Capital Markets Day

Company Participants

- Bjorn Wahlroos, Chairman of the Board
- Ingrid Janbu Holthe, Head of BA Private
- Jarmo Salonen, Head of Investor Relations & Group Communications
- Knut Arne Alsaker, Group Chief Financial Officer, Member of the Group Executive Committee
- Morten Thorsrud, President and Chief Executive Officer
- Peter Hermann, Chief Executive Officer and Member of Executive Board
- Ricard Wennerklint, Chief of Strategy
- Toby van de Meer, Chief Executive Officer
- Torbjorn Magnusson, Group Chief Executive Officer and President

Presentation

Jarmo Salonen {BIO 1860650 <GO>}

Ladies and gentlemen, good morning and welcome to Sampo Group's Capital Markets Day 2021. I'm Jarmo Salonen, Head of Investor Relations at Sampo and I'll be guiding you through the day as it progresses.

Before we start the presentations, let's have a quick look at the agenda. We have five presentations today which I hope you'll find interesting and informative, and most importantly helpful in understanding where Sampo is today and where it is heading to. We'll start with our Group CEO and President, Torbjorn Magnusson, talking about strategy followed by Knut Arne Alsaker, Group CFO. He will talk about finance and capital markets or capital management, sorry. And then we will have our first Q&A session. Torbjorn and Knut Arne will be joined by Ricard Wennerklint, our Head of Strategy; and Morten Thorsrud, who is CEO of If.

Then, after the coffee break, we will have the second part of the day, focusing on P&C insurance starting with the Nordic P&C insurance. First, Morten Thorsrud and Ingrid Janbu Holthe talking about Nordic P&C operations. Ingrid is Head of BA Private, the largest business area of If. The presentation is followed by Tobias van der Meer's presentation. Tobias is CEO of Hastings Group and he will give us an update on Hastings. Then we will hear our Chairman Mr. Wahlroos' closing remarks directly from the Southern France and we will finish off with a slightly longer Q&A, I'll come back to those details a little closer, but now I'll hand over to Torbjorn for his presentation. Torbjorn please.

Torbjorn Magnusson {BIO 1863476 <GO>}

Welcome everyone to Sampo's Capital Markets Day. I hope you'll find the material on our strategy and business is interesting today. Let me begin by showing a slide that attempts to dissipate Sampo strategy as clearly as possible. The core of our strategy is to create long-term value from our P&C operations. Focus within P&C is on private and SME business in the Nordics and the digital distribution market in the UK.

Please note that even most of what we call industrial business in the Nordics would be called SMEs in Europe. In P&C Insurance, Sampo has a long and successful track record and the people generating that track record are the ones leading the group today. Despite this, roughly 60% of Sampo's capital at present is allocated to Nordea to the life insurance and to a handful of Sampo plc investments. But this generates only 40% of Group profits.

Given the superior returns for P&C and also our positive view going forward of our non-life markets, Sampo will manage these other group of assets for value. Over the last 18 months, Sampo has been working toward a more P&C-focused strategy. Some of the key actions are listed at the bottom of this slide, for instance, the new dividend policy, the acquisition of 70% of Hastings Group and the Nordea ABO.

Heart of being focused on general insurance to me is to deliver consistently increasing and transparent underwriting profits. This can only be achieved by capturing growth opportunities and expanding the underwriting margin by definition, another part of this focus is to reduce any non-insurance complexity and market risk. In this respect, I think we have more work to do and two key objectives in the coming period would be to simplify the Group by disposing off or reducing capital allocation to non-insurance holdings and to deliver attractive growing and predictable capital returns.

One can of course always question strategic choices. So let me give you some more details supporting this one. First and foremost, I guess our track record in P&C is second to well very few at least, and even in this -- if this graph only shows history back to 2013, though so you with a long memory will know that our superior track record is at least twice as long as that. We have a unique set of P&C operations with the right expertise, right governance and right corporate culture to create long-term value. Secondly, we have shown that we can do this with more stability than almost anyone in the middle graph here. And thirdly, we operate mainly in the Nordic markets which attract high multiples due to their stability evidenced over a long period of time and with the market structure that has even improved over the past two years.

Let's spend a little more and more time on our P&C markets as this is of course key to evaluating future opportunities. Sampo is the largest and most diversified P&C insurer in the Nordics and this will also be the case when Tryg has acquired the Scandinavian part of RSA. As the Nordic P&C market is further consolidating and we expect it to remain highly profitable going forward, we're very happy that this is where the Group's core business lies.

Then since late 2020, Sampo has a motor insurance business in the UK, Hastings. Hastings is notable for its strong digital capabilities and scalability as well as the high returns on capital this business model generates. So looking across the Nordics and the UK, Sampo is a scale operator in private and SME with EUR6 billion of total premiums, which is 50% more than our closest pure-play P&C peer. This today is an obvious advantage in IT development which nowadays is a very fundamental part of our business as well as for instance when purchasing reinsurance.

We have certainly seen private and SME insurance as a good place to operate as it offers higher and more stable margins than industrial and corporate business, and at a lower capital cost. This slide is I guess the core why we have been successful for such a long time. We are a very operational management team with a determination always to continue to develop our businesses and to use the talent of top management for this. Everything starts with getting the right people into the right positions and incentivizing everyone accordingly for many years even when variable salaries were totally out of vogue, we continue to reward people on the combined ratio. Every year, since 2003, all employees in If P&C have had a variety of profit sharing and variable salaries based on this.

Another cornerstone to success in on life is underwriting culture, only writing the business that you understand and are able to price. We've always avoided the more esoteric kinds of insurance like D&O for international groups or inwards reinsurance, for instance. Thirdly, If P&C has produced one of Europe's longest periods of cost reductions. Being efficient also means being able to be competitive, as we all know.

Finally, lastly, constantly taking the customer perspective and offering excellence in service is part of our culture and this has led to the biggest portfolio partnerships in the Nordics and you have a couple of examples on this slide. Management Sampo is set up to be run by a team with extensive industry experience. I believe in understanding your business what you do and understanding what the underwriting culture means at a detailed level. This means decisions can be taken quickly and that colleagues would respect to each other.

So when it comes to insurance assets, I chair If P&C myself and my long time colleague Ricard Wennerklint chairs Topdanmark and Hastings. The Group has a team of high quality insurance executives such as Morten Thorsrud, Ingrid Janbu Holthe, Tobias van der Meer who with few exceptions have worked together for a long time, I mean instrumental in creating the companies or divisions that they now run. A similar situation is true at all levels of our P&C businesses. People come to us, they stay with us for a long time, they're trained as insurance professionals, they embrace our long-term value creation, and their priorities are to make an excellent job for customers and investors understanding that connection and they are rewarded consistently on this.

Turning now to Hastings, a new part of our Group. Let me for that reason spend a little time on the rationale for acquiring the 70% stake. You could say that it takes many necessary boxes operating in a large market segment. It's not only pure play general insurance. But actually, pure play digital motor P&C by birth and upbringing as a company as it were. It's a strong company itself, but will become even stronger as part of Sampo Group, we can provide the knowledge and financial setting to accelerate strategic development and then vice versa the skills from Hastings particularly and in a rapidly changing digital pricing environment, is an area, which will benefit our Nordic operations.

But of course, even if it takes a lot of boxes, had it not been for the fact that we found the valuation attractive, we would not brought the company together with RMI, the then biggest owner. Finally, and just to make it absolutely clear, Hastings is Sampo's only project outside Nordic P&C. We believe the opportunity in this particular UK segment to be substantial and rather unique and that it will take years to realize. And Sampo should stay dominated by Nordic P&C business, where the risk is the lowest. Sampo's P&C culture is very hands on and operational and this is true also for Hastings. So it's been very enjoyable to start working together and it's been become obvious that the collaboration is a smooth one.

We have laid out a comprehensive framework to maximize synergies and scale transfers over the coming period. This includes pricing digital sales, includes claims handling, new products, it includes opportunities for Hastings like reinsurance optimization and winning new partnerships as maybe as part of Sampo Group. And we are certainly very aware that investors want a detailed plan for value creation, however, a core part of Sampo's P&C success is the evidence-based and a very disciplined approach to financial planning. So we started the skill transfer immediately, we have held a number of meetings to detail the benefits, the Board is equally committed to using all levers to creating value in this process and half of Sampo's management team is on the Board.

So to summarize, we are extremely happy with the Hastings acquisition. We remain confident that Hastings is a long-term winner in the UK personal lines market and that is well positioned to meet any upcoming regulatory changes. We will, as you will have seen, have a separate section on Hastings later today.

That's my comments on If and Hastings. When it comes to life insurance and other investments, Sampo will take a customized approached approach to manage for shareholder value. And there's certainly a difference here between life insurance and the rest for Sampo plc investments that's Nordea, that's the Sampo plc PE portfolio, it has sometimes been called. We will aim to reduce the capital allocation. The PE assets will be sold as these reach maturity, and in our case, this is only our own decision and I will come to Nordea on my next slide.

This portfolio consumes some 35% of Group capital accounts for only one quarter of our own earnings, given that some market risk is a natural part all the P&C businesses, we see no need to take additional market risk at the holding company level as our strategy becomes more dominated by P&C. Then on the right hand side of the slide, Life insurance Mandatum is a market-leading

Finnish life insurance and wealth management business. It has strong operations, reputable brand, delivers attractive cash flows and to maximize the value of Mandatum, the business will focus on two factors. First, we will extract the attractive dividend stream generated by the run-off of the with profit book. We have been able to increase the speed with which the high guarantee liability as a run-off in the past two years and benefited from the reduction in risk and release of solvency capital. Second, Mandatum and will also continue to develop capital-light business such as a unit linked products, of course, where it has been successful already for a long period. Mandatum's market share in Finnish unit linked is roughly 26%.

Now to the Nordea question, Sampo sees Nordea as an investment for which we will maximize the value for Sampo's shareholders, that goes without saying. Our investment case in Nordea consists of two parts, one is the delivery of the 2022 financial targets, the strong performance in setting these targets shows that the bank is on track to achieving them. The second part is the strong balance sheet and capital distribution. Nordea is really well placed to resume very attractive capital returns later this year, when regulatory restrictions, recommendations presumably are eased. Aside from (inaudible) and potential for large human and capital returns and exit in the near term has to consider that Nordea's valuation does not reflect the strong recent performance.

So to summarize, these trade-offs in one sentence, Sampo is not a long-term investor in banking, hence we will materially reduce our holding in Nordea over the next 18 months.

M&A. As I pointed out on our Q4 reporting day, we do not have an international M&A agenda. For the three-year period we are discussing today, we have no other appetite for M&A, other than bolt-ons in the Nordics. And with a set of rather restrictive criteria for prospective transactions, they have to be would be a strategic fit. This means P&C and existing markets, we would only look for something that we've very limited execution risk and/or something that adds capabilities and/or simplifies our structure, and financially, of course, the transaction must support targets and dividends within a reasonable timeframe.

As I also mentioned in conjunction, in Q4, just to be clear, Sampo may also support Hastings the same way we support our other insurance businesses in small portfolio transfers or acquisitions, but this will be very minor in the Sampo context and such transactions are really part of everyday business. I think our track record also shows that we have done very few deals in the past and preferred organic growth in many cases together with alliance partners.

I'd also like to cover today a topic of increasing importance to all of us, environmental social and governance, ESG. Sampo has strong and improving ESG credentials and given our strong focus on people, customers, employees, ESG is a natural part of Sampo's business model. If P&C to begin with us for many years integrated ESG work in claims handling, then in recent years, Sampo has taken further steps to integrate ESG into our governance structure for example with corporate responsibility steering group which reports directly to me.

The work is gradually paying off and we have achieved significant improvements in some metrics such as customer satisfaction and reductions in employee turnover and absence over the recent years. So we were recently upgraded by MSCI to BBB, which is above sector average, and we're also rated above our peer group by ISS ESG. ESG is an integral part of our strategy going forward, which I think is the only way to think about it. So we will set new climate related targets for the Group's operations and investments ASAP. We will also take other steps sites such as integrating ESG into our underwriting processes further. And we'll certainly try to use ESG experience from the rating agencies in this work.

Turning now to targets, Sampo's Board of Directors has this morning set new targets for 2021 to 2023 reflecting our P&C strategy. They are as follows. Sampo's leading long-term ambition is to grow underwriting profits by mid-single digits from the 2020 level over the coming three years, to make this a fair ambition COVID-19 effects are excluded from the starting point. Then, as always, we run our P&C operations using targets for underwriting margins.

We have a Group combined ratio below 86% target, including Topdanmark. If P&C will target of below 85% combined ratio for the coming three years and this is the first time we have set a multi-year target for If, which reflects the confidence we have in the very strong momentum in the business and also the attractiveness of the market structure. And let me be really clear, this does certainly not mean that we aim for 85% as a target, but instead that we are confident enough to set this ceiling for the next three years. For Hastings, we have set an improved calendar year loss ratio target of below 76% derived on on same basis as targets previously communicated by the company. This translates into an operating ratio target of below 88%, which is similar to a combined ratio but includes retail income. We have made this adjustment to reflect this high quality nature of this income stream.

At the bottom of the page, you can also see that we have set balance sheet targets to align capital management with our strategy as we are expressing it today and we'll talk more of about this shortly. The next slide, I think it's important, it's about track records and how to interpret targets in the Sampo context. In the past, we have set targets and beat them. And we have set new targets and beat them again. I think we have missed one operational P&C target in the past decade and only for one quarter not a year or actually maybe not because it's now 11 years ago, since we have the worst winter in 30 years in the Nordic region and we were quite quickly back on track already in the next quarter.

So in If P&C, our largest operation, we have a truly exceptional track record of achieving and surpassing targets, as you can see from the right-hand side, for instance here, as a result of our commitment to operational execution, disciplined financial planning and good governance. On the left hand side of this slide, we have delivered high single-digit growth in underwriting profits from our Nordic P&C operations through a combination of moderate top line growth and continuous margin improvements in history.

Balance sheet targets. We have not changed our dividend policy today but try to be more explicit in its interpretation. Delivering attractive, reliable and transparent capital returns is a key objective for Sampo and management is well aligned with shareholders. So the Group will continue to target an overall payout ratio of at least 70%. The core of Sampo's capital returns will be dividends generated by our insurance business. These are high-quality operations with resilient profitability and strong balance sheets, which means that we can commit to delivering a progressive insurance dividend.

The starting point for this dividend is the EUR1.6 per share that we identified as funded by our insurance business in the 2020 results. And we aim for this dividend not to decline year on year even if the insurance earnings would fall. The contribution from investment assets is less predictable as it is primarily driven by the timing of changes in shareholdings and other one-offs. We estimate that Sampo has some EUR5 to EUR6 per share of solvency capital above the needs of our insurance operations, which will emerge as we reduce our exit or ownership in Nordea all the other holding company investments.

We will deploy this capital in a way that best supports value creation for shareholders and is consistent with the framework we present today. And just to repeat, our M&A ambition is limited to Nordic bolt-ons. We have no plans to enter other new geographic markets. Finally, we commit to returning capital that is surplus to our new balance sheet targets. My final slide then is a simple summary of our strategy over the coming three-year period. The basis for the strategy is the ambition to increase underwriting profits as a stable source of earnings for our Group. We focus as always on developing our operations and specifically to make Hastings -- the Hastings acquisition a success as we have no other M&A plans. Dividends are important to us and our shareholders and the insurance operations will deliver the core of them. And finally, as we develop towards a pure non-life insurance Group, excess capital will emerge and with the solvency above our optimal range, this will be returned to shareholders.

