# Q3 2021 Earnings Call

## Company Participants

- Knut Arne Alsaker, Chief Financial Officer
- Morten Thorsrud, President and Chief Executive Officer
- Sami Taipalus, Head of Investor Relations
- Torbjorn Magnusson, Group Chief Executive Officer and President

## Other Participants

- Blair Stewart, Analyst
- Derald Goh, Analyst
- Jakob Brink, Analyst
- Jan Erik Gjerland, Analyst
- Marcus Rivaldi, Analyst
- Michael Huttner, Analyst
- Per Gronborg, Analyst
- Thomas von Boguslawski, Analyst
- Youdish Chicooree, Analyst

## Presentation

### Sami Taipalus {BIO 17452234 <GO>}

Good afternoon everyone and welcome to the Sampo Group Nine Months 2021 Conference Call. My name is Sami Taipalus and I'm Head of Investor Relations at Sampo Group. I'm joined on the call by Group CEO and President, Torbjorn Magnusson; Group CFO, Knut Arne Alsaker; and CEO of If Morten Thorsrud. The call will feature a short presentation from Torbjorn followed by Q&A. A recording of the call to be available on sampo.com/results.

With that, I hand over to Torbjorn. Please go ahead.

### Torbjorn Magnusson {BIO 1863476 <GO>}

Thanks, Sami. I'm pleased to be able to present another quarter of solid results for Sampo as well as continued good tempo in our strategic activities. The basis for our operations is of course the excellent underwriting margins in P&C that have further strengthened this quarter. There have been no important changes to market structure or customer behavior, so our outlook continues to be a very positive one. When it comes to reducing -- when it comes to the process of reducing our stake in Nordea, we have managed to bring it down to just over 6% the other week, supported by very strong developments at the company itself. As is well known, our M&A appetite is very limited, so it made sense to start to a buyback program immediately after the previous sell down and to indicate Management's wish for an extra dividend in excess of EUR2 per share after the last one.

We want to achieve a balance between buybacks and dividends as a result of our discussions with our owners.

On the next page, the key number I think is the 19% increase in underwriting profits, which far exceeds our targets. It reflects both growth and improve margins, even after adjusting for COVID effects and the Hastings acquisition. The next page is I think a very complicated but transparent way to say two things. Again, as in the previous quarter, there is no longer any significant segment in If P&C in the Nordics with inadequate rates. No such significant segment. Secondly, and as a consequence of this, the frequency claims are down as a percentage of premiums. In other words, rates of or underlying combined ratio is 1% better than a year ago.

Maybe one word on the next page on If P&C's premium development. If has continued to grow its number of customers as rough -- at roughly the same pace as in the past couple of years. But as you have seen in the past and quite pronounced this year, there is some volatility tied to the number of car sales in the Nordics. If P&C has by far the biggest market share of premiums for new cars and when this number fluctuates, for instance due to tax changes in one or two countries, then there is a little volatility to our overall growth. It's normally better to look at the year-to-date number or numbers more than one quarter, if one would want to try to predict the future growth numbers. So continued growth in the number of private customers and now this quarter also in the number of commercial clients and no important changes to last quarter in this respect.

On this page and otherwise, the fundamental development in the Nordic insurance market as in many other markets continues to be digitalization of sales, service, claims and internal administration. And this is an area, where If P&C excels constantly wins prices and gains customers from traditional channels, these graphs just show that the development has by now come quite far and in no way stopped, a quarter of all sales are done on the web for us, a little bit subdued actually because of the lower interest in this year for travel insurances and the channel is similar in size now to call centers and the car dealers or other two largest sales channels.

Moving on to Hastings, we have to kept a disciplined attitude to the market, trying to find growth opportunities, less dependent on price, but also accepting somewhat less growth. We are very well prepared for reform and trust that we will be able to meet this without any turbulence from our side to our customers. I'm also happy to see that our home insurance book continues to grow, even though it's still quite small.

I have already commented on our simplification agenda and the group is already now clearly dominated by the remaining insurance assets. We published a balance sheet framework in February and we see no reason to change this for the time being and the basic dividend policy also remains in place with the insurance part of that dividend as the long-term stable part.

Finally, just a slide to remind us about our financial targets, in an environment where the Nordic market has consolidated one step further since they were published and where COVID now has faded to lower levels.

Sami, back to you.

### Sami Taipalus {BIO 17452234 <GO>}

Thank you, Torbjorn. That concludes the presentation. Operator, we're now ready for the Q&A.

## Questions And Answers

### Operator

(Operator Instructions) Our first question comes from the line of Youdish Chicooree from Autonomous Research. Please go ahead, your line is now open.

