advantage when it comes to capital, when it comes to sharing investments, the one technology that we just discussed. On the other hand, we are specializing into what we do best. So insurance business and that is an advantage in itself.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

If I may continue, I think this referred more to what is the role of women in top management?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

There is a -- it is unfortunate that we and the rest of the world have not been able to advance more women into our leadership teams, but that will come gradually and we have a large number of the women that are developing upwards towards the ranks of the top management team over time.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Often, we have said that Topdanmark is too expensive for Sampo to buy at current prices, but how about selling it, if it's so expensive?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

I think we have a wide range of possibilities here and things don't -- maybe don't change over time, but they are modified over time. The actual share price of Topdanmark, how I see that, depends on what the market price is at the moment. It depends on the development of the company in every quarter, of course, and also the way that they -- the Danish market, where they operate, how digitalized that one is and how they invest in that digitalization. So there's a large number of factors and potentials for us going forward.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

In banking, we have seen a lot more regulation. How about P&C? Is there a risk for such an increase in regulation?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

I think both banking and P&C insurance over the past -- it's more than five years now. I would say, it's almost a dozen years to have seen a gradual increase of regulations and regular requirements on capital, but also on the way that you operate and reduce risk in the companies. So that is something that's been going on in parallel between insurance and banking all the time.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

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A question on Nordea. Do you think there is a risk that ECB will continue its dividend ban after September?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

I think that it would be natural for the ECB going forward to stick to the regulations that have been there. When we didn't have the pandemic, if the pandemic leaves, that would be a logical progression, wouldn't it? But let's see, where we're with COVID after the summer and then it's going to be easier for both the ECB and me I think to answer such a question.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

What is your understanding of European insurance companies interest towards the Nordic market?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

Really in the -- mainly in insurance business and I've got a lot of contacts in the European insurance market and the European Insurance companies now and then I discuss the Nordics with other colleagues than from the European insurance market. There is almost always a great fascination and interest in the technology that we're developing here and people want to observe and try develop similar things. But so far that's the extent of that interest I think that I've seen. And in addition, it is difficult to see how you could come to the Nordics and be more efficient than the Nordic insurance companies are if you are from Germany or France or Italy as the cost levels that we have here are way below what they are used to. It is such efficient markets.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

How would you estimate the climate change and factors related to it will impact Sampo's business and P&C, in particular?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

...insurance is different than life insurance, of course, in that it is one-year agreements almost exclusively. So we will see how climate change develops and we will work against it, of course, as a company, try to contribute with the knowledge that we built up, but we will also have the opportunity to change our terms and conditions every year as also the price is possible to change every year in case we see effects of climate change. For instance, if we have houses close to rivers and shore or similar things.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

To Knut Arne, could you maybe give us a summary of what was said in CMD on the return of excess capital, the amounts and the ways of doing it, the return to shareholders, that is?

**A - Knut Arne Alsaker** {BIO 18730318 <GO>}

Sure. At the CMD we presented our new capital management framework which says that we will operate with a solvency ratio within 170% to 190%. So that's capital over the

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solvency -- capital requirement. We are currently in the upper end of that range, within the range, though. If we exceed the 190% level on a sustainable basis, we would define that as excess capital in our capital management framework. And obviously, the Board would consider how to deploy that excess capital given our M&A appetite or return it to shareholders.

You heard (inaudible) talk about the share buyback considerations or views on that and obviously to return capital as dividend is already something we do in our regular dividend policy and that could of course be complemented with the special dividend if we have excess capital according to our capital framework and the Board decides to do so. In terms of the amounts, what we talked about at the CMD was that if we were to exit all of Nordea and the investments, we would have excess capital to the tune of EUR5 to EUR6 per Sampo shares. That has obviously increased a little, given the positive development primarily in the Nordea share price. And I mentioned at our Q1 call that it's increased by shy of EUR2.

#### **A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Follow-up to Knut Arne. Would it be possible to distribute Nordea ownership as dividends to shareholders as we did a few years back and what are the factors that would impact this?