Thank you.

Jarmo Salonen {BIO 1860650 <GO>}

Thank you, Torbjorn. Judging from the fact that I already have several questions on my iPad, chat function is working well. I have a request regarding that chat function, and since we are in different, if I'm not mistaken, in six different locations, it would be helpful if you could indicate who you want to address your question to. Surely, surely to facilitate and make things less complicated. And then, I think, I'll start by answering the couple of questions already before we let Knut Arne start, first of all, on the slide deck, the presentations will be available on sampo.com a little later today. And secondly in the chat box, there is a box for your name. If you don't want your name to be mentioned in this context or you don't want me to read it out loud, please ignore it or put an extra edge, I think you have to put something into it, in order to get the chat to me, that's all I think.

At this stage, and then will -- a little ahead of the shared you but I think we will start with Knut Arne. Knut Arne, please.

Knut Arne Alsaker {BIO 18730318 <GO>}

Good morning. This presentation is about the steps we are taking to align Sampo's financials with our increasingly P&C focused strategy. The majority of the value in Sampo resides in our future earnings. We need to make sure that we can continue to grow these and that we can convert them into secure and growing dividends. At the same time, we maintain our commitment to capital discipline, which is a key pillar of our strategy.

We have already taken some steps in transforming the balance sheet over recent years. We have implemented a dividend policy that aligns payouts with earnings ensuring that our dividends are sustainable. We have increased the solvency ratio by more than 30 percentage points since 2018, to provide a stronger base for the Group to operate on and to ensure that our dividend payments are more resilient to shocks. We've also reduced the Group's exposure to bank capital regulation by reducing our stake in Nordea. Today, I will present our new capital management framework, explain our new P&L targets and how these link to our dividend and provide visibility on the financial impact that the transformation of the Group to P&C insurer will have.

We are today announcing a new capital framework for Sampo. The framework will apply immediately and will facilitate the Group's transition toward P&C insurance. The introduction of this framework has three objectives. First, to ensure that we have a balance sheet and dividend policy that allows us to develop the business which is necessary to deliver longer-term earnings growth. Since our M&A ambition is limited to bolt-ons, this refers mainly to investment in our operational capabilities. Secondly, we want to ensure that we can deliver a reliable dividend. Although we consider our business to be resilient, we currently have some market risk exposures that we need to be able to absorb. Finally, we are committed to running an efficient balance sheet and achieving a competitive cost of capital. We will operate with a robust balance sheet but without building unnecessary offers.

We have summarized Samo's capital management targets on the right hand side of this slide. We will aim to operate at a solvency ratio of 170% to 190%. We will target debt leverage below 30% based on IFRS equity. We will pay a dividend of at least 70% of earnings excluding extraordinary items. We will provide a progressive insurance dividend based on our high quality insurance profits with a baseline of EUR1.6 per share. We will run an efficient balance sheet and return excess capital. The targets are based on Sampo's current structure and risk exposures and we'll revisit it as this changes. In this slide, we outline how our solvency and leverage targets have been set. The framework is straightforward. We start with the level that we consider to be a limit for where we can operate freely without interference from regulators or rating agencies. We then add a layer of security that protects us from falling below this level in a severe market shock. We refer to this layer as a risk buffer. The size of the risk buffer is driven by equity risk with Nordea stake representing around half of the shock we use to set the buffer.

In addition to the risk buffer, we hold a smaller second layer of security, which we refer to as the operating buffer. This layer of security insurance that we remain above the minimum comfort levels implied by the risk buffer as we experience normal market volatility. This layer is not a surplus, but it provides us with some comfort with respect to the risk buffer. We set the lower bounds of our balance sheet targets at the level where we have the benefit of both the risk and operating buffers. We estimate that we can absorb an equity market shock comparable to the global financial crisis in 2008 and '09. What do these levels mean for how we make decisions? First, I want to emphasize that the levels are not exact science. So we will not mechanically react just because we move a few percent over or under at certain level. If we find that we operate above our target range, we would look to increase capital returns to shareholders to steer the Group back towards the target range.

If we fall below our targets, we will seek to improve financial strength with urgency of corrective action depending on the magnitude of the deficits. We would continue to pay dividends even if we fall some way below the level set by the risk buffer, particularly if the decline appears temporary. More significant derisking would be considered at the solvency ratio of around 145%.

To summarize, Sampo's capital management framework is designed to position the Group as a P&C insurer that delivers high quality, reliable earnings and dividends. Our balance sheet targets are based on the Group's risk profile with Nordea state being the single largest source of risk within the Group. The framework aims to ensure that our balance sheet is both robust and efficient.

Where do we stand gains to our targets? After the work we have done over the last couple of years, we are comfortably within the target range on solvency. Debt leverage is also within the target range, but close to the target level of 30%. We would look closer at this at the next slide. Sampo is in a strong position with a sufficient balance sheet strength to deliver dividends even in a severe stress event. Of course, we must also look at these metrics in the context of our strategy, which will result in a material reduction in market risk over the next 18 months. This will strengthen our balance sheet which gives us further confidence in our financial position and will result in creation of excess capital.

Let's take a closer look at our debt and debt leverage. We have increased the use of capital instruments over the last two years and reduced senior debt. This has partly been driven by our strategy such as the Hastings transaction, but we have also sought to increase the efficiency of our capital stack by favoring leverage that provides capital credit. We expect to further reduce senior leverage somewhat over the next two years as we are close to the target level on overall debt leverage.

We have roughly EUR1.5 billion of debt maturities in 2021 through '23, of which around 0.5 relates to senior notes that can be used for this purpose. In terms of capital instruments, we have EUR700 million of Tier 2 capacity. If our SCR shrinks as a result of a reduction in market risk, our Tier 2 capacity will shrink as well. Therefore, we do not have plans to issue new Tier 2 debt, but we can refinance some of the instruments that have upcoming call dates. We have only used in excess of EUR100 million of our RT1 allowance. So, we have roughly EUR1.8 billion of our Tier 1 capacity left. However, given where we are on overall debt leverage, this is not something that we would look to utilize unless we have a really good reason for it.

Let's now look at Sampo's balance sheet in more detail. In the Group holding company, Sampo plc, we aim to ensure that sufficient liquidity is available to pay dividends and to meet other calls on cash such as interest costs. We manage Holdco liquidity using a principle system since the amount required tends to vary a lot over the year, for example, due to the timing of dividend. However, as a rough guide, we would normally aim to hold a few hundred million euros of liquidity in Sampo plc above what we accumulate to pay dividends. This figure needs to be seen in the context of the resilient business profile and high financial strength of Sampo's subsidiaries, which makes them very reliable dividend payers. As we do not run our subsidiaries at the minimum level of capital, they all have robust solvency positions. In addition to the liquidity that we hold, Sampo plc has EUR6 billion of investments in the holding company in the form of Nordea shares and other assets. Disposals of these assets will create liquidity, which I will speak in more detail about later.

Moving from balance sheet to earnings, there are some key dynamics to consider. Sampo will lose some earnings as we dispose our investment assets, particularly those currently consolidated as associated companies. We will not try to make up for these reductions in earnings in the near term as that would require ill disciplined organic growth or aggressive M&A. Offsetting this, we will see an improvement in the quality of our earnings as a result of the shift towards P&C underwriting profits.

P&C underwriting profits is our preferred source of income since we can grow and develop this by improving operational performance. The proportion of underwriting profits in our earnings has been increasing for some time and will continue to increase as we grow this earnings stream and simplify our Group structure. The right-hand side chart shows that the market values underwriting profits relatively highly. This reflects the high quality of these earnings streams, driven by their resilience, stability and repeatability. Therefore, we are confident that a greater focus on underwriting profits will deliver value to Sampo shareholders.

The primary driver of Sampo's earnings is If which represented roughly 60% of Group net income excluding extraordinary items in 2020. Our ambition for If is to continue to deliver very strong margins and grow underwriting profits, as Morten will explain later. In addition to If's strong financial track records, this slide illustrates If's and Sampo's philosophy to setting financial targets. We set ambitious targets with the aim of delivering long-term value creation. We focus on the metrics that are aligned with our core value proposition and that ensure that we can deliver attractive returns for shareholders, which for P&C insurance means the combined ratio.

And finally, we take a prudent view of the uncertainties that are an inherent part of the P&C insurance business. If is very well positioned with a resilient business that benefits from significant diversification and a comprehensive reinsurance program. Today, we set with confidence a three years target for If's combined ratio. This target includes all the elements that go into our combined ratio calculation including large claims, weather losses and the prior-year results.

On this slide, we illustrate how we see the Group underwriting profits developing. We aim to deliver mid single-digit growth in Group underwriting profits in 2021 through '23 relative to the 2020 level or roughly EUR900 million which we outlined on this slide. The EUR900 million figure, it's the underwriting profit achieved by Sampo's P&C operations in 2020 excluding the impact of COVID. The underwriting profit growth ambition is underpinned by the margin targets we have set for our P&C operations. We believe that further improvements in underwriting margins are achievable in all our subsidiaries over the next three years, which is why we expect underwriting profits to grow faster than GDP in the Nordics and the UK. The significant potential we see in Hastings obviously also helps to support growth.

Finally, to be clear, our target does not include any form of M&A. As you can see, we use a new target metric for Hastings which we called the operating ratio. This is similar to a combined ratio, but it incorporates the retail income that Hastings generates. Since this income stream, it's of course generate genuine profits related to the P&C business of Hastings, we do not separate them from underwriting income. This ratio also includes all the operational costs of Hastings just like If's cost ratio does. Paying an attractive, reliable and transparent dividend is a key objective for Sampo. I will spend the next few slides clarifying how we think about our dividend trajectory over the next two years. Our business consists of two parts. First, our insurance operation, which has excellent market position and capabilities that we believe can enable them to deliver growing underwriting profits.

Second, we currently own a number of investment assets in Sampo plc. This investment portfolio will shrink over time, at least as a result of our commitment to materially reduce our holding in

Nordea over the next 18 months. To reflect the diverging dynamics between our insurance business and our investment assets, we will split Sampo capital returns into two separate parts going forward. The first is a progressive insurance dividend driven by our high quality insurance profits. The second is a commitment to distributing excess capital as we divest investments.

Let me expand on the drivers of our capital returns in more detail. The insurance dividend will be funded by our P&C and Life operations. The dividend capacity of our P&C operations is straightforward. Earnings are closely linked to capital generation and also feed into other key metrics such as rating agency capital and leverage. Once our P&C businesses are fairly capitalized, we can deliver high payout ratios in our P&C operations without affecting operational performance or financial strength. Our P&C earnings are also resilient given the limited contribution from investment income, which makes these dividends very reliable.

In Mandatum Life, dividend capacity is driven primarily Mandatum's solvency capital and solvency capital generation, particularly from the with profits book in rough. The insurance dividend will grow progressively with earnings from the EUR1.6 per share base level we indicated with full-year 2020 results. In the event that insurance earnings decline year-on-year and for example, due to investment losses, we aim to pay the same insurance dividend as in the previous year. The contribution major capital returns by our Sampo plc investments will be driven mostly by the timing of divestments. Our commitment is therefore simply to not hold on to capital in excess of the balance sheet targets that we now have set for the Group.

This slide shows that increasing P&C profits is the key to growing our dividend. As we have stated earlier, we see underwriting profits growing by mid single digits over the medium term, which we expect will fall directly to the bottom line and generate dividend capacity. We like that the long-term development of our dividend capacity is linked to our highest quality profit stream and where we see the most attractive fundamentals. In addition to P&C dividends, we expect to receive a stable contribution from Mandatum Life of about EUR150 million per year. As stated, with our full-year 2020 results, EUR1.6 per share of our 2020 dividend of EUR1.7 per share was funded by our insurance operations. This forms the baseline of our insurance dividends.

This chart shows that our 2020 dividend capacity of our insurance operations was EUR1.7 per share, indicating a coverage ratio that we consider to be comfortable given the quality of the underlying cash flows. As I said earlier, we expect our dividend capacity to grow over the coming years, as we grow P&C underwriting profits by mid single digits annually. Here, I want to emphasize that the EUR1.7 per share 2020 dividend capacity is based on If combined ratio of 85%, in other words, excluding COVID effects, whereas our target for '21 through '23 is to deliver below 85%.

I want to touch briefly on Mandatum Life. Mandatum It's a very strong and well-positioned business, but the economics of the operation are currently mainly driven by the run-off of its legacy with profits portfolio. As the liabilities decline, so does the capital requirement associated with this. As we show in the right-hand side chart, we believe that Mandatum Life can deliver dividends of EUR150 million per year on average to Sampo plc for the foreseeable future without depleting its capital surplus. I should point out that Mandatum Life is of course not only a run-off portfolio, but also has a well performing front book. I was particularly pleased with the expense and risk result delivered by Mandatum Life in 2020, which added a high quality element to capital generation.

Torbjorn talked earlier about our plans to reduce our exposure to holding company investment assets over time. As our portfolio of assets is currently large, this will of course have a big impact on Group structure, balance sheet and capital management. The first and the most obvious of these effects is that it will reduce our exposure to market risk and thereby our capital requirements. We estimate that our 2020 year-end solvency capital requirement would have been EUR4 billion excluding Nordea and other Sampo plc investments, which is EUR1.7 billion lower than the reported figure. A consequence of this reduction in market risk is that the stress we use to set our target solvency levels would also decline. Therefore, we expect that Sampo excluding Nordea and other Sampo plc investment assets would be able to target lower solvency coverage without adding incremental risk exposure. The quality of our earnings will also increase as we become more focused on P&C insurance. Excluding Nordea, we estimate that the share of P&C underwriting profits would rise to more than 70% from the current roughly 50%.

Finally, a greater focus on insurance will allow us to operate with a higher payout ratio. We have illustrated here the payout ratios of If and Topdanmark over recent years, these are well above 70% referenced as the minimum in Sampo's current dividend policy. Let's consider internal capital allocation in more detail. Sampo holds EUR5 to EUR6 per share of capital above the needs of our insurance operations. Let me explain. The total value of our Nordea holding and other Sampo plc investments currently stands at roughly EUR10 per Sampo's share. Of this, EUR4 to EUR5 per share supports our insurance business, while the remaining EUR5 to EUR6 per share would be excess if Nordea and other Sampo plc investments were divested

This shows that we will generate substantial surplus capital as we make these divestments, which we will use in shareholders best interest. We have stated today that our M&A agenda is focused purely on bolt-ons. We are committed to operating an efficient balance sheet and returning excess capital in line with our new balance sheet targets. We would keep all options open for executing on capital returns.

To summarize, Sampo is making good progress toward the clear P&C focus. We have set balance sheet targets that combined a high level of security with capital efficiency. We target a solvency ratio 170% to 190% and debt leverage below 30% based on IFRS equity. We are currently within our balance sheet targets. Our earnings quality will improve further as we grow P&C underwriting profits and simplify the Group. With a strong balance sheet and high-quality earnings, we will be able to provide an attractive and reliable dividend to investors. We are committed to a progressive insurance dividend from the 2020 baseline of EUR1.6 per share. Finally, we are firmly committed to returning excess capital and maintaining an efficient balance sheet. Sampo currently holds EUR5 to EUR6 per share more capital than it needs for its insurance operations.

Thank you for listening.

Questions And Answers

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you, Knut Arne. Ladies and gentlemen, we are now about to start the first Q&A session. And let me remind you that on this session, we have Torbjorn Magnusson, Knut-Arne Alsaker, Morten Thorsrud and Ricard Wennerklint. We have received a number of questions, but please keep those questions coming. I'll start with one for Torbjorn. This is from Axel Warmer.