### Q - Youdish Chicooree {BIO 17430923 <GO>}

Good afternoon, everyone. I have three questions, if I may please. The first one is on pricing in commercial and industrial. There was a slowdown in growth in the third quarter, I understand that was due to a large contract and fewer renewals during the quarter. So I was wondering whether you could share your outlook on pricing for 2022, whether you would expect a repeat of strong renewals over the past couple of years? That's my first question.

And my second question is on the new car sales. I think for the year, I think you said the sales are up 12% for the nine months. So could you can pass -- the current levels compared to 2019 and whether there is still some room for recovery as we move into 2022. And finally, my last question is on claims inflation. I'm just wondering, whether there has been any change in your inflation expectations in the past quarter, and if possible can you just remind us, the line of business, where you're seeing the higher levels of increase year-to-date? Please.

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

Maybe Morten, if I take the inflation question and you pick up the two first ones. When it comes to inflation, basically it is one of the most important parameters, of course for non-life insurance and we monitor that at every meeting. However, there was an increased inflation, increased pricing in property materials in the summer that has basically gone away. At the moment, we do not see any increased inflation at any part of our book. We have long-term agreements, so we have the time to increase prices were that to happen, of course everyone is talking about it, but as I said, we have long-term agreements as a big purchase of these things. So we would have the time to increase rates if need be.

## Q - Youdish Chicooree {BIO 17430923 <GO>}

All right, thank you. But our portfolio on average, is it trucking and around what 3%?

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

Probably, a little bit less than that at the moment. Morten?

## Q - Youdish Chicooree {BIO 17430923 <GO>}

Correct. Thank you.

## A - Morten Thorsrud {BIO 16111627 <GO>}

Yeah. Then I'll comment on your two first questions and when it comes to pricing, we have had pretty high price increases in the commercial segment now for more than two years and we expect that to continue somewhat also into 2022. Obviously the inflation element that was just now discussed of course influence part of the commercial business and so we do expect still significant price increases in commercial perhaps not on the -- truly on the levels that we saw in the two previous years, but still fairly high price increases in commercial sale. And that is very much also the same in industrial. It's been a really hardening market not only in the Nordics, but also globally for large corporates and we expect that also to continue somewhat into 2022.

When it comes to your questions on new car sales, I perhaps could point out that we are in particular -- sort of dependent on the new car sales in Sweden, where have this car damage warranty concept and in Sweden, the new car sales is still not back on the same level, so you've asked about sort of the potential compared to 2019 in Sweden, again which is the country that drives most of this growth for us actually, there is still quite some potentially in returning back to 2019 levels.

## Q - Youdish Chicooree {BIO 17430923 <GO>}

All right. Great. Thank you very much for your answers.

## Operator

Our next question comes from the line of Jakob Brink from Nordea. Please go ahead, your line is now open.

## Q - Jakob Brink {BIO 7556154 <GO>}

Thank you and good afternoon from my side. I have a few questions. I'll take them one at a time if that's okay. The first one I think is to maybe you Knut, just to understand, so when you read every book Nordea in the fourth quarter, should we then expect you to take it up to market value in the fourth quarter or how exactly is that accounting going to happen?

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

Yeah. Like we talked about when we announced the sell down below 10% the other week, we expected to translate from booking Nordea as an associate to booking it as according to IFRS 5 discontinued operation. We will -- by doing so, basically stop consolidating Nordea's profit in our accounts, so that is one of the accounting changes, meaning that from about the day we sold, end of October, there will be two months in Q4 and also going forward, where that 6.1% that we still own will not represent a profit line in terms of what that represents of Nordea's profit in our P&L. Then, we will also reverse the impairment on the 6.1%, which we did last year and I think of you referred to the right number of 8.9%, so that will create also a P&L impact in Q4.

On your last question, whether or not will be a point in time where we also will market up to market value depends on a few technical considerations like accounting take into consideration in the IFRS framework, it will not be where we start, but it could come a point in time, where we need to do so. But that, that we then of course will revert to later. And it's -- it's not necessarily that that will happen before we sell it, if we were to account that at fair value, there will be an additional positive impact of between the 8.90 and whatever share price Nordea had that particular day.

## Q - Jakob Brink {BIO 7556154 <GO>}

Okay. So in the fourth quarter, only the reversal of the impairment?

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

And the fact, if nothing else happens in terms of our considerations around the governance, we still are a part of Nordea for example. And also just to remind you, in terms of your estimates for Q4, there will be two months in Q4, where we will not consolidate our share on Nordea's profit.

## Q - Jakob Brink {BIO 7556154 <GO>}

Yeah. Okay. Very clear. Thank you. Next question on the most recent sell down here at the end of October as far as I recall, you said that you will increase and extend the buybacks, but you also said that you will have to wait for approval at the AGM for approval of those payouts i.e., both the dividend and the extended buyback. So my question is, why would you need to wait with extending the buyback until the AGM I guess you have a running approval from last AGM?