#### **A - Knut Arne Alsaker** {BIO 18730318 <GO>}

It would be possible. And in terms of legal requirements, then just if we think about what we did back in 2019, we distributed a very small part of our Nordea shareholding at that point in time. To distribute Nordea shares, this dividend in kind is of course giving that value to our shareholders, but it also gives our shareholder a tax bill, because it is considered to be dividend for tax purposes. And it is a dividend without any cash component. So to -- everything else equal to fund that tax bill, our shareholders would either need to have other source of liquidity or sell that -- sell Nordea shares when the tax bill come in the mail. And that would be one consideration which the Board and we will take seriously meaning that, that is currently something at least for a large part of our Nordea shareholding something which is not our first choice in terms of materially reducing our Nordea shareholding from the current level.

#### **A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Next question to Knut Arne. Regarding Sampo's share weighting, do we have an interest to increase share weighting if share prices start decreasing?

#### **A - Knut Arne Alsaker** {BIO 18730318 <GO>}

Sure. That could, of course, be an opportunity to buy into cheaper assets in our investment portfolio. Then, if share price decreases, that in itself is of course, reducing the weighting of equities in our total portfolio. So to say that we would sort of increase our percentage term -- in percentage term, which was one of the earlier questions I got, I couldn't say that that necessarily would happen. But, of course, if -- with the strong balance sheet that we have and to find good investment opportunities to buy into cheaper assets, it's always a good opportunity for an investor.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Will Sampo profile itself as a dividend company in the future as well?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

Well, I think we've made very clear that we believe a dividend is important as I mentioned previously for our shareholders and ourselves. And we made also a clear statement that we keep the -- in excess of 70% dividend policy in addition to promising to have an increasing insurance dividend from the core operations.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

A question relating to, if Nordic competitors do you (inaudible) that they would be operatively ahead of If?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

I wouldn't say that we can say that, but we can say that there is rational competition out there. And they are perfectly competent competitors to us. And they have also been able to grow their businesses a bit. But I think the important thing is that the Nordic markets are dominated by a small number of large insurers. The number of small insurers has actually come down in the past few years and we have a very rational competition that seem to change the rates according to claims inflation in a good way for the market to keep up its profitability.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Torbjorn, could you tell us three reasons why a webcast watching us should consider investing in Sampo?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

Well, I think it's quite easy. We have, as the first reason, the clarity that we now have given on our strategy. We have defined what we want to do and we are going there in a very -- in a way that is easy to understand. Secondly, our track record. We have a long track record of succeeding in P&C insurance, which is now the focus area. And thirdly, I would say, look at the recent results as well. The Q1 numbers that we published is of course a pointer that we are in no way getting weaker as a company, but stronger by the day. There you have three reasons.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

A continuation to a previous question relating to motor insurances. In Germany, some insurers pay automobile manufacturers for getting information from them. Is this something that If could consider doing?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

Would you mind repeating the question? I don't think I got all of it.



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**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Yes. So according to the one who questions, in Germany, some insurers purchase information from car manufacturers and then they use this. Could If consider doing this?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

Well, we could consider doing it were it not for the fact that we have such a close collaboration with the car industry. So they are actually acquired -- they are actually buying information from us in some cases and we are sharing information with each other, developing the best possible products for our clients and it's one of our strongest distribution channels. So it's not a current topic, even though sometime in the distant future, it's not out of question, of course.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Would it be possible that Sampo would repurchase own shares from one single shareholder such as Solidium, for example?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

There are no such plans or discussions at the moment.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Related to own share purchases and Nordea ownership, if Nordea would not be in your ownership, would that impact somehow to Sampo's purchase of its own shares from the regulatory point of view or legislative point of view?

**A - Bjorn Wahlroos** {BIO 1763401 <GO>}

No, there is no necessarily direct link between the ECB ban on dividends for banks. And what local regulators and EIOPA have for the insurance sector. Obviously, the reason for being careful in capital distribution in terms of the uncertainty related to COVID is the same. But we need to consider what our regulator, how insurance regulator thinks about us as an insurance company. Whatever assets we have on our balance sheet. So that in itself wouldn't change our possibility for capital action. Obviously if we had the situation where we have materially reduced our shareholding in Nordea and as Knut touched upon, exited Nordea in a way that left us with significant proceeds. We would have such a strong balance sheet and high solvency ratio. That, of course, that discussion with our regulator in terms of possibility to return capital, if that's what the Board wanted should be an easy one.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Then I'd like to encourage the shareholders to send in more questions. A question related to the competitive environment in the Nordic countries regarding If. The competitive environment has been positive in the recent years, but what's the difference between the countries in the competitive environment in the Nordic countries?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