Good morning, how does Sampo affirm shareholder concerns regarding stock attractiveness? Currently, many other stock companies with less successful 2020 and track record seem to attract more investors.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

I have not at all heard all the question.

A - Jarmo Salonen {BIO 1860650 <GO>}

Can I repeat it, please?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Yes, please do.

A - Jarmo Salonen {BIO 1860650 <GO>}

Good morning. How does Sampo affirm shareholders' concerns regarding stock attractiveness? Currently, many other stock companies with less successful 2020 and track record seem to attract more interest -- sorry, more investors.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

All right. Well, I think that one part of that is of course the Capital Markets Day that we're attending as we speak and we have a strategy that we're presenting on insurance business which where we are really very strong and we are presenting and a fast forward with the Nordea Sage and we certainly think that our non-life insurance operations and the big ones -- the big part of that If P&C should be valued not lower than our peers in the Nordic region, but quite in the opposite of course. So maybe the answer is, the presentations that you're hearing here today.

A - Jarmo Salonen {BIO 1860650 <GO>}

Next one is for Torbjorn also, it's from Avian Carseland. Is it possible to get some more thoughts around the investment in Norwegian Finance Holding where also Knut Arne Alsaker is a member of the Board. Thanks.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Not really. We have, as you know, some group of smaller investments made a few years back but they are quite small and Sampo (inaudible) and they run their course together with partners, where we in very few cases are in the throughout the driving seat.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

I think they are developing. Most of them are developing really well known.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Next question is from Michael Huttner, Berenberg Bank. I'll split this into four different questions. First one for Torbjorn, Nordea says it aims to do directed buybacks. Can you sell all your stake in this way? Is there enough capital to do this?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

We keep our options open. And we don't detail any way of reducing our ownership in Nordea and so I just think that question -- it is good that we have a number of different ways forward.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. And Michael's second question is I think for Morten. The combined ratio of 82% at If, how much can this be improved in 2021? What are you seeing so far in 2021?

A - Morten Thorsrud {BIO 16111627 <GO>}

Yes, I think, and when it comes to 2021, I think we stick to our guidance, which is basically saying a combined ratio below 85% (Technical Difficulty) 31%. Then also as you seen already, the the three year target for If is also to have a combined ratio below 85% for the three year period. And so I think we refrain from kind of giving more details than that and obviously 2020 was attractive year, 82.1% combined ratio. There were some positives but also some negatives. And so again, I think we will be comfortable about again pointing out our outlook of a combined ratio below 85% for 2021. In terms of (inaudible) point that improvements, of course, constantly have efficiency improvements, driving down the cost ratio and then of course we also have for period now been stating that our price increases are somewhat above inflation of course that sort of supports profitability going forward.

A - Jarmo Salonen {BIO 1860650 <GO>}

The next one is for Torbjorn. On the financial private equity type stakes, do you intend to use this cash to reinvest in non-life bolt-on deals?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

I think you should look at this as a totality the context, we are committed to have a insurance dividend we look ahead, we are committed to our dividend policy and to returning excess cash to shareholders, and that's the framework that we are presenting here today.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. And the last (inaudible).

A - Torbjorn Magnusson {BIO 1863476 <GO>}

These are much smaller amount that we're talking about here.

A - Jarmo Salonen {BIO 1860650 <GO>}

Sure. The last of Michael's questions to you Torbjorn. Does it make sense to just own 47% of top when your peer troop will have full control of all its core units?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

I do think there is opportunity at the moment to change the 47%, however, it is not a problem at the same time we have control over the company, it progresses well and we are -- we have tier and dominating the Board. So it's not a problem that we need to address as such, and there is no opportunity to change it at the moment.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. The next four questions come from Youdish Chicooree, Autonomous Research. First, Torbjorn, Nordea, what is your preferred divestment route, is it sale to Solidium or directed share buyback by Nordea possibility?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

And our preferred route is the one that we maximize the value for shareholders and that is a bit of so evidence statement may be, but that will to a large degree depend on Nordea share price and the possibilities in the market and so forth. So we keep our options open for this over the next 18 months.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. And the second one is for you too, Torbjorn. Can you talk about current M&A opportunities in the Nordic P&C?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

As you heard in my presentation, we limit our appetite quite severely, it has to make lot of sales force, it has to add something. It has to have scales, it has to be the structure to our Group and of course in the Nordic space is very limited, a number of opportunities that even could be that's very few.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. And the next one is for Ricard, UK/Hastings, are you planning to expand outside motor insurance into personal property or commercial lines?

A - Ricard Wennerklint

Commercial lines, no, we are expanding within the home and obviously there are products related to car insurance, bike insurance, van insurance that we can consider, but we will stick with the business model on distribution model that is Hastings core.

A - Jarmo Salonen {BIO 1860650 <GO>}

Very clear. Thank you. And the next one is for Torbjorn again, capital return. What is your preferred mode to return excess capital through special dividends or share buybacks?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

I got a number of questions already now, where the answer is that we will maximize shareholder value and if you look at Sampo's history of course that is what we are trying to do all the ways and shareholder value is very concrete for us. As a Group, it's something where the management team is well in line with other shareholders. So we don't want to limit and ascent modes for future our operating. We want to maximize shareholders value. We have all the information that we have when it is due to be done. So we keep our options, we have a number of options to do it and we don't decide in advance -- along in advance on how to do that.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. (inaudible) Bank is basically asking the same thing, any chance for share buybacks?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

But we can do that, that is one option that we have but I have no goals on that in advance.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. Jakob Brink from Nordea Bank and this is for you Torbjorn, you mentioned that for the next three years on the bolt-on Nordic acquisitions are relevant, would buying the rest of Topdanmark be on bolt-on, that is, would it not make sense to take over 100% as it is now most of the synergies are achieved (inaudible) is true targeting 10% of two kinds of premiums as synergies 15% on (inaudible) premiums, should Sampo not be able to achieve synergies from Topdanmark, also Sampo's capitalization for Topdanmark is relatively harsh owning only 50%.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

We always liked Topdanmark as their underwriting focus and underwriting culture is similar to ours and has guaranteed very resilient earnings over time, very high ROEs and a lot of transparency. As I said in previous question, they have not been a problem, by the contrary, they are exciting part of the core strategy of our Group. At the same time, this management team, previous management teams at Sampo have never endeavored to do strategic transactions that are only good for size rather than value and I don't see an option at the moment to opportunity to buy the rest of Topdanmark. It was the same question.

A - Jarmo Salonen {BIO 1860650 <GO>}

It was capital solvency. I think it was only one question basically. (inaudible) from SCB Bank. Torbjorn, you mentioned to scale, it's important to IT development cost. What about Topdanmark's current IT investment in P&C, how does this fit Sampo's IT infrastructure?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Topdanmark has a different IT infrastructure that will be I say -- that is a synergy that we would be able to realize over the longer term, while we took via the rest of the Group. So we're quite a big mass market P&C or if you think about IT investments even without the top (inaudible) even improve that.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. And another one from (inaudible). P&C combined ratio target sounds almost like you talking your target has to be met even by the seasonally worst quarter of the year. Was that only in a historic perspective or is it also forward looking with the new target?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

A new target, if that was for me, the new target (inaudible) areas tough target and the target is to be below 85% as I said in my presentation, it is in no way off starting to target higher combined ratios. But we feel that the visibility for the next three years and the market structure and our performance recently makes it possible for those times that the ceiling for the combined ratio for it is for Sampo Group. So it's an offensive statement that also, of course, takes away the historical 95% I think that we haven't talked about for years.

A - Jarmo Salonen {BIO 1860650 <GO>}

Indeed. And Knut Arne, this is for you. (inaudible) from Bank of America. Why 170% to 190% given stable P&C earnings, could you run the business with lower capital?

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

We currently need to hold capital for the risk that carried on our balance sheet and that range, is that based on the market risk exposure that we currently have, and clearly, in other words deal and the other investments assets in Sampo plc represents. If we, or when we reduce that market risk, we could revisit that optimal range again at that point in time, but that 170 to 190 is set based on the balance sheet that we currently have because that's how we need to run the balance sheet at any point in time.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Steven Haywood from HSBC and this is for Knut Arne as well.

Do you have a preference for redeeming senior debt or subordinated debt to achieve your new debt leverage target and would you potentially look to optimize Sampo's capital structure under Solvency II by issuing restricted Tier 1 and other Tier 2 instruments in the future?

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

Just a reminder about our new leverage target, which is to be below 30% than we currently are. Based on IFRS equity, we have a leverage ratio as at the end of the year of around 29%, meaning that we are in no rush to reduce our senior debt further. But like I mentioned during my presentation, we have some maturities coming up over the next three years and it will be natural for us to consider reducing our senior debt somewhat further approaching those maturities.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you.

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

With respect to our Tier 1, with the 29%, we are still close to our 30% leverage target and to issue more debt would not be something we would looking at currently. Obviously, if we were to make a bolt-on acquisition and finance that if it made sense in terms of the return on investments we could generate, we could consider that as long as our leverage target were still met.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. Thank you.

Steven's second question is for Torbjorn. Mandatum's expansion into asset management sounds interesting. Can you provide more details on this? How will it work? Any your targets for assets under management or growth here? And how will it combine with Sampo plc's investments? Thank you.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Certainly, no new targets on this -- this initiative, which increases control and compliance possibilities and realizes some synergies between Mandatum's asset management and Group asset management and certainly no -- this has no material impact on Sampo's results going forward.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. Next is from (inaudible) and is for Torbjorn. Is it possible to elaborate on if and Hastings likely synergy?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

I think it's looking good. When we started the work to get to Hastings, it is always difficult to predict synergies from the outside when we expect later about it you hope to find people that work with similar things or useful things that we can have steel transfers. So, we thought to doing that immediately as we always do when we acquire something. We have of course identified the obvious things that there are pricing skills in the UK market, which are value, which will be of value for us in the Nordics and there are some very specific synergies if you want to call that or opportunities for Hastings that we can contribute to from Sampo and obviously, they reinsure a large part of their results. We need to optimize that.

There had been some costs for being a listed company. Those will be reduced and well, we'll support -- we'll support them in their expansion, which I'm sure that we will see. So yeah, that was a discussion of all the things that we are working on together with Hastings at the moment and I must say that it's been very smooth cooperation with them.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. And next one is for Knut Arne, Jon Denham from Morgan Stanley.

You suggested that your Solvency II target range would fall when Sampo has materially reduced its stake in Nordea. Would you expect your leverage target to change too?

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

The leverage target is not specifically set to Nordea. We want to operate an efficient balance sheet. We're obviously happy with having capital instruments that support our solvency to make their balance sheet efficient. But then there is a limit to how low, I think that you should expect the leverage to go. I would, for example, not see it fall below a sort of bit mid -- mid-20s even in a situation where we only have P&C insurance on our balance sheet or insurance on our balance sheet, for example. So the 30% the such, I wouldn't see, below 30%, I wouldn't see change significantly due to the reduction in market risk of the solvency optimal range could be (inaudible) for obvious reasons that we would basically carry less based on our balance sheet, less volatile based on our balance sheet.

A - Jarmo Salonen {BIO 1860650 <GO>}

Very clear. And for Knut-Arne again from Per Gronborg SEB. Mandatum, your chart shows a EUR200 million per annum reduction in Solvency II requirement. You assume EUR150 million annum payout. What about the profit generated by Mandatum?

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

Yeah. The chart is, is intended to show the reduction in wind profit liabilities, so my apologies if that wasn't clear. So, it's the reduction in the wind profit liabilities that is of course driving solvency requirements and with profits liabilities, it is expected to reduce by around that number and the capital requirements associated with that reduction would lead to a drop in capital requirement of roughly half reduction in the wind profit liabilities, so to speak. So, that is freeing-up capital. And on top of that comes the profit generated particularly from the risk resolved and underwriting result, which will combine amount to about EUR150 million on an annual basis.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. Hadley Cohen from Deutsche Bank. This is for Torbjorn.

Is it reasonable to assume that all of the EUR5 to EUR6 per share of excess capital that you talk about can be returned to shareholders, or would it be fair to assume that some of this would be required to neutralize any leverage effects? Can you provide a bit more clarity on this, please? Maybe this actually was more for Knut-Arne.

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

That's probably was for me. Thank you. The EUR5 to EUR6 is sort of excess capital, which is not required to support Sampo's current insurance business nor to reduce leverage or gross debt, I should say, which we naturally need to reduces our, as our equity debt would fall if we sold and returned access capital, but that would be dealt with by the EUR4 to EUR5, which we would retain. So, that EUR5 to EUR6 should not be viewed as more may that we need to work on our leverage with. That would be in the EUR4 to EUR5 part indicated in this split.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay, very clear. Thank you. Michael Huttner and this is for Torbjorn.

What do you mean by materially reduce Nordea? Is this over half, two-thirds, three-quarters and on the underwriting growth target? Why lower now than in the past 10 years?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Materially, was the word that we chose carefully, but let's call it most of instead then or more than half to say the same thing, or maybe give you a feel for what we intended by the choice of the word material. Underwriting, we have set for the coming three-year period and this is what we assess and of course in that period, in contrast to the past, we don't expect interest rate to fall further, which would require the market to lower our underwrite -- sorry, sorry, low combined ratios. So, that's one element of this, but we're going into this three-year period with good moment -- reap the momentum in P&C and Hastings and Topdanmark. We've seen good growth. We have clearly been able to improve rating -- rates in the past year in a major operations, so that this is the way that we have reflected this for the coming three-year period.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. Next question, again for Torbjorn from Carl Stewick [ph]. Does Mandatum have enough scale and footprint at the moment or would you consider a bolt-on M&A in unit-linked as well?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

I don't -- Mandatum first and foremost is a Finnish entity and we don't see any expansion possibilities or even interested in life insurance expansion into other markets and Mandatum's unit-linked operations is a relatively limited part of the Group nowadays. I'll stop at that I think.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. Next question comes from Niels Paulsen from Berson. Will Torb -- and this is for Torbjorn obviously. Will Torbjorn Magnusson stay as Chair on the Nordea Board?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Well I've accepted to be nominated for another period and I hope to get the shareholder support for that proposal. So yes, I would like to say for the next year when -- which is then proposed by the nomination board and this is of course always a question for the shareholders and the nomination board.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. And then for Knut Arne.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Maybe Jarmo, just one more addition to that. Obviously, I was very much part of launching Nordea's new management team in development 18 months ago and I'm very committed and enjoy to seek the results that we are now producing and I hope that I can be trusted to contribute also to the completion of that program.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Knut Arne, will any capital be used or released due to any change in the investment strategy of insurance businesses that is more equities, longer shorter duration of bonds, et cetera?

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

We're currently happy with the investment policies we have in the insurance business. The reference to reduction in market risk, which we are making today is related to the investments that we have in Sampo plc. Obviously we revisit our investment policies on a regular basis and always done so and will continue to do so in the insurance businesses that we own going forward.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. And then from Martin Gregers Birk from Carnegie.

Torbjorn, if Topdanmark is too expensive as you allude to, why isn't the Topdanmark divestment a viable solution, thus maximizing value for shareholders?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

I don't think that's really in line with our strategy to grow underwriting profits and continue on the path towards becoming a non-life insurer. So, yeah.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

This is -- also there is always -- there is always a price which something can be sold. But that's not an opportunity at this point in time either. I look forward to the development of Topdanmark over the coming period.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. Then Knut Arne, Asbjorn Mork from Danske Bank. You state that your insurance DBS will be growing and will remain stable even in years when you're, at the same time you mention that you will not hold excess capital. This sounds counterintuitive. Should we expect you to still hold excess capital in your subsidiaries in order to have insurance DBS flexibility?