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

No, true. We do, but we also have a buyback program ongoing and working hard and successfully on that one in terms of the buyback we started there in the beginning of October. Our plan is of course to what we tried to say is to add to the buyback program that we currently have ongoing. And I would expect the buyback program that we have ongoing to run off by until the AGM we have in May.

## Q - Jakob Brink {BIO 7556154 <GO>}

Okay. Because I guess you do have a board meeting before end of May?

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

No, we do have Board meetings at regular basis, then this is not sort of for the Board to buy more than we currently are doing that has to do more with the volumes that -- the terminal volumes on the various exchanges that we use to buyback Sampo's shares. So -- volumes, we have--

### Q - Jakob Brink {BIO 7556154 <GO>}

Okay. Fair enough. I get it. And then last question from my side on the underlying combined ratio, given your new disclosure here, I mean if we adjust for prior year gains, so whether large claims and COVID, it's around 86% I think for the first nine months of this year. Going then into next year, do you see any reason why you would not continue to improve around a percent on that 86%?

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

Well Morten, let me just state that we always strive to improve and we have certainly promised to improve the cost ratio every year from now to eternity. I say that for benefit Morten, but with adequate rates, there is less need of course to improve the combined ratio than with inadequate once and especially the ones we had in commercial and industrial going back some years.

### A - Morten Thorsrud {BIO 16111627 <GO>}

Yeah. And then to add on to that, of course, our target as you know is to be well below 85% combined ratio and in this sort of strategic period, that of course, is including run-off gains. And we're not just saying, sort of we have a very excellent situation with strong profitability in all business areas, all countries and right now, we're pricing somewhat ahead of inflation that's what we've been saying. So then of course, not promising a specific underlying improvement, but we have a strong profitability, so.

### Q - Jakob Brink {BIO 7556154 <GO>}

Yeah. Okay. Thank you very much.

### Operator

Our next question comes from the line of Michael Huttner from Berenberg. Please go ahead, your line is now open.

### Q - Michael Huttner {BIO 21454754 <GO>}

Thank you. Good afternoon and yes, stunning results and I had actually four questions, but they're already short, and the first one is on the cash remittances from If. I understand it's going to be around EUR650 million this year 2021 and it used to be higher I think about EUR700 million, so I'm just wondering it says, the strong growth you're seeing, how is that impacting cash flow? Then --

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

Short of the cash at the holding level, May I put it that way?

### Q - Michael Huttner {BIO 21454754 <GO>}

So, it's a pull thing, it's not a push thing. Okay. Okay. So completely. Okay, cool. Thank you. And then on the growth outlook, I think you've kind of answered it, but you referred to look at the longer trends nine months et cetera, nine months with 4% I think, I was just wondering if there's any reason to think it should change from this kind of level?

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

No, I think again, you're right, Michael. We have 4%, 4.1% growth for the first nine months, which I think is a strong and good performance, then we are one of the few companies that report gross written premium and most of the companies report some form of gross earned or net earned premium and I think it's better to report on gross written premium, because it gives you sort of more insight on what you can expect for the future. And but that's also why you can kind of see some movements in individual quarters, so I think the 4.1% growth that we have with year-to-date is more representative off the growth that we actually see in the business.

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

Let me also add that we have a target for underwriting growth. There will always be a trade-off for us between pricing rate increases and growth. So we're not going to give targets for both at the same time. We will optimize the value that we see in the market.

## Q - Michael Huttner {BIO 21454754 <GO>}

Absolutely. Yes, that's your skill. Thank you. And then on the -- you have a chart, a lovely chart, which shows the discount rate used in Sweden, Norway and Finland for your reserves, Sweden minus 0.6% at the moment. Can you give us a feel for the sensitivity, how much reserve release we could see if say the discount rates change by 1% or something?

## A - Morten Thorsrud {BIO 16111627 <GO>}

Yeah, I would, without going into on the call here with all the, all the details in the various countries, if you have a look at the disclosures that we do in our risk management report as of year-end 2020, Michael, you will find sensitivity numbers for changes in discount rate in that report. And if it's not clear, it's available on our website and if it's not clear there, we can have sort of a more follow-up later after the call, but there is good sensitivity tables, which I would refer you to in that annual report and that sensitivities has not significantly changed.

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

I think this is the first time that we've got the question what would happen if rates go up.

## Q - Michael Huttner {BIO 21454754 <GO>}

Yeah. And my last question, -- it's a very cheeky one. So I always thought you'd bite up and you haven't and you've kind of signaled with the dividend and the buyback and the extension of the buybacks that it's kind of no interest. Can you explain, I know you've talked about in the past, but it seems such a compelling thing to do, why not?