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Maybe to avoid going through a very long journey through all the countries. Let me first say that, in most countries, the same parent companies, same groups dominate in total in the Nordics. So as you all know, If P&C is present with a strong presence in all Nordic countries. Tryg P&C are present with the exception of Finland. Gjensidige has a very strong base in Norway, but also presence in Denmark and to some degree Sweden. So the reactions to changes in the market are discussed in relatively few places, if I put it that way. Then the history is that, mainly in Norway, we saw a number of new entrants. It's probably like five years ago now and they enter the market without any strong competitive advantage just thinking that it would be possible to take part in what they saw was good profit and then they discovered that entering P&C insurance without any statistical basis, without knowing anything about customer behavior, without having the systems, the technology in place, it was quite difficult and over time they disappeared. That's what's happened in Norway.

Sweden has been more stable. Denmark has seen a few mergers or acquisitions that has consolidated that market a bit in the past few years and Finland has also been stable now for a period of years. So, yeah -- and in the meantime, I think that we have all, the large companies developed our technology, our call centers, or our Internet offerings and those are areas where being big and being able to share costs across the Nordics is an advantage and has benefited certainly If P&C, but also to some degree the other large insurers in the Nordics.

#### **A - Mirko Hurmerinta** {BIO 20441689 <GO>}

In Sweden and in Finland, motor insurance debt is discounted. So therefore that would be good for If. How do you see the inflationary risk as regards If?

#### **A - Torbjorn Magnusson** {BIO 1863476 <GO>}

That's very true. In terms of the motor insurance technical reserves and also workers' compensation reserves, I should add, in Finland is discounted. And if the question is what is the impact, similar to the previous question on that -- on increasing rates -- nominal rates on that reserve mass, if I take all of the discounted reserves in If and if interest rate increase by 1%, there would be an increase in -- one-time increase in profit of around EUR400 million. Of course, in such an environment, there will be an offsetting factor by a mark-to-market negative development on the asset side, but the net would be clearly positive.

So in terms of gearing for increased rates, we discounted reserves. We are of course very much geared towards increasing interest rate environment like we needed to take the negative hit of decreasing rates over a decade in our combined ratio. So the results that we have produced in If over the last 10, 13 years, the combined ratios, the strong combined ratio, they still include significant run-off losses, so strengthening due to decreasing rates. And if we have an upward ticking rate path, some of that would of course come back as profits in such a scenario.

#### **A - Mirko Hurmerinta** {BIO 20441689 <GO>}

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How about the UK? Are there anymore companies that maybe could be acquired, companies such as Hastings?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

We saw Hastings as a unique opportunity. We had followed the company for a long, long time. They operate in one segment, in a segment that they know really well and in a segment where there is natural growth that they can take part in. We have no intent going on a spending spree in all of the UK, which is quite competitive insurance market or all of Northern Europe where we've limited knowledge. So this was a unique opportunity. We had followed the company for a long time. And what we could imagine is, of course, if there was a small portfolio that could be in addition to Hastings in the same segment, the digital distribution segment that they operate. So very limited and bolt-on focused possibilities.

**A - Mirko Hurmerinta** {BIO 20441689 <GO>}

Next question I think, I can answer. If COVID fades, will there be a physical Annual General Meeting next year?

The answer is, yes, we would be quite happy to organize a traditional Annual General Meeting, if it is possible.

Then maybe one more final question. Mr. Wahlroos was asked, how he sees Sampo in 10 years' time. I would like to ask you the same question. What do Sampo look like in 10 years?

**A - Torbjorn Magnusson** {BIO 1863476 <GO>}

My experience is such that if you try to predict things over 10 years in business, you are invariably quite wrong. So -- and you are definitely also quoted on it 10 years later. So I'm not going to try to do that. We have a strategy, a very clear strategy. We published it in every detail in February. We have reported for the first quarter towards that strategy and all the KPIs that we promise that we would deliver on and report on we have done and that is a commitment over a three year period with three year targets. That's quite enough for me to think about, and of course, then the world will change and we will discuss how to adapt and succeed in new circumstances going forward.

**A - Jarmo Salonen** {BIO 1860650 <GO>}

Thank you. We don't have any more questions. I would like to thank Torbjorn and Knut Arne in Stockholm and I would also like to thank you, dear shareholders, for very good questions. Have a good evening. Thank you.

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