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

I might have missed part of your question, Asbjorn, but we will not hold excess capital on a Group level. We have comfortable capital positions in all our insurance subsidiaries. So the capital position in all our insurance subsidiaries is obviously a part in our confidence of today announcing a progressive insurance dividend and obviously the Group capital position is also a part of that. So it's -- the solvency is strong, it will be supportive, then it's of course worth remembering that out of our insurance -- out of the insurance dividend, a significant part is generated by a very stable and predictable underwriting profits on a normalized basis, I would say, around three-quarters is generated by underwriting profitability.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. Thank you. Next one is for you, Knut Arne as well. It's from Claudia Gaspari, Barclays. Do liquidity constraints on the Helsinki Stock Exchange limit your ability to execute buybacks of meaningful size? Presumably your aim to maintain a lean balance sheet means that you will have to distribute capital relatively soon after selling any tranche in NDA shares?

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

There are of course always considerations in terms of the size of, of a buyback in the timing to execute on that buyback. So that's one of the considerations that we need to take into account if we have excess capital, which should be distributed. Of course, it's not the only way of distributing excess capital either.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. And we will continue with you Knut Arne, this is from Hadley Cohen, Deutsche Bank.

Is it possible to disclose what the lost diversification effect would be as and when you sell down Nordea? That is presumably we cannot simply reduce SCR by the 39% capital requirement for Nordea's stake?

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

We haven't specifically today talked about Nordea, we talk though about the change in SCR, if we hypothetically should not own Nordea nor the other equity investments that we have in Sampo plc. And the reduction an SCR based on year-end numbers eliminating so to speak, or exiting those investments would net of change in diversification be EUR1.7 billion.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Next question is from Bloomberg News, (inaudible) and it is for Torbjorn. What do you see in the future for Mandatum? Will it remain part of Sampo Group, or is there a possibility of Mandatum -- a possibility that Mandatum could be spun-off in some form?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Mandatum as you well know has two parts, where the most important part of Mandatum's results stems out of the run-off of with profits book and that will continue. I don't see that that the structure will change that Mandatum would be spun-off or anything. No.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay.

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

And if I, Jarmo, just my -- to my last comment just this EUR1.7 billion just to be clear in numbers. That means that our SCR without any Nordea shares or other equity investment, Sampo plc would be for around EUR4 billion, down from the EUR5.7 billion, we had as of year-end. Just to give you also the SCR number in total.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Next question is a question really for the Annual General Meeting, but it comes up fairly often and I think Torbjorn, you are the best person to give you a view on this. Would it be possible to pay dividends more than once a year?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

I think the answer will have to be a generic one on this. The Board considered all options when we decided -- when they decided on the dividend policy that we currently have early last year and Nordea, sorry, Sampo currently has an annual dividend payment. But I mean there can be circumstances under which we would revisit that certainly and we don't have -- we have, we're keeping the options open with the buybacks that we're allowed to do, the annual dividend or of course if there were special circumstances we could do payment, an extraordinary payment possibly.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Next one is for you, Torbjorn too, it comes from (inaudible). Hastings investment has good potential for higher return in the long term. Are you really excluding similar opportunities if those come available?

A - Toby van de Meer {BIO 16628969 <GO>}

I think it's very important for us to succeed with the Hastings investment first and foremost before we start thinking about anything else on that and we're today talking about the three-year period. I also think that it's important to realize the plans for Hastings. When we came along last year, I think the market had -- the market had lost confidence in the Hastings development. So I got the synergy question sometime ago in this discussion and -- but and that's great, but what we need is actually only for Hastings to realize its plans going forward and that we easily up to date the price at which we bought the company or 70% of the company. So we, we think that Hastings is a great opportunity and we are working hard to make that success and that is the limitation that is where we're going at the moment. The Nordics and Hastings in the UK, that's specifically digital segment where they operate.

One last comment maybe, there is a difference in the valuation of even P&C between the Nordics and much of Europe and the reason for that is historic. There is a track record for stability -- or stability and strong results and logical reactions to changes in interest rates in the Nordics. So, Sampo should stay a company that is dominated by Nordic P&C business rather than becomes spread out over the world.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. (inaudible) is very much on the same sort of a team when he asks whether increasing dividends is really the best option for creating shareholder value. Doesn't Sampo see any lucrative options or opportunities?

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

I'll take this, Jarmo. Obviously, we have say that we do have an appetite for bolt-on M&A, in the Nordics and to support Hastings in development of their business. But then of course, we do believe that shareholders are will benefit from us running an efficient balance sheet with predictable and growing dividends and obviously linked to the earnings, but that will also of course benefit our shareholders, welcome buyer shareholders and that we would get the valuation of our share, which represents that.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Next question is for Torbjorn again. It's from (inaudible). Does your M&A strategy also include the option to use your own share as a payment in a possible transaction in a case that a creator deal emerge?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

That was a very hypothetical question and I don't see any opportunities for that. It is something, it is something extremely reluctant to do, but it does, there is no, there is no current situation to think about this.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. Next is for you too, Torbjorn, Pierre-Marie Gerez from ELEVA Capital. And I read it word for word. Could clarify again the wording around the disposal of Nordea stake as mostly not really fitting with more of the half? More of the half mostly would mean more than 75%, so a bit different from more of the half, the same for materially, which is closer to mostly than more of the half?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Little bit unclear. But maybe I was -- I'll try to be -- I'll try to be as clear as I can then. What I said was materially to me means most all and that's another synonym I hope will be clearly more than half of, so and more precise than that, I don't think you expect me to be.

A - Jarmo Salonen {BIO 1860650 <GO>}

Good. Next is for Knut Arne from Alexander Evans, Credit Suisse. Given that you are saying that there is a EUR5 to EUR6 per share of excess capital that can be distributed without Nordea and Sampo Group investments, how should we think about this when you only talk about materially reducing the Nordea stake or more than half as opposed to fully disposing it?

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

I think you can look at the ratio in similar way, which means that we reduce the market risk in Sampo plc. We free up 50% to 60% of the reduction of our investment in capital, that's sort of what we say since we've -- since roughly at year-end that book value, the book value of those investments were EUR10 and we indicate that EUR5 to EUR6 would be excess capital if we exit those completely. You could look with similar ratio if you had sort of a different reduction then what we had indicated here with 100%.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. And the next is for you Knut Arne as well, it's from Derald Goh, Citigroup. What scope is there for model changes to improve the Group solvency? How much capital is allocated to Mandatum Life?

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

Yeah. The current scope I would say is very limited. First of all, a big driver currently of our SCR is market risk and that's internal model that we have anywhere in the Group. When we significantly reduce that and become a company with a clear weighting towards small life insurance, we could, and will consider the possibility of developing our model framework for SCR further. But we have to come back to that a little bit later. It is of course, so that the internal model of Topdanmark and if does reduce the capital requirements for those two subsidiaries somewhat basis, which we don't benefit from in the Group, there is no such internal in Hastings currently.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. Very clear. Jan Erik.

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

Also, the second part, Jarmo, what's the other question.

A - Jarmo Salonen {BIO 1860650 <GO>}

That was the Mandatum, how much capital is allocated to Mandatum?

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

We indicate on the -- on Torbjorn slide, one of Torbjorn's slides that around a quarter of our own funds in the way we have split is allocated to Mandatum.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. And Jan Erik Gjerland from ABG for Knut Arne or Morten. Maybe you both want to say something to this. Are you still positioned for higher rates when it comes to market risk in your P&C companies. If so, will that be reflected in higher book to return in the future?

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

I can start and then you Morten complement, of course, what we had, we have seen in many recent particular significant run-off losses over the years as rates have gone down. Because we needed to reduce the discount rate on a significant portion of our insurance liabilities the long-tail liabilities. If we were -- hypothetically see a similar increase in interest rates. That would, of course, over time, reverse that position, but it's not as you know, part of it is something we evaluate both on a day-to-day basis, but it would be more say resolved all of a sustainably higher interest rate level environments and it's not a part of our considerations when setting targets for our non-life operations for the next three years.

A - Morten Thorsrud {BIO 16111627 <GO>}

Yeah, I think Knut Arne you addressed it well, of course the reduction that we've seen over the last 10 years, if you go 10 years back we had 92.8 in combined ratio. And then last year we had 82.1. So obviously that reduction or the need for that reduction is related to falling interest rates, if they are to increase of course that will happen over time. And then we can adjust our target sort of correspondingly but for the next three years. Again, we have a firm target of being below 85 in terms of combined ratio, which means that we expect fairly low-interest rates and moderate investment returns in that time period.

Operator

Thank you, Morten. Next question from Jan Erik, is for you. Premiums are growing faster than claims inflation you say. Is this for all of your markets? Can you elaborate the market, please

A - Morten Thorsrud {BIO 16111627 <GO>}

Yeah, I think the situation there is quite similar to what we have now stated for a while. I think overall it's a fair statement that the price increases are fairly high now and throughout the Nordics. But in particular price increases has been higher in Norway than in other Nordic countries. And then in particularly in the corporate and large corporate segments. But again, we have seen a period now with price increases being above what we assumed to be normal inflation.

Operator

Thank you. And this one is for Knut Arne from Michael Huttner, Berenberg Bank. If you reduce debt by EUR700 million and Nordea by say EUR2.5 billion to EUR3 billion and give this back to shareholders then leverage will actually rise, what am I missing. Please

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

Well, if we reduce on DSA fully my reference in what I presented wasn't that we would reduce it by EUR700 million that most more a reference of what we can do naturally given the maturities that we have of upcoming. If we were to fully exit the P&C investments we would as you correctly mathematically pointed out, has to reduce leverage, a bit more or gross debt a bit more to say, below 30% in leverage ratio, but of course, we would also have that liquidity to do so by the fact that we indicate that we would need to retain EUR4 to EUR5 per sample share of such a full exit.

So my reference to the 700 was more what we could work on as a part of the natural maturities -- upcoming maturities over the next couple of years.

Operator

Thank you. The next one is for Torbjorn it's from Robert in the U.K, why did Sampo not buy Hastings outright as opposed to joining with RMI as a co-shareholder

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Maybe its not for me to go into the details on that front. But obviously, we are very pleased to be able to partner with RMI a company that we got to know well in the, let's say, six months to nine months before we make a bid, a company that has a culture that is similar to ours and looking at P&C business the same way. And of course most importantly a group that knew Hastings really well. I could not gave us and that they couldn't give us information as this is a listed company. But if you could give us comfort in our views on what the company was both.

Operator

Okay. And the next is for Torbjorn on maybe Ricard too, from Frederic windrup from bolt haven, Sampo has historically claimed that P&C is a scale business and that you need to be a number one or two in any market segment to be highly profitable. What is different with Hastings, why are you happy with the top five to 10 player in the UK motor and home markets

A - Torbjorn Magnusson {BIO 1863476 <GO>}

I think if you talk about P&C in the Nordics. It's definitely a steady business meaning that you need to have a dominant position in your segment and the way that Nordic market works, the same as our in retail, basically that you need to you all products, you have to have several distribution channels. The UK market is very different. Hastings is not number one or two in the UK market but it's definitely among the top players. Number one, two or three in the segment that they're working in retail insurance through price comparison site.

So I don't think there is a contradiction in those two states from me that to add I think that the scale, one of the scale advantages is of course possibility to invest and Hastings can do that themselves. They have a strong balance sheet, but also Sampo as a little bit of that and in the Nordic P&C has developed very strongly the past 15 years on digitalization and those investors have been necessary and we have benefited from being the largest group invested lead the digital offering in the Nordic markets.

So there are a little bit different situations. I think we're Hastings and for the Nordics

Operator

Okay. And while we are at Hastings, the next question is, how do you avoid the risk that Hastings brings down the premium valuation attached to Nordic P&C.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Ricard, you can talk from your heart about Hastings but remember this is an investment that I think if I remember the number correct, it was 8% to 9% of our market cap. When we made it so this begin with us. The downside of this investment from a Sampo perspective, is it was very small. And as I stated a few minutes ago, the market had lost confidence in the company when we made the bid and we see a clear upside where the company to realize plans that they already have. In addition to the synergies that we are working on at the moment.

The very small downside and then just a small add on. I think if we deliver on the targets that we have now shown for Hastings for the next three years it would rightly deserve a premium valuation compared to average UK peers and within that group, you would have companies that are very close to the Nordic valuations as it should be so it's about delivering on the targets and get some growth in the UK market. I feel that we need to remind ourselves constantly that this company is not working in the UK market in general, it is a specific segments where the valuations are higher than the general UK market

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. Thank you, gentlemen. This is for Knut-Arne. Just wanted to clarify the excess dividend from non-insurance segment, it was mentioned that there is EUR5 to EUR6 per share that could be released, with a further EUR1.7 billion from capital release, should we assume that this means that the actual excess capital to be released will be EUR8 to EUR9 per share.

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

No, that reduction in capital requirement SCR of EUR1.7 billion is obviously a driver of the EUR5 to EUR6. So the EUR5 to EUR6 is a result of a reduction or a lower capital requirements.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Two more questions and then we'll break for coffee. Torbjorn and this is from Jan Erik, ABG. Why would you not merge if P&C with Topdanmark and listed at Copenhagen or Stockholm exchange?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Firstly, I will not do that. Well that's is an interesting idea and we entertain all interesting ideas in our board discussions, and as I said, if we don't see an opportunity to one way or the other acquire the rest of the Topdanmark at the moment.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. And the last one for Torbjorn from Blair Stewart, Bank of America. What is the logic of partial reduction in Nordea either you want banking exposure you don't are you ruling out a complete exit and if so why?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

I think we rule out anything today but just remind again ourseleves that it is a complicated or complex situation, we have in our balance spent on typucally in the past to become the P&C dominated group to reduce materially in Nordea over the coming period and that's 18 months and we're keeping all our expense open to respond to, not least the price development over the year but it has to be possible to do of course to execute whenever path we will follow.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

And I just to add the area whole obviously we're showing some capital effects of reducing our equity exposure in P&C so it's not ruling out anything.

A - Jarmo Salonen {BIO 1860650 <GO>}

Good. Very clear. We may have a couple of questions that we did not answer, will check then first thing in the second session. Now we will break for coffee and let's be back at 11:10 London time, 1:10 in Finland sharp.

Welcome back to the second part of the day where we will be focusing on P&C insurance. We'll start with the Nordic P&C insurance and the first speakers are Morten Thorsrud and Ingrid Janbu Holthe. The floor is yours.

A - Morten Thorsrud {BIO 16111627 <GO>}

Welcome also on my behalf to this Sampo Capital Markets Day and the section on Nordic P&C and more specifically on if P&C Insurance. I'm Morten Thorsrud CEO of If P&C and with me here today I have Ingrid Janbu Holthe, Head of business area private.

Together, we will introduce you to the Nordic P&C insurance landscape elaborate on If's unique position in this highly attractive market and showcase how If and Sampo will continue to lead the way in Nordic P&C insurance. For more than two decades now we have benefited from a unique strategic position in the Nordic P&C insurance landscape. We are by far the largest and most diversified insurer in the highly attractive market.

We are benefiting from leading capabilities and strong performance culture and we have a superior track record of operational execution and financial outperformance. Building on this solid fundament our ambition is naturally to continue to deliver such superior results. Our financial targets for the period 2021 to 2023, have therefore been revised and is now defined as a combined ratio below 85% which is the lowest ever combined ratio target that we have set out for a three-year period.