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

It's also a different way of asking a question I think, but yes, we would like top -- all of top to be part of the group and there would be some synergies in different areas and on the other hand, we are also shareholders, it has to be a good deal. So we haven't done it.

## Q - Michael Huttner {BIO 21454754 <GO>}

And just a follow-up, is there -- looking back, is there a period, how can I put it -- just to get a feel for when you would think it might be interesting is there a period when I can look back and say, well, at this stage, it might, I don't know.

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

I don't think that anyone here will volunteer and answer to that, I'm afraid.

## Q - Michael Huttner {BIO 21454754 <GO>}

Okay. Thank you so much. Thank you.

## Operator

Our next question comes from the line of Per Gronborg from SEB. Please go ahead, your line is now open.

## Q - Per Gronborg {BIO 15910340 <GO>}

Yes, thank you. First small question related to the Nordea stake, Jakob asked that at the beginning of the call, you said that you will keep it at the current book value in the way you will report. If the -- if the Nordea share is up, one year in the first quarter of 2022, would that have any visible P&L impact on your numbers or impact on your equity or will the values typically be frozen?

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

That would depend on how we account for Nordea at that point in time. Obviously, we are in a trajectory on reducing our stake and what I described is how we will account for it, now when we have fallen below 10%, IFRS 5 is basically an umbrella of different ways of accounting for the value of an asset that you plan to sell within 12 months, which is one of the criteria for IFRS 5. So if we account for it like it does now, it will not, but if we obviously have it at fair value, it will.

## Q - Per Gronborg {BIO 15910340 <GO>}

Okay. This will also imply that if Nordea is paying a dividend under the current accounting that will not become visible in your P&L either.

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

Thank you Per and that's a good reminder, I should have added that on my initial response. If we are owners of Nordea shares, at the point in time where they pay dividend, that dividend will actually be recorded as a part of our profit.

## Q - Per Gronborg {BIO 15910340 <GO>}

Okay. The dividend go into profit, but the value adjustments will not. Okay, perfect. Then that is clear. Just a small clarification, the impairment you did back in 2020 that's approximately EUR1 per share that will come back in the fourth quarter, so approximately EUR250 million.

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

Yeah, roughly, that -- will come back to you. But roughly about there. We had the book value of Nordea of 8.21% in the end of Q3, then Nordea paid us a $0.72 dividend, which should deduct from that and then we have one month of profit from Nordea to add to that number.

## Q - Per Gronborg {BIO 15910340 <GO>}

Yeah. Of course, of course, of course, but just in the big picture, the one-off adjustment will be approximately EUR1 per share in the fourth quarter. And my final questions, your solvency capital that's just a clarification, the EUR13.4 billion, there have been deductions of dividend in that one. That's a clean number and that will go down with the dividend you propose at the AGM or with the full-year numbers, is that correct?

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

That's correct. We have an illustration of the solvency ratio, we had accumulated dividend based on last year, but formally in the calculation of own funds dividend, it's not deducted before it's actually proposed to it by the board today to the AGM, so that's correct there.

## Q - Per Gronborg {BIO 15910340 <GO>}

And I assume that at the same time, the EUR750 million at buyback, they are not deducted now, but whatever is remaining will be deducted at the end?

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

That is actually deducted, because the Board has made the decision on initiating this buyback, and we have no other intention than to buyback EUR750 million. If that very hypothetically were to be stopped, then we would need to add back some own funds with the residual.

## Q - Per Gronborg {BIO 15910340 <GO>}

But the EUR750 million is deducted already full at the end of Q3.

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

Yes.

## Q - Per Gronborg {BIO 15910340 <GO>}

Perfect. Then I -- hopefully I get my numbers right. Thank you.

## Operator

Our next question comes from the line of Blair Stewart from Bank of America. Please go ahead, your line is now open.

## Q - Blair Stewart {BIO 4191309 <GO>}

Thank you. Thanks very much. I've got three questions. Firstly on the solvency capital requirement, -- it hasn't gone down, which is a little bit surprising to me given that you've sold Nordea stock over the period. So I just wonder what offsets of the current -- so as you're solvency capital requirement has not gone down. And should we expect it to go down given that you sold more Nordea since the quarter? That's my first question.

My second question is just on the roadmap really -- you obviously need to balance leverage, solvency, liquidity, et cetera, with excess capital and you've got a EUR750 million buyback as with all buybacks, it goes at snail's pace, you've indicated you want to do more, but as you sell down, as and when you sell down more Nordea, a significant amount of money, how do you prefer to put that money to work without having to wait for an age to deploy via buyback, would you consider some sort of special return that kind of bulk dividend and perhaps some share consolidation or such like which emulates the buyback.

And my final question is just back to the business, how do you categorize wage inflation risk on long tail risks, where you can't adjust pricing very easily, I get from your comments you're not seeing wage inflation, but is that something that you're more worried about, and if you do see wage inflation, how would you combat that I guess a higher discount rates, which you talked about earlier would be one offsetting factor, but I just wondered, how you think about wage inflation for the business. Thank you.

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

Good afternoon, Blair. On your first question on the SCR, what we also enjoyed in the third quarter was a 20% value increase of Nordea. So, the fact that we sold 73 million shares in the beginning of September was actually fully compensated in the SCR by additional market risk from the value increase on Nordea and then there are some small other details, which -- but this is the main driver.

On the leverage and solvency, liquidity balance, may be I didn't fully understand your question, but of course what we as Management announced last week was an intention to pay at least EUR2, an extra dividend and proposed that to the Board to take to the AGM. So that's obviously an indication of doing more than what you said -- call it just snail speed buybacks, and also use dividend as -- extra dividend on top of the ordinary dividend as a tool of returning capital.

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

Finally, on the wage inflation risk, the best way to meet that will always be to keep a strong balance sheet and we do fair and prudent with the emphasis on prudent maybe, and then of course specifically, it is usually so that the wage inflation would go up in time then with discount rates and we have of course chosen, where we can choose to use very low discount rates for liabilities.

## Q - Blair Stewart {BIO 4191309 <GO>}

Have you disclosed what your wage inflation assumptions are in the past, any chance?

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

Never.

## Q - Blair Stewart {BIO 4191309 <GO>}

Okay. I guess just on the second question, Knut Arne, the point is more of an observation of having to balance various constraints, but the kind of main point was to say that once if and when you sell the remaining Nordea stake, it just lumps on even more excess capital and I just wonder at that point, what your thinking is in terms of returning that swiftly.

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

Let's -- now we just announced an at least EUR2 extra dividend last week and of course we as a Management Team are committed to staying behind that announcement and then, let's return to additional consideration from us as a Management, when there is a question about what we're going to use proceeds of 6.1% on Nordea share for.

## Q - Blair Stewart {BIO 4191309 <GO>}

Okay. Thank you.

## Operator

Our next question comes from the line of Jan Erik Gjerland from ABG. Please go ahead, your line is now open.

## Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Thank you for taking my questions. I have some couple of questions as well. And on the first one on IFRS 17, when the margin on your sort of long-term requirement and liabilities is going to go away, would that change your view on your sort of your strong balance sheet thinking, as you referred to, just on your typically long-tail business like the wage inflation et cetera.

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

Good afternoon. Look forward to the day, I will give you all on my presentation on IFRS 17, the -- but to answer your question, joking aside, there is, there is no -- there is nothing in IFRS 17 and balance sheet impacts in terms of the financial impact studies we now internally have done for years that makes me where we are in terms of the changed view on balance sheet strength.

## Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Is this how that you may release more on your long-term releases from being forced to do so, because you don't need the same kind of margin, as you have today maybe?

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

Let's come back to the exact numbers, but there is a, there is a couple of different things as you know on IFRS 17, I mean one is the sort of introduction of -- sort of best estimate liability in the reserves and you could argue whether or not that is already there and then you have a specific risk adjustment and to actually -- to talk about the combination of those two and relating it to our IFRS 4 reserves, and at that point in time, Solvency 2 reserves, let's revert to that when we -- we present our numbers later next year. I repeat what I said, there is nothing in neither the translational effects nor the longer-term balance sheet impacts of IFRS 17 that makes me worried that we would have a different view of the strength of our balance sheet nor our reserves for that sake.

## Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay. Then a couple of questions on If P&C, how would the repricing timing be when it comes to your contractors and the deals you have done with them, will that actually affects your pricing and your wish to take on more customers and be -- maybe more price aggressive in the marketplace, until then you reprice or how should we think about that during 2022. And yes, as you have long-term contracts with your contractors.

## A - Morten Thorsrud {BIO 16111627 <GO>}

No, I think that dynamic is something that is happening each and every day, right, sort of, it's -- this is a very mixed picture and a lot of contracts in a lot of different areas, some of them being longer in its nature, but of course I mean these are, some of these are negotiated, some few every month, right. So it's a gradual sort of movement, and there is nothing that is now changing on an overall picture in such a large extent that it makes us act and differently done in the past. So having a close eye on inflation, making sure that we price for future inflation that's kind of core of our business, it's something that we've always been doing, and on of course negotiating the contractors is just a part of that.

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

I've been in the insurance industry for quite a few years now, and the one-time, where there are more rapid changes to inflation assumptions has been is quarter awards or liabilities and we haven't seen any such changes in the Nordics, I struggle to remember even one in the past 10 years.

## Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay. Finally then, could you shed some light to the weather effects, how it has hit the industrials, as well as the private, was there any particular happening in Norway, where the risk ratio went from roughly 55 to 60 this time around just Q-on-Q.