Further reduction in our cost ratio where we typically have made improvements of about 20 basis points per year and mid-single-digit growth in underwriting profits. We will revert to these targets throughout the presentation. A main fundament in Sampo's equity story in the Nordic P&C operation is that we strongly benefit from a unique strategic position. Scale is of essence in the insurance industry, in particular in increasingly digital world.

Our unrivaled position as the largest player in the Nordic P&C insurance industry has already given us significant benefits, but there is still a large potential to be captured. Although the Nordic and Baltic countries represent different local markets, they still operate in a fairly similar way. Thus, our systems approaches and insight can be leveraged across the region. This means that we can leverage such as our Nordic core system platform, Nordic web-shop solutions, Nordic MyPage app, and self-service solutions, Nordic claims registrations and claims handling systems, and Nordic contact center platform only to mention a few.

If has a clear leadership in digitalization with a modern proprietary distribution platform. Today we operate in modern data driven omnichannel distribution setup but our digital distribution is the spearhead. In addition to this, we also benefits from a position as a preferred insurance partner with strong cooperation with leading brands and institution. Also here we benefit from our Nordic reach and scale as many of our partners also seek benefits from Nordic scale and consolidation.

The Nordic P&C insurance market has for the last 15 years, been a very attractive marketplace for P&C insurers.

In size, the Nordic market is just a bit smaller than Italy the fourth largest P&C insurance market in Europe. However, the Nordic market stands out as clearly the most profitable insurance market in Europe with average combined ratio levels well below 90%. Further, the Nordic market also benefits from good historic growth and excellent future growth prospects.

Over a period of more than 15 years, If has delivered shareholder value to an attractive combination of organic growth and underwriting excellence. And thereby delivered on the trajectory of increasing underwriting profits. Over time, If's combined ratio has been reduced as a natural response to lowered interest rate and thus reduced investment returns. This in turn has made the underwriting result and more and more dominant value creation lever.

However, this also implies that we as an insurer had a much higher quality of earnings today since the underwriting result typically is far less volatile than the investment result. As already known by now, 2020 ended with an all-time low combined ratio of 82.1% and consequently also best ever underwriting result of EUR802 million. One of the important value creation levers is the continued efficiency improvements that have been very produced for a long time period.

Nordic scale in general and digitalization in particular is a key driver for these efficiency improvements. The cost ratio improvements have been realized while at the same time gradually increasing the spend on IT development. These investments lay a fundament for further efficiency improvements in the years to come.

It should be noted that If also has a very conservative approach to activating cost and thus our IT development costs are largely accounted for directly on the P&L. Digitalization and Big Data have already for 10 to 20 years, had a fundamental impact on the underwriting side in P&C insurance. Over the last five to 10 years; however; digitalization has in particular revolutionized the distribution models within the industry. If is very much leading this development in the Nordics. Digital sales has more than doubled over the last five years and CAGR for the last 10 years has been close to 20%

Today, pure online distribution accounts for about EUR130 million of annual sales in our business area private corresponding to almost 25% of number of insurance assortment. The digital part of the sales funnel represent the core of our omnichannel distribution sector. The chances of large strategic importance as our own in-house distribution platform now accounts for more than 60% of sales, making us far less dependent on external distribution capacity.

On the 10 years ago, the corresponding share of owned distribution would be around 40%. Our digital leadership is ripple effect through the entire value chain. Digital distribution e-service solutions and online claims services are mutually reinforcing making our customers more prone to digital services. The different markets are on different digital maturity level from Sweden and Finland being in the lead, Norway being a fast follower, and Denmark being a bit of a laggard.

Consequently, there are still significant room for improvement to further digitization. Digitalization is also very much benefiting our customers with increased digitalization and automation, we reduced operating cost and thus we can continue to improve our price position in the market. Further customer satisfaction and loyalty are clearly increasing as a result of improved services and solutions where customers are more directly in control of themselves.

Then I'll leave the word to Ingrid to talk a little bit more about some strategic initiatives in If.

A - Ingrid Janbu Holthe {BIO 20948280 <GO>}

Going forward, we are focusing on the following four strategic initiatives. First one being customer rotation, continue to further improve the customer experience and positioning If as the most caring insurance company. Secondly, it is best in risk. It's about continuing our success and a strong focus on underwriting and pricing excellence to drive profitable growth. Thirdly the preferred partner for automotive industry in change, but we are in a strong position today. And continue to invest in order to be well-positioned for the future of mobility. And finally, personal risk and health insurance are growth area in the Nordic insurance market.

Starting with the first strategic initiatives of customer orientation. We have seen significant improvement on key customer metrics illustrated here by our continuous improvement in Net Promoter Score in our contact centers and we also see this in our claims centers and other contact points. We have also won several awards for Best Customer Service both in the eyes of our customers and in the eyes of our partners. In Norway, we now won the TNS compares prize for best customer experience in the fifth year in a row.

The continuous focus on customers is also reflected in our strong organic growth in our customer base. Here you see numbers will be a private and where we now have more than 3.1 million households, as customers in If in the Nordics. This is also due to growing retention rates over the past years. Now at 90% and we managed to retain this at this record high level also in 2020.

With the high focus and proven track record so far on customer experience we are now strengthening the brand position with a redefined customer promise by your side the most carrying insurance company. With a high share of direct distribution coming from our own channels it is important for us to have a strong brand that can drive a high number of high-quality traffic through these channels.

Strong brand awareness and preference is key in order to drive this wholesales. We have a high level of direct traffic to If websites today about 50%, but this can be further improved by strengthening the consideration and preference of our brand. The second strategic initiative is the best in risk, which is about underwriting and pricing excellence to drive profitable growth. This is part of our DNA in If today and it is equally important for us to strengthen going forward.

Far us this is mainly about three areas. Being best in data, using modern tools and methods, and excellent analytical and risk management expertise. When it comes to best in data, this is to a large extent about value creation from access to and best practice utilization of available external and internal Nordic data. To give you some example, when it comes to excellent claims prediction for car we now do risk predictions for 140,000 car model versions on up to seven claims type using over 10 millions of cars claims history.

Another example is smooth purchasing process for homeowners but the price model use external Object Data to improve risk prediction and at the same time we remove customers questions from this move in the purchase process and strengthen the digital channel. When it comes to modern tools and methods we have market-leading pricing models with high degree of automation and short time to market.

Pricing analyst have common ways of working, using modern analytics techniques, and we have Nordic synergies on understanding what drives claims risk with over 100 pricing models per country using over 100 parameters on object and customer level. And the differentiation you saw in sales price has increased with 30% during the last seven years. When it comes to excellent risk management expertise. This is a large extent about creating the best place to work for analysts that attract and retain top talents.

We have a large and active Nordic community of analysts with regular insight sharing sessions. We also invest in a lot in skill development. For example, our own developed If analytics academy with several taylor made courses and very high course rating by our analysts. The first strategic initiative is related to mobility, which is an important area for If today and certainly going forward. We have today a very strong position, underlying by our market shares, our operational excellence and efficiency in aftermarket processes as well as our size in purchasing power.

Today we insured every fifth car in the Nordics and we are particularly strong in the new car markets to all our partnerships with the car industry across the Nordics. Our strategy in the mobility area is based on partnerships and collaboration with local and international car industry. This list of partnership is ever expanding and as well as some of the biggest and most well known players such as Volvo, BMW, and Ford. We also boost a list of new entrants such as Polestar, Chaupin, and also start-up companies are becoming more and more important

In order for us to develop our core capabilities for the future. If it is responding to the trends in the automotive industry. The automotive industry is going through massive changes influenced by many well-known trends. Our partners in the automotive business find themself having to adapt their business, the strategies, and their plans for the future. We also need to adapt to the changes and make sure that we deliver what our partners need today and also for the future.

To exemplify how If is adapting to these changes, we would like to mention a few concrete examples. Firstly, we are implementing an increasing amounts of digital integrations in the mobility space, seamlessly integrating our offerings, our services, and our capabilities into the customer Journeys with our partners to deliver to their clients. Secondly, we have invested considerable time, resources, and development capability into all the new offerings in ownership sharing and flexibility that is developing within the car industry. We are now the most commonly used partner across the Nordics for integrated insurance products within car sharing, car leasing, and car subscription models. Finally, our increasing offering to cover areas of importance to our existing and new partners in the mobility space. We can hear you mentioned our recent acquisition of waking our e-services and branded insurance and warranty products as examples.

The fourth initiative is related to personal risk and health area, which is a growth area in the Nordic insurance market due to the privatization of public-sector services and an increasing awareness of these products in the population. We already have a complete product offering, within this area and we are investing in digitalizing our service offering as well as expanding our service offering. This is also highlighted by our acquisition of vertical Hesta in 2019. And then I leave the word back to you, Morten.

A - Morten Thorsrud {BIO 16111627 <GO>}

Thank you Ingrid. So you have been introduced to our unique strategic position. Our track record of excellent operational and financial performance. And Ingrid has given you some insight into some of our strategic initiatives that will improve our business operations further. In some, this all give us a solid fundament and thus firmly support our new financial targets for 2021 to 2023, a combined ratio below 85% further cost reductions and mid single-digit growth in our underwriting result.

In the If business model, the underwriting result has always been the dominant profit driver. On top of this comes an investment result from an investment portfolio with limited risk exposure. Looking back at the previous three years periods, we can showcase an attractive increase in the underwriting result driven by an attractive mix of combined ratio improvements and top line growth. With our revised targets for 2021 to 2023 we set an ambition of continuing this attractive financial trajectory

Therefore Sampo and If will continue to be the leading player in the Nordic P&C insurance landscape. We will continue to be a large and diversified insurer in this highly attractive market. We will continue to leverage our leading capabilities and our performance focused corporate culture and will continue to deliver on our trajectory of both strong operational execution and excellent financial performance. So that summarizes this section on Nordic P&C insurance. Thank you all for your attention.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you, Ingrid. And thank you, Morten. We have received quite a lot of questions already, but please keep those questions coming and we will have plenty of time to address them at the end of the day. Now we shift focus to the UK. Toby van de Meer, CEO for Hastings will now give us an update on his company. Over to you Toby.

A - Toby van de Meer {BIO 16628969 <GO>}

Hi, everyone. I'm Toby van de Meer. And I have the pleasure of looking after the Hastings Group as CEO. Today let me give you a bit of background as to us and the UK market. Before turning to our plans for the future, including with Sampo as our new shareholders. Let me first remind you a bit about who we are, we're fast growing UK P&C insurance provider with a very different approach to most of the digitalization players in the market.

Firstly, we're very focused, we are product focused with 90% of our business being car insurance and we're also digitally focused for example with around 90% of new customers joining us from comparison websites and we have one of the most highly used and highly rated mobile apps for insurance in the country. We also have a differentiated capabilities, I'll talk more about these in a bit of detail later on. But they include our approach to pricing of modern scalable tech platform, high customer retention rates, and a real focus on keeping the organization link, but with high colleague engagement.

In terms of our results for 2020 it's been a good year. We've seen an 8% increase in customers to 3.1 million while increasing our operating profit EUR131 million, supported by a 6.0 improvement in our calendar year loss ratio to 76.5. Three quick comments on this loss ratio. Firstly, we've seen lower claims frequencies from COVID-19 albeit slightly offset by higher severities. Secondly, it reflects the impact of our actions, including the benefits of our underwriting and claims initiatives delivered over the last couple of years.

And thirdly, this result includes the reserving position which we think cautiously reflects the increased uncertainty caused by the pandemic. Our operating ratio was 87.4, this is a measure of our group-wide results, defined as total costs including the operational depreciation and amortization divided by total revenue excluding only investment income and look at this measure looks across both our retail and our underwriting businesses.

These results for 2020 continue a very good track record although some years have been easier than others we've consistently grown our policy count and maintained a very good loss ratio demonstrating that those with the right capabilities in this market can grow and digital profitably. Beyond our financial results 2020 was also a year of great progress in a number of other ways. We took extraordinary actions throughout the year to support colleagues and customers during the pandemic, amounting to 10s of millions of pounds of investment. It was therefore great that despite the operational disruption caused by COVID-19, we achieved our highest ever level of colleague engagement alongside improvements in customer service and also achieved a carbon-neutral status and certification following actions to reduce our waste and offsetting our remaining emissions.

Let me briefly recap our business model and what makes us different. Firstly, we've embraced digital and price comparison distribution for many years now while many of our competitors still fear this channel. We love our model where we can see most of the market for free, cherry pick the customers we want, and then only pay an acquisition cost when a sale is made. Secondly, we've built up a brand and a range of products that are specifically designed for this channel. The myth is that customers on comparison websites always buy the cheapest, the Hastings brand is well known in the market following many years of TV advertising.

But when customers see us on price comparison websites they actually get a range of offers from us typically six different products as you can see on the page, and these are designed to appeal to different customer groups. This approach allows us to attract more customers and at a higher margin than a traditional player would do just like using one product and focusing only on being the cheapest. We have a unique approach to pricing with the separation of retail and underwriting. The underwriting team focus purely on the loss ratio and our retail team focus on growth and customer value and this separation means we get the discipline and focus on the loss ratio, but also sophistication in market pricing which is so critical in this market, where you have to be great at both.

We have low cost digitally-focused model with great digital customer service and high customer retention, again very different to many of our competitors running now just beginning to focus on digital and many still that have a mobile application. We've invested 10s of millions of pounds over the last few years in systems and have a modern technology stack in place including Guidewire as our core broking, billing, and claims platform and Snowflake as our cloud-based data platform enabling the interrogation of billions of rows of data. Again, I wouldn't underestimate how different this is to many of our competitors who are still struggling with legacy platforms.

And finally, all of this means we have a resilient and highly cash generative business model with significant retail revenue streams alongside profitable underwriting and unlike some of our competitors, we don't rely on renewal pricing to generate those profits. The use of reinsurance, also keeps us capital-light that for generating strong returns on capital and dividend capacity. To make one of these areas come to life a little bit more let me talk about pricing specifically, in a bit more detail.

This is a market characterized by huge quote volumes on comparison websites with customers often running multiple quotes and sometimes across multiple comparison websites amounting to around 140 million quotes in a typical year. And customers often do so with the privacy of their hands and so we'll play around with the quotes including adding or subtracting cover or checking the impact on their prices by changing things say changing different occupations, from maybe being a banker to a retail banker and for each quotes, if as an insurance provider, you've set yourself up in the right way you can access hundreds of different data points to gain further information or to verify what the customer is filling out as they play around with their quotes.

It's also a market where the price of failure is high, but without our selection if you get your pricing wrong and through fraud with an estimated GBP1.2 billion of float in the industry over the year. Products are largely standardized in this market, but customer behavior or certainly not. Over 60% of customers choose more cover for the cheapest option shown to them on the comparison websites something many of our competitors don't optimize for and finally, you can't just put prices into the market and leave it there for weeks or months, small pricing changes made frequently to make a big difference.

We see a 5 to 1 price elasticity in the market, meaning any players, new business volumes will change by 5% for every 1% change in price or put it another way, making frequent small price changes say up to GBP4 pounds on a 400 pound premiums of 1% can make a material difference to your performance and that's not a metabolic rate that many traditional players are you used to or set out for.

Our approach where we gather more data than we believe anyone else and spend more time analyzing it and verifying it. We use quote data but supplemented with internal data, extra data we get from the comparison websites, we buy external data and we can therefore price on more information and more accurately verify data than anyone else. We maintain dozens of different pricing models, to predict risk, market prices, and customer lifetime value and models that might historically look at interactions between one, two, three occasionally four or five different variables have now moved on and operated to microsegment level through the use of more sophisticated modeling techniques.