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

Yeah. First of all, we don't really sort of report on weather, we kind of more report on sort of -- what we consider to be events, so that sort of, what we try to count for his more the sizable events in the market and in this quarter, there were two events, one in Germany, of course, the flooding there that impacted somewhat on the industrial business, and then also have flooding in the Ambler that was impacting us somewhat, hitting of course mostly the private business area. We have said that sort of all in all, this is about 2.2% above what we saw last year.

And then of course, one have to think about. Okay. What happened last year and last year, not much happened actually, we had the small storm in Finland, giving us EUR2 million, EUR3 million of loss. So 2.2% sort of more on the Q3 standalone sort of weather claims or events then really, as we like to call it.

## Q - Jan Erik Gjerland {BIO 5346031 <GO>}

And these are then into the different kinds of customers from the discount of the countries, so that's why probably Norway and Sweden is some maybe upwards on the risk ratio then?

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

Yeah.

### Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Yeah. Okay, prefect.

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

(Multiple Speakers) sort of hitting industrial sort of will hit different customers in different countries.

### Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Exactly. Thank you, just very, very -- the weaker return in the quarter, is that something we should be worried about or you still have good room -- good sort of cushion on your booked returned and could you just shed some light into what happened and are you positioned for higher rates, as you have been in the past or are you at equal rate or how should we read you now?

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

Let me just clarify, when you referred to weak returns, is it AFS investment returns that you refer to?

### Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Yeah, yeah. Your booked somewhere minus 0.3 percentage points in the non-life business investment return in the quarter.

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

Mark-to-market basis.

### Q - Jan Erik Gjerland {BIO 5346031 <GO>}

I just want to just -- shed some light into that and you then also have some low booked return in the quarter.

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

The investment returns on the mark-to-market basis in Q3 was of course quite muted compared to the previous quarters, so it's right, it didn't add much to the total comprehensive income, just developments particularly in August, September of all equity markets and then we know that some of that is of course again back in October, when it comes to the AFS investment return, there was nothing really special. We have a fairly low running yield of a percent and a bit on fixed income, we have around EUR90 billion on Swedish reserve fixed income, so that's maybe EUR100 million or so per year and if you divide that in four and if you basically get to the Q3 IFS result, which meant that we didn't have a lot of contribution from other parts or portfolio, because we didn't really sell any equities, which generated a sales gain and a profit, nor did we receive any dividends and in the last few quarters, we have both reduced our equity exposure and taken some exposure with profit on some names, and we also had of course a couple of quarters, where we received dividends from the companies we own. So that that IFS return across the board also in Mandatum is a bit volatile from quarter -- quarter-to-quarter. In terms of your question on duration and whether or not we are positioned for increased rate, yes, the duration in the group and then businesses has gone down during the year. So, it is an offshore to lower than it was in the beginning of the year, obviously, meaning that we are very much sort of positioned for increasing rates if that were to happen and also of course with significant cash elements in that -- in our investment portfolios -- in our subsidiaries.

### Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Perfect. Thanks a lot for your answers.

## Operator

Our next question comes from the line of Thomas von Boguslawski from (inaudible). Please go ahead, your line is now open.



## Q - Thomas von Boguslawski

Well, thank you. Good afternoon, everyone. I have a couple of questions for Torbjorn Magnusson, probably mainly about your strategic agenda concerning Nordea, you have substantially reduced your stake in Nordea during the past year, but I'm wondering, do you have a target date or let's say approximate target date when you -- when you're counting on selling or having sold the rest or the remaining stake in Nordea, when do you one point -- at what point do you think that, Sampo will no longer be a shareholder in Nordea.

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

What we -- the target is to have it have materially reduced our holding until September 2022, this has obviously gone faster than that, and we would have a specific reason to keep shares in Nordea, so that's the background to it.

## Q - Thomas von Boguslawski

Okay. As you have proceeded faster than originally planned, are you still satisfied with the price that you have obtained per share over the past when you -- reduce your stake in Nordea.



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

The reason we gave ourselves until September next year is of course that we wanted to optimize value creation in this exiting process and I think that we've done that in a good way.

## Q - Thomas von Boguslawski

Okay. Thank you very much.

## Operator

Our next question comes from the line of Michael Huttner from Berenberg. Please go ahead, your line is not open.

## Q - Michael Huttner {BIO 21454754 <GO>}

I have two and maybe half, the EUR200 million debt hybrid from If reduction at the Group level in December, is that part of the EUR800 million, which I think you have on slide 19?

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

So Michael, that's not the part of the EUR800 million that we have on that slide, it's a part of the EUR1.2 billion, a little bit further to the left, if I remember correctly.

## Q - Michael Huttner {BIO 21454754 <GO>}

Okay. Thank you. And then, on the private equity, can you say when you will get the cash from next -- seen that something like that and also Bank Norwegian?

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

No, I can't say exactly when we will get the cash, we still are an owner.

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

It's quite a protracted process, it seems.

### Q - Michael Huttner {BIO 21454754 <GO>}

Okay. And then my final question, I did look at the risks thing, risk report, sorry not risk thing, risk report and it shows the numbers and it shows durations and the numbers are huge and maybe that's why half, because you did say kind of offline, but I'm pushing my luck here. If I multiply it out, Finland and Sweden and worker's comp Finland, I get total EUR35 billion kind of duration times value of, if I put 1% on that, I think it's beyond EUR50 million, would -- is that the order of magnitude roughly?

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

No, if you just want to total number, it's not, it's not far from it. And then EUR350 million to EUR400 million would be a good total, yes.

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

In history, on the other direction, and we have never liked to go to do that, but it's and it's been big numbers if you go through our -- the events, if you call that when we reduced the discount rate in Finland, specifically.

### Q - Michael Huttner {BIO 21454754 <GO>}

I understand, it's kind of, money kind of which hit us, when we had to drive on could be kind of bonus. Thank you.

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

Just as a reminder, in terms of, of the current sort of accounting framework, since I don't, I'm not going to talk about IFRS 17 right now, but there is a little bit different regulations in the Nordic countries, Norway hardly have any discounted reserve, so and the other three we're small in Denmark and in terms of how that discount rate is changed. So for a majority of the amount that you correctly calculated, I don't expect it with the current regulation to be mark-to-market.

### Q - Michael Huttner {BIO 21454754 <GO>}

Understand. Okay. That's very helpful. Thank you.

### Operator

Our next question comes from the line of Marcus Rivaldi from Jefferies. Please go ahead, your line is now open.

### Q - Marcus Rivaldi {BIO 5739374 <GO>}

Good afternoon, everybody. Thanks for taking my questions today. So one question I had, again, about this, I guess the roadmap, but particularly in relation to debt, so as of the end of the quarter, debt leverage is materially below you're -- below 30% target, but obviously reading between the lines, is that's maybe a temporary level that given that you've got to be further deleveraging, that leverage ratio would naturally creep up unless you continue to to take further debt out of the capital stack. So I'm just wondering about how you think about the trajectory that debt leverage metric, would you be willing to see that move substantially lower before rebounding further as proceeds return to shareholders over time?

The second is about the endpoint to the roadmap of restructuring the whole capital stack between equity and debt, given that the debt leverage target is a 2021 to 2023 target, should I also assume that all debt action should have been completed and I suppose equity actions should be completed by the end of 2023?

And then the final question I have is just really just thinking when we go beyond the end of all the capital reorganization, what the debt stack of Sampo would look like and could you maybe sort of talk about sense of mix between subordinated senior, where the debt would sit mainly at the Sampo PLC level or the subsidiaries, and then also finally associated with that, whether the debt at the Topdanmark level, which you to include, I think on slide 38, whether that is really part of your thinking here, given you're not a full of that business and, therefore, perhaps the focus should really be more be on parts of the group, where you have full control. Thank you.

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

Hey, Marcus. That was all on the debt leverage, I'll try to see if I can address them all. On the first 25% leverage, according to our definition end of Q3, that's obviously a level we are in terms of just 2%, we are very comfortable, we have no sort of plans to go below that. We have a target of below 30% and we're not changing that, the reason why it's 25% is sort of shouldn't say, by accident, but we did have a maturity of shy of EUR400 million in September. And with the strategy we have, which other questions was alluded to as well, we paid that back and didn't refinance it, so that's the main driver and of course. We also did a little bit of buying back debt in July of shy of EUR200 millions. You should expect to see us do similar things, when we have maturities, which we do have over the next couple of years, those loans will mature.

And if as the world looks now, not be refinanced and that will obviously be reducing our leverage and keeping the leverage within our target range, when the equity goes down. When we do the capital returns, which we now have talked about earlier on the call. We do have the liquidity for that. We don't need to sell anything to take care of those maturity in the next upcoming two years, of course if the market became turbulent, then we had an opportunity to buy back our own debt at good prices, we would also use such opportunities given the framework we have set.

Then you had in terms of the -- the debt mix, obviously what we are doing the main bulk of what is maturing and what we are buying back all of buying back -- is our senior debt, so that the -- of hybrid capital in our debt stack would clearly increase. So that's also what we have, what we have the situation, we will have sort of end of 2023, which you asked about. Sort of exactly that makes and if -- how we sort of think about hybrid capital, we will come back to -- we currently have utilized what we should utilize our Tier 2 capacity, but have only used a very small part of our Tier 1 capacity, both on the current sort of own fund spaces and also on a pro forma own funds basis, sort of taking out all of Nordea and all of our excess capital. I hope that answered your questions.