Philosophically we never sit on our laurels, we always believe that our models are less than they should be. So we test and learn constantly. In January this year by way of example, we had seven different motor insurance pricing models life. On top of constant elasticity testing. Elasticity testing by the way, means we constantly make minor variations to our standard prices and measure the impact on sales and value when we lower or increase prices at a segment level.

This learning then becomes an input into the next set of models and allows us to make the small targeted price increases and reductions that are referred to a minute ago. Given the full risk we've developed market leading controls which operate real-time so for example fraud prediction models for every quote that comes in and post that what we do for the verification of the customer information we've had.

And then further checks again that claim stage again based on data driven analytics to look harder at third parties or claims management companies that might be involved in a claiming instance. And then finally, always the most important part we have people and culture, we look at everything day sometimes intraday. We have new insights to our models weekly we make price changes constantly this is all we do every day without disruption.

I've been here for nearly 10 years now for underwriting Director who know all of me has been here over 20 years and that's alongside of senior team that have largely worked together for a good few years now and with a relentless focus on this. Now let me talk a bit more about the market and why these sorts of skills are so important?

Firstly, the UK motor and home markets are very large and very profitable with over GBP50 million policies up for grabs over 18 billion of premiums and price comparison websites are now very established with nearly 80% of all new car insurance sales being brought through the price comparison websites and over 60% in growing in home insurance. And the players who've adapted to this environment are doing very well.

Now historically, the market has been dominated by fairly traditional players, including brokers and insurers who operate like they do in many other markets. For example, may distribute directly or via intermediaries they try and build strong customer relationships and focus on cross-selling, so focused on hitting the numbers including demonstration of our pricing on a very steady disciplined monthly cycle longer. In 2012, the sorts of players with that approach held 65% of the market roughly for car insurance, but what's been happening is that this traditional approach is no longer enough and those with legacy business models or technology has struggled to adapt, a new world specialists we call them have steadily grown in market share and have done so profitably.

The great news from our perspective is that approximately 56% of the market is still held today by those players with more traditional business models, and therefore, we believe this long-term market share shifts still has a long way to play out. One helpful dynamic is regulatory changes, as these are likely to provide further disruption to the market and probably make it even tougher for traditional insurance companies and brokers to cut.

Firstly on the FCA pricing practices work, the FCA are intending to stop the practice of aggressive new business discounting followed by significant price increases for loyal and renewing customers. We estimate that this behavior price walking as they call it has impacted 6 million policyholders and that the industry has benefited to the tune of around GBP1.2 billion. As you could imagine this practice of overpriced renewal back books is most prevalent in those companies that have been around for a long time and have long-standing loyal customers.

With our business model with new customers mainly acquired in recent years and with our ability to make money from customers in the first year, by having the risk selection this is all, not really a big issue for Hastings. Therefore, as others are forced to stop aggressive discounting and are put under profitability pressures we should be net beneficiaries over time. Incidentally, another, some of our competitors are talking about how in this new world customers might all of a sudden become a lot more loyal trust their insurance company start buying direct or stop using price comparison websites, but we just don't believe that.

On whiplash reform we welcome the government's efforts to stop exaggerated bodily injury claims and are well prepared for the upcoming changes and we'll monitor changes in claims management companies behavior very carefully and with our focus on daily MI and updating our pricing models frequently, we should be able to trade through these changes effectively again in a way that will be more difficult for those with legacy systems or less frequent and less detailed data at the mine.

Let me now turn to the future, with the backdrop of everything I've described we have big ambitions, having taking Hastings from a small to medium size player. We're now setting out to move from medium size to a market leader, the internal straight line for this is just becoming the best and biggest digital insurance provider in the UK.

This will not happen overnight and will require disciplined execution over a number of years. But the size of the prize, is significant with some of today's market leaders having well over 5 million policyholders are making over GBP500 million British pounds of operating profit, significantly more than the otherwise very decent set of numbers, we've posted for 2020.

We have six clearly identified investment areas, pricing, increased customer retention, transformation in claims where we've been behind and pretty average to date, further investments in digital and the mobile app, growth in home insurance where we're still very small, and launching and testing new propositions like multicar where we have also been a bit behind and testing new telematic products where we also see some potential new opportunities.

These initiatives will be underpinned by continued focus on colleagues, culture, and doing the right thing in the wider world through our ESG initiatives. I know that we're making good progress on these projects, we're also very pleased with the new investment by Sampo which should mean we can accelerate some of these initiatives in a way that will be more difficult for us as a standalone income. I will spend too much more time on the detail of these initiatives, but I just want to reinforce two points. Firstly, these are real initiatives and projects with investments and teams already underway and delivering real results.

This is not just something we pull together for our Capital Markets Day. As you can see on this page we have 27 different work streams in flight as we speak. I can tell you they've great momentum with a number of them already delivered new capabilities in our technology releases over the last few weeks in January and February.

Second point to reinforce of these are priority areas, because if we get them right, it will make a material difference to our performance over the coming years. In terms of pricing and anti-fraud. If we can get even better at risk selection, we can bring in more of the over 10 million people across the countries every year.

Plus we already make around EUR1 billion of premium that over 300 million of retailing so to the extent that our pricing initiatives increase our average premiums, improve our loss ratio, generate more retail income, you can see that the bottom line impact can be very significant.

Although our customer retention rates are very good and our competitors lose a lot more than this we still lose around 300 million of premium every year from customers leavings. So again, anything we can do to reduce this will make a difference. We pay out around GBP750 million a year in claims and have nearly 100 million in operational and call center costs. So improving our claims and digital capabilities remains an area of focus.

In home, if we can get to a similar market share as we have in motor today, we can bring in around 2 million customers and 400 million of premium over time. Plus in multicar car is just one example of our propositions work, we have a big target market to go after with 10 million households in the country with multiple vehicles. So what does all that mean, firstly, we're confident about our current performance and momentum and therefore expect to improve our loss ratio and overall results during 2021. Looking slightly further out, we're targeting a loss ratio of below 76% compared to our previous 75% to 79% target range and compared to 76.5 result for 2020.

I also mentioned our operating ratio earlier, which measures our overall efficiency across the retail and underwriting businesses and we intend to have this below 88% consistently. This takes into account market premium dynamics, retail income dynamics, and the balance of reducing unnecessary costs but also investing in the areas required to make us a market leader. We don't set policy growth targets for any particular year, we prefer to regard growth as an output of what we do every day in terms of pricing, and we never chase growth for the segment. But we do expect to gain further market share in both car and home insurance over the coming years.

Before I wrap up, let me touch just briefly on synergies of Sampo. We have our six general areas of investment and as a Sampo team have already mentioned, we've now established a framework of collaboration that will lead us if I specific opportunities first leverage joint learnings and accelerate our delivery. We have a good track record of this sort of work. RMI our other shareholders joined Hastings in 2017 and since then, we've been able to benefit from their insurance expertise from other markets.

This is like a specific joint work, including a large call center operation, we've now jointly the invested in and shared operation and learnings. We've also refined our approach to renewal pricing based on their experience, which is one of the things that has helped improve our customer retention rates over the last few years. With Sampo we're now already exploring several opportunities. It is just one example. Sampo have a very significant motor manufacturer relationships including an understanding of vehicle technology and its implications for claims, frequencies, and severities

As you can imagine, this is also an important area for our pricing and claims models as we look into a future of more sophisticated cars and will therefore be exploring how we can use this Sampo insight in the UK. Let me wrap up as you've hopefully heard from me we believe we're well positioned in a market that is sort of evolving rapidly and where those with legacy business models and technology are under pressure. We have big ambitions and good momentum. Based on investments over the last few years that are continuing today and although we missed some dimensions of being a public company I'm talking to many of you more regularly. We're also very pleased with our new shareholding structure and looking forward to continuing to focus on relentless execution in partnership with them.

As always, I'll close off by saying a big thank you to the whole Hastings team for everything they've done during 2020 and continue to do every day. Thank you for your time. I look forward to taking your questions.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Toby next, we have Sampo's Chairman Bjorn Wahlroos ending the presentation part of today by wrapping up today in his closing remarks. Bjorn?

A - Bjorn Wahlroos {BIO 1763401 <GO>}

Thank you Jarmo and welcome to the fairground in Southern France where it would appear, I'm standing. If you look a bit beyond the ferris wheel you will see that there is an airport, so there is some sort of business link here as well, but jokes aside it's been almost to the day two years since we announced the succession plan at Sampo in February 2019. In those two years, a lot of things have happened immediately after the announcement, Torbjorn took over at Nordea, and Morten took over at If. We continued to plan for the succession under Torbjorn's leadership and over that preparation period we put in what is essentially a wholly new management team that started working with Torbjorn as he took over at the start of 2020

Since then, quite a few things have happened already. There is the clear orientation towards our area of strength, the P&C industry and we've actually even made an acquisition in that area, which we will you've heard a lot about, you just heard a very detailed presentation on that and you will be supplied with more views on it. The most important point here however is that with this succession, this new team we've also now put together a strategy, not that we wouldn't have had it together but we're presenting it to you what I hope is a comprehensive and easily understandable for, is based on a very simple idea the way we see it from the group's Board perspective and that is to bet on your strengths. We have a I would I shy away from or I shouldn't shy away from calling it an unrivaled track record in P&C insurance particularly in If and we want to lever that human capital that's essentially what all this is about, so as Torbjorn presented his ideas of where he wants to take the group about a little more than a year ago, it was very easy for the Board to join in and say that's where we're going to go.

It carried with it a reallocation of some resources as I already said, it also eventually produced an acquisition and it will now produce some divestments over the upcoming year or two. We have three first-class assets in P&C insurance covering northern Europe by far the largest is that you've heard a lot about continues its excellent track record, we have Topdanmark where we own half of it. Recuperating from a slightly weaker 2020 or 2019 actually end of 2019 and producing getting back to its tradition of excellence and most recently, of course, we have the addition of Hastings to the group. This is the area where we're going to focus and for those of you have asked us, what are you going to do next are you going to sort of acquire a Dutch company. Are you going to do something else?

I think to be honest message has been very clear, we're only going to do minor bolt-on acquisitions. If there is -- if anything over the upcoming two years or so, we have quite a lot on our hands. We like to further develop our concept, we want to provide the support from If to other groups that you've heard about during this days proceedings and we really want to lever our expertise in P&C insurance.

So that is where we're going and that is where we are. The other part of the operation which include on slide belongs to the develop maintain and ultimately divest we've made up of a number of businesses. If I start with the smaller ones we have invested in a number of smaller operations in the financial service area. There are those who've essentially sort of this as a sort of well, lots of focus or at the spending is putting management time in environment where the leverage is not sufficient to really produce value.

I don't really think that is the case, that's partly why we've moved all of these investments into our normal investment portfolio and we're running them as part of our overall portfolio. I can also report that they're doing very well. We're extremely happy with development in Nets and Saxo and we're actually pretty happy with everything that's going on in that part, we are already exceeded one of them with a pretty good profit and of course there's more good news to come. Not just from these private equity type investments, but from the overall investment portfolio we have already the de facto exited Tikkurila which was a very good investment for us and many other things that will follow.

The point here is essentially to say look we're in this to create value, we will create value, but we will not add to those portfolios. We will eventually exit those investments and we will do so at a very nice profit. It would appear today. By far the biggest question if I viewed by the amount of communication, I have received from our shareholders and from analyst of course is Nordea. And Nordea as I pointed out publicly has not been an unqualified success as an investment for the very simple reason that nothing in banking has.

Nordea was hit earlier than any of its Scandinavian peers with some of the challenges that now have essentially hit everyone that's the ordinary KYC money laundering systems development. These challenges which early on in the cycle hit Nordea harder than its competitors, Nordea took very decisive action on this and I'm very happy to report that we're really now happy with the work Frank is doing. We're really happy where Nordea is going. However, that doesn't change the fact that we have changed our view of the banking market relative to what it was say five years ago. We could not foresee the over-regulation, the regulatory tsunami that we've been hit by and we couldn't see interest rates remain as low as they've had for such a long time.

In a sense, this is a good moment I think to start to exit Nordea. Interest rates now seem to be increasing, we're seeing some of that, a small part of it so far, projected into the valuations of banks, we expect to see more of that, I think, Torbjorn has already communicated that in a way it's sad to say we're going to exit Nordea, because a lot of value will be created in Nordea but somehow I think the banking market in Europe in general, will never or one should never say never will not for quite some time become what it was say 15 years ago for it to get to that kind of a situation, we would need such a dramatic regulatory or de-regulatory overhaul and it's not likely to come within the scope of just a couple of years, it will take more time.

And therefore it makes perfect sense, to exit Nordea and to sort of start to work on that, we've said that timeframe for this 18 months, I think there's a good chance that we might do it quicker, but we will see how this goes. It's basically a question of two things. One, of course the most obvious one is the market of course we will listen very carefully and monitor the market. We will exit Nordea in a value creative way.

We're not going to create a fire side situation. The other aspect of this is that, it is a sizable chunk of shares, it's 60%, almost of Nordea and the value is almost depending on share price about 4 billion. So indeed it's something one needs to think of. There is additional interesting aspect to this and that is that we have a peculiar situation accounting and tax wise with the Nordea shares which require us to really create a plan for how we do it, because if we start doing it piecemeal or otherwise sort of by some sort of rule thumb, it is not unlikely that we will experience some negative reaction either in the market or indeed in the form of taxes or some similar liability that may arise from it.

This is why, we've committed actually to set up a plan and that is what we are essentially referring to by saying we're going to materially reduce its position in 18 months. We have a very peculiar set up here, because those shares on our books are worth very different amounts depending on whether they belong to the shares of which we still have some left that we bought prior to the financial crisis or is a larger part of our present holdings, which is bought after the financial crisis.

Prior to the financial crisis, we bought shares in Nordea at valuations as high as EUR10 a share or something like that, whereas after the financial crisis our average acquisition price was about half book. I think the lowest we ever got was 191 per share when we picked up some shares from Nordea, share issue in 2009. And what this means essentially that under the first-in first-out rule of taxation, we need to be very careful with what we do with each batch of shares if we just start sort of throwing them out in an unplanned manner, we are not only likely to create havoc in the markets, we're also likely to end up with a hefty tax bill.

So again, what I say should not be taken as any quantification on the 18 months, what I'm saying is we're likely actually to act a whole lot sooner than that, but that action has to be based on a thorough plan for how to do this, because otherwise, we're going to start destroy shareholder value. This is very important for shareholders to understand, I get a lot of correspondence there are those shareholders who are saying, look at out of this quick actually, I get almost as many, actually I think I've got more letters from shareholders say careful don't do stupid things don't throw the mouth too fast.

I think, we can all agree that the strategic orientation of the Sampo group towards P&C Insurance is the key to all of this and an automatic implication of that strategy is that we're going to divest ourselves particularly from the largest single asset lying outside of that strategy namely our Nordea hold and we will do so over a relatively short period of time, but more importantly in a very orderly and thought through fashion.

And that really is the key to that. Summing it all up, we have a new team in place. It's been in place for just a little more than a year. For a Board perspective, I think I say we're very happy with the performance, we've seen very decisive action, both in terms of adding to Executive Management on the group level and we've seen very determined action both operationally and in some limited cases in terms of acquisition activity.