## Q - Marcus Rivaldi {BIO 5739374 <GO>}

Yeah. You did. Thank you. Just -- maybe just a follow-up, and the reason I asked about the debt leverage of course it is low and I was kind of concerned frankly, about the level of leverage where it is at the moment, it's just a question, when you've got so much liquidity on hand, why leave the debt outstanding, if you don't need it, why not take action and go off of the debt sooner, why wait? That's the question really.

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

No, no. we are not waiting, we're open, we have already done two liability management exercises, the one a bit larger, the other one a bit smaller, because there are also holders of our debt, which are not willing to sell, so that is -- that is stopping some of the exercises, and then of course we do have some consideration in terms of pricing and timing, but that's not of course an absolute truth. So like I alluded to, if we found our debt to be available and not that prices, which we felt would send too much of a loss through our our P&L, we of course could do more.

## Q - Marcus Rivaldi {BIO 5739374 <GO>}

Wonderful. Thank you very much.

## Operator

Our next question comes from the line of Derald Goh from Citigroup. Please go ahead, your line is now open.



## Q - Derald Goh {BIO 20775137 <GO>}

Thank you. Afternoon, everyone. I have three questions please, the first one is on If P&C the cost ratio, so at a nine-month stage, it's about 30 basis points higher year-on-year, which is trucking kind of target, were there any specific drivers there and what does it change the outlook of the 20 basis point annual improvement going forward at all. And the second question is on Hastings, could you maybe comment a bit on the underlying performance in the third quarter itself, because looking at the loss ratio, it's still really strong, which is pretty much flat at the first half level of 63%, did you see any more frequency benefits or anything that might explain the really strong performance. And thirdly, it's also related to Hastings, could you comment on the level of a price reductions that you've seen in the market, has it moderated compared to H1, for example and maybe anything more on the pricing actions that Hastings have done as well. Thank you.

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

Yeah. I can comment on the cost ratio, first. As we always said, on the cost, you should look at the full-year figure and last year we ended up to 21.5. So that's, of course, our starting point for 2021. And again, our ambition is to reduce cost ratio each, every and year by some 10 to 20 basis points. And then, there are some volatility from quarter-to-quarter, we do of course absolutely no work in sort of splitting cost between between quarters. So I think if you look at the 21.5 full year, last year that's the starting point then and again, we're committed at continuing delivering the 10 to 20 basis points reduction as compared to that.



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

On Hastings, of course the performance is very satisfactory on the underlying performance is also very satisfactory, but we haven't given, it's not possible to give a separate number on the COVID effects there. We have also been able to continue to grow the number of customers by expanding the footprint a bit in the market and by doing -- taking initiatives that are not on price.

Then when it comes to the level of price reduction in the market you saw quite a bit of it early in the year and then it's been, it's been more mixed since the late spring, and there are no big price reductions as we speak. But I think that, what the bigger event in the UK market will be the GFP implementation on 1.1 and let's say the first six to nine months of next year, because at the moment, everybody is preparing for that, it is quite a big change for many, many competitors, less so for Hastings with a much smaller back book with much less price walking than the average in the market it seems. So even -- there are price changes, small ones in the market at the moment, but everyone's preparing for the first half of next year.

## Q - Derald Goh {BIO 20775137 <GO>}

Great. And a quick clarify Morten, just on the cost ratio again, I mean and nine months, you're sitting a bit higher, are you saying that the improvement, is there a catch-up in Q4 or are you saying that over the next three years, there'll be a catch-up in '22 and '23 from the (Multiple Speakers)

## A - Morten Thorsrud {BIO 16111627 <GO>}

No, it's just that some cost items vary, sort of when they're kind of booked from one yet another, I mean you might have large marketing campaigns in the second quarter one year and then the third quarter next year. So movement year-over-year on the quarterly basis doesn't really make sense. So, we had 20.7 after nine months last year, but ended up at 21.5 and again, that's the reference that you should use sort of when thinking about the full year that we should come in 10 to 20 basis points below 21.5 and then we're at 21.0 so far this year. So and again, the outlook as we have sort of stated is that we will continue to deliver these 10 to 20 basis points reduction in cost ratio going forward.

### Q - Derald Goh {BIO 20775137 <GO>}

Yeah. Got it. Thank you.

### A - Morten Thorsrud {BIO 16111627 <GO>}

Good.

### Operator

Thank you. We have no further questions registered. I'll hand back to the speakers for any final remarks.

### A - Sami Taipalus {BIO 17452234 <GO>}

Thank you, operator. This concludes our call for the day. Thanks all for participating and we look forward to speaking more with you in the near future.