We now have quite a lot on our plate and we will stick to that plate we will create value and as always I think I should end by saying, particularly for those who have been a bit worried about whether there are nationalistic or other trends underlying Sampo strategy that simply is not the case. I'm not presently in Finland. I am still a very large shareholder of this group, and I am primarily interested in creating value actually adding to my own shareholding by doing the right thing and by following a strategy, which based on our past track record and with based on the people I know are executing that strategy will create the most value. So, you're welcome to join me on that trip.

Thank you.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you, Bjorn. Now, ladies and gentlemen, we are ready to move to the second Q&A session. And let me remind you that we have Bjorn, Torbjorn, Knut Arne, Morten, Toby, and in addition, Peter Hermann CEO of Topdanmark to answer your questions.

And I'll think I'll jump into the next, the first question of this session, which is both for Bjorn and Torbjorn. Maybe Bjorn you can start and then Torbjorn may fill in. What could be the possible disruptors to the P&C and Life business, businesses?

A - Bjorn Wahlroos {BIO 1763401 <GO>}

That was the question.

A - Jarmo Salonen {BIO 1860650 <GO>}

Yes, indeed.

A - Bjorn Wahlroos {BIO 1763401 <GO>}

Okay. This I think is more of a question to Torbjorn but let me very briefly say, we have an unrivaled track record that have been basically no disruptions to the If business for the more than 15 years that we have on the company, it's been incredible really particularly from a banker like myself, who is -- who started out being very worried about P&C insurance. I thought it was a horrible idea business wise to be responsible for things that you can't control such as natural disasters and stuff. Over the 15 years, I've learned that is not the case and the most important aspect of that learning has been the track record, i.e. in my experience of how these guys are running the Group.

I've spent a long time trying to sort of explain that. I don't think there are, very obvious technologies that are challenging us we've seen market changes, such as price comparison sites that people were very worried about. They have barely moved the needle a lot of people are talking about new technologies in road traffic, so far at least we have seen no significant impact.

Yes, frequencies tend to come down, but on the other hand cars become more and more expensive and as a consequence, the total amount of risk that we are ensuring remains more or less the same. So all in all, we can start speculating and I'll turn this over to Torbjorn on what those risk might be but on my own -- on my behalf I would essentially say I'm not particularly worried about disruption, if indeed If can pull through such a huge disruption as the pandemic without barely being touched by it, I think that says quite a lot.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

I can only agree of course with you now that we are very hands-on management team and we're also very risk-averse. We have invested a lot in the future for a long time and there is no insurance technology anywhere in the world of course we look outside the Nordics and follow developments everywhere that seems to be disruptive for our market at the moment.

We have the best momentum that I can remember in P&C, we have actually a better market structure even than what we used to in the Nordics. So I have a positive view of the world, as we speak.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you, both. And the next few questions go to Morten. This one is from Prasoon[ph]. How do you see the future competitive landscape in the Nordic P&C insurance space? What is the likelihood that new aggressive competitors like the ones we saw in Norway some years ago will emerge in other parts of the Nordic P&C market?

A - Morten Thorsrud {BIO 16111627 <GO>}

Yeah, I think, first of all, the competitive landscape currently, if, I say, rather benign as I mentioned in my presentation a little bit earlier, the Nordic markets are rather consolidated and right now we see more of a trend towards further consolidation, of course particularly in bearing in mind Tryg acquisition off RSA's assets in Scandinavia.

And so I think sort of the competitive landscape is good. And again, I see that we will have somewhat more consolidation to come, which is I think really positive, and we did see some new players being established in the Nordics and particularly in Norway if you go some 10 years back.

I think history now shows that they have been struggling as (inaudible) is as I also mentioned in my presentation important and even more so in the digital world which is why I think it's quite challenging for the newcomers to really get the foothold in this market. We truly benefit from our Nordic scale, we are able to lead digitalization very much due to our Nordic scale and so I think the outlook is pretty good as I see it from a competitive situation.

A - Jarmo Salonen {BIO 1860650 <GO>}

And the next one is for you too, it's from Steven Haywood HSBC.

To achieve the mid single-digit growth per annum in underwriting profits, do you see this being achieve the volume growth or margin improvements. Can you please be specific on what could drive the volume growth on margin improvements also can you clarify whether the EUR900 million, underlying, underwriting result for 2020 is Sampo share of Topdanmark Hastings underwriting profits or do we have to remove minorities from this EUR900 million?

A - Morten Thorsrud {BIO 16111627 <GO>}

Yeah, I think the mid single-digit growth on underwriting profits will always be a combination of topline growth and further good underwriting performance over the last few years, we've seen good growth figures at 4.7 being the figure for 2020 an important driver of that in addition to price increases is record high retention rate throughout our businesses and that's of course something that we will benefit from also going forward.

And so I think again we will, it will be a mix between volumes and further improvement of our underwriting result. In terms of drivers and I think again in my presentation I pointed out that efficiency improvements continue to be a target for us. We have historically improved our cost ratio with some 20 basis points and we expect to have a positive development on that also going forward. Digitalization of course being the main driver behind this really have achieved a lot over the last 10 years but there is still ample of room for further digitalization and thus further cost ratio improvements also going forward.

Then, it will always be a balance between sort of topline growth on one hand and then underwriting performance on the other hand, and basically what we do is that we set an underwriting sort of target for the group and then sort of the Goldfield very much be dependent on what type of underwriting profit we would like to have in any given year. Then there was a question about EUR900 million in underwriting profit, if I understood correctly add a more at least the figure coming directly from If on that side is EUR802 million being for 2020 the underwriting profit from the If group.

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

I think that was more for me more then of course in that EUR900 just a reminder before talking about minorities, we have adjusted for the COVID impact to make its normal comparing to year like 2020 which Morten refer to. That's a 100%. There is a slide in my part of the presentation page 32 of the total pack just refer to specific page where you see how that sort of compares to the net profit where they are minorities deducted from that EUR900 million and tax as well.

So that very technically specifically the EUR900 is 100% of total Hastings.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you and that was great.

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

Excluding COVID-19.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. That was Knut Arne and our next question is actually for Knut Arne. It's from Artu El. How will the rising inflation rate effect some financial performance if at all?

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

Yeah. Installation in itself is always a bit difficult to be specific around when it comes to no life insurance because inflation that impacts claims is not necessarily the same as CPI inflation, but I might understand the question, so in terms of more rising interest rates as well and rising interest rates is positive for example, it will generate own funds and in Mandatum.

So you need to go their own funds interest rate base rsk is the single biggest risk in Mandatum and rising interest rates will improve that position significantly, it will also create run-off profit and, if P&C rates are sustainably higher than they currently are as some or all depending on how much we should speculate that interest rate rise of the reduced discount rate impact will be reversed and that's has been significant for Sampo over the last decade or so and that we're absolutely old way even the short-term mark-to-markets loss in our investment portfolio and long-term of course it's also beneficial for our investment portfolio as the investment yields will increase.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you, Knut Arne. Next one is from Jan Erik Gjerland, ABG is for Morten. Why will not underwriting results be reduced when motor premiums are shifted towards leasing costs whether the buyer is more professional than a household or private customer?

A - Morten Thorsrud {BIO 16111627 <GO>}

Yeah, I think, we're not really seeing that much of a rapid change I think is the first thing to comment this is shift that takes many many years. When that is said, we are very much used to working directly with car importers, car dealers, larger leasing companies so we're already sort of in our current business mix very much used to operating with large groups and large negotiators and we have been able to maintain profitability and good profitability also in these segments.

And of course, Yeah, I think, we're not really seeing that much of a rapid change I think is the first thing to comment this is shift that takes many many years. When that is said, we are very much used to working directly with car importers, car dealers, larger leasing companies so we're already sort of in our current business mix very much used to operating with large groups and large negotiators and we have been able to maintain profitability and good profitability also in these segments.

And of course, an important aspect of this is that we managed to run our operation extremely efficiently, so that of course gives us possibility of having good products where we have good coverages to the end consumers a very efficient operation. And then at the same time of course being able to take out the margins that we would like to have in also these type of business. So again, it's just a normal part of our business mix, it's already sort of a substantial part of the business we do. So I don't see any negative impact from that sort of trend.

A - Jarmo Salonen {BIO 1860650 <GO>}

Very clear. Thank you. And next four questions for Toby from Faizan Lakhani at HSBC I'll take them one by one.

One, you are targeting a calendar year loss ratio of 76%. Given that there has been a significant tailwind from COVID once that unwinds what gives you the confidence that you can achieve this especially given the pressure you have seen on the claims severity?

A - Toby van de Meer {BIO 16628969 <GO>}

Yes, thank you. So we are confident about the medium term outlook for the loss ratio and hence the target of below 76%. That's despite the 76.5% loss ratio that we posted for 2020 and the previous range of 75% to 79% and the reason for that confidence if I step aside from COVID of course in the short term, we are still seeing lower claims frequencies in the here and now and start of 2021. But beyond that, we are also seeing very good progress on our pricing initiatives and so our confidence about risk selection is higher than ever.

We're seeing good progress on our claims initiatives, haven't changed the number of our repair partners, having introduced new claims processes and controls. We are seeing the benefits of that in our operational day to day to day. Thirdly, I guess, because the company is now bigger because we have more customers, we are getting the stability and performance from bigger scale and a bigger book of renewing customers. And then finally we do think we've taken a cautious approach to reserving and therefore the balance of current year performance and prior year performance coming together should mean that we can continue to post good loss ratios as we look ahead

A - Jarmo Salonen {BIO 1860650 <GO>}

The second question from Faizan on is once again, in relation to your calendar year loss ratio, it appears that you are taking a more prudent approach to booking reserves will higher loss picks not dampen your current year accident loss ratio?

A - Toby van de Meer {BIO 16628969 <GO>}

I guess I can only reiterate that we're confident that the combination of the prior year performance and the current year will lead to loss ratios below 76% and in that that does include a cautious approach to reserving that we have taken during COVID and the cautious approach that we would intend to maintain as we look ahead.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Question number three. It was mentioned that you are not overly worried about customers staying more loyal but according to the FCA's report, it has suggested that switching will reduce EUR9 million to EUR10 million over the next 10 years. Do you disagree with their analysis?

A - Toby van de Meer {BIO 16628969 <GO>}

But we think it's a bit early to judge what impact the FCA changes will have on the market. I guess to remind everybody the consultation is only just closed a policy statement is expected at some point in the second quarter where they will confirm their rules. We will analyze that very carefully. I guess, start to think more about what the future impact might be on the market as all of that plays out. More importantly, we will continue to read the data and respond as the market actually changes rather than too much quantification about how it might change in the future.

Certainly one scenario is that customer behavior will change and the customers will become a bit more loyal. I think some of that is likely to happen. So I think there probably will be some increases in retention rates that we will benefit from as well others in the sector. But I don't expect that to be so material that it will have a significant impact on the volume of customers that switch every year and what goes through price comparison websites and it will be on the margins and therefore leave us with plenty of opportunity to go after recognizing that we're still relatively small in a very big marketplace.

A - Jarmo Salonen {BIO 1860650 <GO>}

And the last one from Faizan in terms of the upstream of dividend to Sampo the pay out ratio appears to be quite low. Could you provide color on this?

A - Toby van de Meer {BIO 16628969 <GO>}

Yes, I guess will be guided by the Board and the shareholders in terms of the best capital management approach. For now, we are generating plenty of cash comfortably support the 6P dividend that the shareholders have committed to for the near term and that will give us options through to consider with the board about the best balance of paying future dividends reducing debt or investing in the business and will take those decisions as we go.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. And I think that already answered Hadley Cohen next question, how should we think about your remittance capabilities out to Sampo particularly given your strong growth ambitions. And we will unless you want to add something Toby will move on.

A - Toby van de Meer {BIO 16628969 <GO>}

I think that's for me I think.

A - Jarmo Salonen {BIO 1860650 <GO>}

And this is what Torbjorn, Steven Haywood from HSBC. Would distributing Nordea shares to Sampo shareholders be considered value creative and is this an option for the management to do?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

That's one of the options that we will consider over the coming 18 months, and it would be that to think about that. It was decided in conjunction with some of the mega, so that we can take on the process and the company.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you and back to Morten. Hadley Cohens question? Should we expect that the annual technology expenses will continue to increase at EUR10 million per annum or will it remain flat at EUR70 million. That's the first one

A - Morten Thorsrud {BIO 16111627 <GO>}

Yeah, Hard to say anything exact on that I think I do not see that we may continue the same trend over the next three, four, five years at least. So I think the level that we have now I assume is some kind of new normal. But again, investing in digital development is really key and of course we do it because we believe that this will give us better products, better solutions to end customers and more efficient operation. So it's also very much investment into further efficiency improvements going forward.

A - Jarmo Salonen {BIO 1860650 <GO>}

Same team for Morten. How much lower do you think the cost ratio can go. You are talking about 20 basis points per annum but is it reasonable to assume that this can get sustainably below 20% over time.

A - Morten Thorsrud {BIO 16111627 <GO>}

Let's see, I mean, then we're speculating a lot sort of into the future. But again, the main driver behind the efficiency improvement so far has really been digitalization of our business. And if you look at that and then at least that process will continue for quite some years and we have still a big potential in further digitalizing our distribution both within private perhaps even more in commercial. We have a further potential in automating all of the service errands that we have again in all business areas. And then we have clearly also potential for increasing online reporting of claims and automatic claims handling,

So at least for the next few years, our expectation is that we will continue to see efficiency improvements and again if you look back, it's been in the tune of 20 basis points per year. So let's see how long we can continue with that. But at least now. I think you had a good outlook in terms of further improvements

A - Jarmo Salonen {BIO 1860650 <GO>}

And one more, how long dated are the partnership agreements in motor?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Well that's varying a lot from partnership to partnership. Some of them are sort of rolling one-year agreements. Some of them are three years. Some of them are five years, larger part of them are more long-term and i.e., sort of being more of them being more towards sort of the five years time period. If you look at this historically, we've had a very stable situation with most of these partners in the automotive industry, so we can leveraging sort of on strong relationships deep integrations with the different partners and of course, that's kind of good when it comes to also believing that will have great partnerships with these companies and the automotive industry as such, going forward.

A - Jarmo Salonen {BIO 1860650 <GO>}

And the next one is for Torbjorn from Ashik Musaddi JPMorgan, If is clearly the star performer in Sampo Group with growing volumes and improving combined ratio other than that, where are the levers for earnings growth in coming years, has Hastings earnings growth guidance isn't clear as there are no volume growth guidance.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

I think that in Sampo for a long time, we have a really giving very firm growth targets as that risk leading to lack of discipline and we will probably continue to talk about it that way both internally and externally.

But of course, I see growth opportunities and you see as you point out, going into 2021 with excellent momentum amount and global markets, Hastings Group well they participate, we participate there in a growing market, so just keep market shares that would lead to growth and Topdanmark is investing heavily in digitalization has done so for a period, and of course roughly the purpose of that is to improve service, leave the Danish markets towards digitalization and ultimately growth. So I see it lot of opportunities for all our P&C businesses.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. This next one is for Knut Arne from Per Gronborg, SEB and it's on Nordea can you be more specific on the taxation from selling/dividend out the stake.

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

In terms for us in terms of selling or paying kind this space today a such, there is no difference, then of course it could be differences for our shareholders, when receiving a dividend in (inaudible) versus the cash dividend potentially what not I was referring to is that we currently treat Nordea as a fixed asset according to Finnish Tax Legislation. And will continue to do so as long as we own more than 10% when we go below 10% Nordea will become an investment assets, if we keep our share in Nordea for a period of time forward for more than a year.

So that will if we remain a shareholder below 10% for a period of time and we dispose shares later with lead to tax position where the acquisition value -- tax acquisition value of those shares are very low. The process, (inaudible) the first thing first out principles and we bought some of those shares very cheaply back in 2008. So that's the tax position on top of that, just the detail, if we remain a shareholder, when it's not the fixed asset we also will be in a tax position on dividends that we received from Nordea.

A - Jarmo Salonen {BIO 1860650 <GO>}

And a question for Toby from Jakob Brink Nordea in connection with Sampos acquisition of 70% of Hastings three drivers of higher profitability in Hastings were mentioned one bullet was reduced reinsurance coverage in Hastings, could you discuss this more that is has this change happened and going forward, what level of net premiums earned should we be expecting for Hastings.

A - Toby van de Meer {BIO 16628969 <GO>}

So we've made no material changes to our reinsurance structures to date in fact, we placed our quota share and XOL program successfully with strong demand from reinsurers at the year-end, with no material changes in prices small increase in our XOL program and no change at all in our quota share prices. And as we look ahead, we've made no decisions yet about the optimal reinsurance structure for Hastings that's something we'll review over the coming months, including engaging with the reinsurers and the shareholders and the Board and then come to a decision at some point towards the end of the year as part of the annual review of our reinsurance programs.

So no decisions made, but something we are going to look at carefully again, given the new shareholding structure of the financial stability, we have the improved profitability we have and I think that gives us a lot more flexibility than we would have had as a standalone company and is a smaller company in the past.

A - Jarmo Salonen {BIO 1860650 <GO>}

Next one is for both Morten and Peter it's from (inaudible) call leasing, what are you, views on profitability level on lease cost verses normally owned cars should you differ in view why? Maybe Morten.

A - Morten Thorsrud {BIO 16111627 <GO>}

Yeah, my short answer to that would begin now and as I already commented car leasing is absolutely not a new thing, it's operating model that we work with for many, many, many years and have long relationships with sort of large companies within this fair so I do not see any sort of material the difference comes to earnings potential sort of course the business risk-wise is slightly different than direct ownership, but yeah, it doesn't impact our profitability.

A - Peter Hermann {BIO 20507411 <GO>}

Topdanmark hasn't been very much you can say leasing business as on now, the recent years has actually had a lot more exposure into the leasing within the commercial segment and there was actually shown pretty good progress as well in terms of profitability. So yes, maybe you are dealing with more professional buyer, sometimes, but at the moment, we can still see good profitability also within our area, but Topdanmark hasn't been front-runner-up within the leasing companies until now.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you both. The next one, I think is best suited for both Bjorn and Torbjorn it's from, (inaudible) Asset Management, regarding If and Hastings balance sheet, what is your view on enhancing expected financial returns by pursuing a strategy of KCO/Berkshire Hathaway holding a larger portion in equities? Please elaborate why you have this view.

A - Bjorn Wahlroos {BIO 1763401 <GO>}

Why don't Torbjorn start with this.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Okay. Yeah, I think on the strategy, the path towards to non-life insurer, it was stable results and insurance and dividend as we speak about it that doesn't go really well. We had an increased risk in equity, sorry on the balance sheet. So that's not a natural development for this strategy.

A - Bjorn Wahlroos {BIO 1763401 <GO>}

If I continue by saying that we have a long-running tradition in sample to basically view balance sheet leverage or risk taking for the Group as a whole of course this is now to some extent affected by the fact that we have more minority stakes in subsidiaries, than perhaps traditionally still we prefer to take our risks closer to home to the extent that we want to hold more equities to the extent that we want to go deeper into alternatives we have ample capacity to do that in the wholly-owned units of the group primarily Mandatum secondarily if but to some extent even the parent company if need be. So I doubt that will largely affect the balance sheets of Topdanmark or Hastings.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Next one comes from Michael Huttner Berenberg Bank and it is for Bjorn. The current outperformance of banks versus insurers suggests that the market believes it is insurers which will see more regulation and lower earnings growth. How would this influence the decision to exit Nordea?

A - Bjorn Wahlroos {BIO 1763401 <GO>}

I'm not quite sure that I agree with the conclusion or inference the explanation to why we've seen a fairly short period of outperformance of the part of banks. In my closing remarks to this day's formal presentation, so I made the point that as we are now seeing the ultra expansionary monetary policy, finally produce the effect that central banks have been looking for i.e., some inflation expectations. We are starting to see interest rates particularly at the longer end of the yield curve to go up. And of course, this is very good news for banks.

So largely I would argue that the course for the performance, which you are referring to is primarily the changed view on interest rates not a changed view on regulation. I see no material change in insurance regulation of the kind of magnitude that it would have -- have valuation implications on the radar. However, of course, your question is still valid, and we have taken the fact that banks may go up in valuation into account in devising our plan for an exit from Nordea, both in terms of the techniques that we will use to create that exit and on the other hand for the timetable. I just reiterate once more what I said in my closing remarks, and that is that we are -- we're here to create value and we certainly want to take every new piece of information that comes to us with regard to these asset valuations into account when we set up the plan for exiting Nordea.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Next one is also for Bjorn and Torbjorn. Comes from Jon Denham, Morgan Stanley. Do your comments on mergers and acquisitions being just within the Nordics par potentially small books for Hastings hold post 2023?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

So I think we're here today to discuss this three-year period and the strategy and the targets, ambitions for that, not what happens afterwards. But Bjorn, you have a longer perspective than I have.

A - Bjorn Wahlroos {BIO 1763401 <GO>}

Let me just say that, that with the kind of experience that I unfortunately have of the financial services industry, I think the key here is to say, we are not looking at any major acquisitions. We may do something small. We may add to some stakes here and there, but it will be really small compared to what you've now learned to sort of treat as major strategic initiatives on our part.

Of course, typically, historically what can come up in our industry is that, one competitor sells off a portfolio of policies. That would be a very typical thing in Scandinavia. We've seen that happen in Finland, because of changes in the industry structure. We've seen that happen in Norway, with faltering start-up companies or new entrants into industry and so on and so forth. What we're saying is, look, we have our hands full. We have quite a lot on the table and we're not going to do anything big.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Let's say one more on the acquisitions, this is for Torbjorn. Is the Baltic P&C market part of the Nordic bolt-on acquisition targets or is that small part of your book of minor interest?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

That book is so small, that it shouldn't really enter discussions today. No. We are doing nicely. We have excellent results. We have good growth. We have a leading digital capabilities in that area. Now the total premium income there is tiny compared to -- even if we compare to the initiatives of Topdanmark and Hastings

A - Jarmo Salonen {BIO 1860650 <GO>}

Then we will change tax totally. And this is for Morten. How are you prepared to compete with for example, Tesla, entering the car insurance market by only changing based only charging based on driven kilometers or driving style or similar things measured by cars own systems?

A - Morten Thorsrud {BIO 16111627 <GO>}

Well, I think when people ask this type of question, they quite often forget about the core element in insurance, which is the claims handling. If you're insured sort of through a Tesla solution or a BMW solution or whatever, you've seen the claims handling. You still need to be rescued sort of if you car breaks down in the northern part of Sweden or Finland, you still need the car repair network, and that's of course what we operate and that's the core of our offering to our end customers, but also towards the automotive partners.

So I think regardless of what distribution models we will have in the automotive industry going forward, they still need an insurance partner in order to operate, and in particular sort of the claims handling in the Nordics. And again that's the core of our company. That's the core of our capabilities that we offer superior claims handling, which is quite often a very physical thing you want to have your car repair and you want to have your car rescued. And again, we have an efficient network, an efficient operating model for that throughout the Nordics. And again, I think that's why we are such a good partner to the Nordic automotive industry.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. The next one is for Bjorn. During your long and successful career, you have no doubt seen market trends and changes. How do you view recent events in the USA, meaning social investing in online forums, cryptocurrencies and rapid expansion of retail investors. Do you see any possible opportunities in this trend in Sampo's long-term strategy?

A - Bjorn Wahlroos {BIO 1763401 <GO>}

Well, that of course is a vast question. There are so many other trends, at least for someone who has been around for as long as I am. Cryptocurrencies is definitely a very weird thing on which I have a very specific opinion I very much and I've said this over and over again. I very much doubt that as long as the cryptocurrencies, or let's put it this way, there is a trade-off between perfect anonymity and regulatory forbearance. As long as cryptocurrencies support the perfect anonymity approach i.e., that you can use their payment systems for criminal and similar purposes. I doubt that the regulators in the long run will allow the normal banking system to link-up with them. And therefore I've been skeptical and in terms of valuation of Bitcoin, at least I've been wrong all along.

Still there are a lot of trends, and actually I would say there are trends that are closer to us that do affect our business perhaps more on the banking side and more in terms of valuation of Nordea, a lot of things are happening in the banking landscape. There are those who are more skeptical to them, and I might belong as a lifelong, almost lifelong conservative to that group in saying that these things change very slowly and the banks control a hell of a lot of infrastructure in the financial services arena, which is indispensable for most of the new entrants there, primarily the account system and the KYC, that goes with it. So there are this -- you can come up with a lot of different scenarios. On the optimistic end you might say that we are now entering another arrow of financial restructuring deregulation and new innovation of -- so that, that might be similar to the one we experienced in the 1980s and early '90s. That would be the extremely optimistic version of it.

Then of course, the extremely pessimistic would be to say that, look, there are so many bubbles around the financial services area. Today, there are so many crazy valuations that this is a mine field that one shouldn't enter. I've learned partly through our own family office to understand that the way to differ between these two views is essentially to do a hell of a lot of analysis. And I think that is essentially what we do. Sampo is a very careful and conservative investor. So the short answer to your question is, I doubt that we will be doubling a lot in these markets. We will be monitoring them because some of these trends may constitute marginal threats to our businesses and we want to control and understand those threats. But as investor, at least in the short to medium term, I don't think we will be big in these areas.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Then let's move to Nordea. Next question is for Torbjorn. It's from Bertha Lion, Degroof Petercam Asset Management. What is management's view on when Nordea will be in a position to act without restrictions on its capital management paying dividends and potentially return in the excess capital, as this is likely to be a driver of a recovery in the value of the stake.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Nordea is really one of the strongly capitalized banks in Europe, And so whenever the regulator does not prolong its recommendation or does not come out with new regulations, Nordea would be financially in a position to be able to distribute capital.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. Next one is still on Nordea for Knut Arne. If and when you see value in Nordea, that will accumulate all the time as the business continues to perform high at least at a first glance see the current book value of Nordea shares rather conservative. Could you elaborate further what drivers there are that drove you to value the remainder of Nordea shares at EUR7.50 per share in your balance sheet? This comes from Johanna Cipolla.

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

The impairment we did for Nodea was based on accounting rules, where we basically had a two high book value -- or not only basically, we had do high book value compared to the more that we have used for impairment purposes for a number of years, and that was again driven by the fact that Nordea and those paid dividend, and not because we haven't changed view on Nordea as such, or the book value for accounting purposes over the years can built up by adding accumulated profit and deducting dividend and there is no dividend that is being paid to the duct, the book value increased rapidly and exceeded the value we have had in our internal model.

So we changed our assumptions in our model, and we changed those assumptions to be similar to the market assumptions we have served, when we sold shares in November, and that would be a reference point, which according to accounting rules for these purposes, would be natural to use given the transaction we made in November. It doesn't necessarily reflect us as investors in Nordea. And we obviously still own close to 16%, in terms of the future outlook or share price that we believe Nordea can still enjoy. So it was -- very concretely on the question. It was using market based assumptions similar to what we have serve at the time we sold shares in Nordea in November.

A - Jarmo Salonen {BIO 1860650 <GO>}

And one last one on Nordea and this is for Torbjorn, is your decision to not give complete clarity on full exit on Nordea driven by your expectation that Nordea shares go up, or is it more operational issues driven?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

To optimize the value of the shareholders, we should not give perfect information, and we could not even decide in advance of course of the perfect way forward would be without all the information that we will have on the occasion when that is decided.

A - Jarmo Salonen {BIO 1860650 <GO>}

And the next one is for Knut Arne from Lionel Trigalou. How will the deleverage happen over which period of time?

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

Just a reminder on where we are on leverage ratio compared to our targets we have, which the Board has set today, which is to be below 30%. And we were at year-end, at around 29%. So we are within the target, meeting that we have no rush to do further in emerging. When we reduced market rates by reducing our stake in Nordea, and if that capital is returned to shareholders, it's obviously reducing our IFRS equity base, which again means that we need to reduce debt accordingly to remain within our target range, so being below 30%. But there is no rush today to reduce leverage with the current balance sheet below the 29% that we currently have.

Then just to be clear, like I said in the -- my presentation today, since we will reduce our exposure in Nordea over the next 18 months, we have a few natural sort of points in time to reduce also the gross debt by the fact that we have issues maturing over the next three-years, all about 1.5 billion of which half is related to senior notes which of course would be natural cost to consider not to refinance, if we have reduced our IFRS equity base during that period.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Next one is for Toby from Blair Stewart at Bank of America. What should we regard as the underlying operating result at Hastings in 2020? Clearly moving parts with COVID-19 boost and some reserving offsets.

A - Toby van de Meer {BIO 16628969 <GO>}

I think hard to provide too much more color on that other than to reiterate that we've delivered good profitability growth GBP131 million, that we are confident about future top line and bottom line growth, including the further improvements in the loss ratio that we've already indicated. I guess 2020 did include substantial COVID dynamics in the way that we've talked about with lower frequencies slightly elevated severities and a prudent reserving position. It also included 10s of millions of pounds of investment in total in supporting colleagues, home working, just one example of that and customers through premium refunds and fee waivers and various other things. And so I suppose there were some one-offs in 2020, that we wouldn't necessarily expect to repeat themselves in 2021, and we will see the benefit of those therefore in our bottom line momentum, even -- that is true even some of the benefits in terms of lower claims frequencies from COVID fall away.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. Next one is for Morten from Derald Goh, Citigroup. What level of large losses and reserve release is assumed in the below 85% target?

A - Morten Thorsrud {BIO 16111627 <GO>}

The below 5% target is assuming a normal sort of outcome when it comes to large losses. And I would say sort of -- it's a total combined ratio. So it also includes of course any run-off profits in that. But is a target that we are fairly confident about setting out. We do have rate increases that supports sort of further improvement of our performance. So I think we're pretty confident about the dealing with sort of any normal volatility, at least.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. And this is for you, Morten as well, from Jan Erik Gjerland, ABG. Could the If P&C partnerships be extended to Hastings and Top?

A - Morten Thorsrud {BIO 16111627 <GO>}

No, I think not directly. If you think about sort of the automotive partnerships, quite many of them we have on the Nordic basis. Then the automotive industry works in a quite different manner in the UK. The car dealers are not a large distribution channel in the UK. So it's not sort of easy to transfer sort of those relationships towards the UK. Then of course outside of the automotive sphere, we do have some similar partnerships. The Topdanmark has partnership with Nordea in Denmark, and If has a partnership with Nordea in Sweden and Finland. So I think specifically, the automotive partners is mainly sort of Nordic agreements already.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. And coming back to the acquisition questions Jakob Brink from Nordea. And this is for Ricard, Torbjorn and Peter. I think maybe Torbjorn you could start. How does Sampo look up on Topdanmark, potentially participating in the consolidation of the P&C market in Denmark -- referenced to Codan Denmark. That is if Topdanmark were to do M&A, I guess it would impair Sampo's potential to acquire the rest of Topdanmark, due to anti-trust that is Sampo's market share in Denmark would become too big.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Well, I'll be interested to hear Peter's comment as well. But of course, I don't expect of Denmark to act on anything in the RSA. Codan in Denmark is a very different company. The Topdanmark, when it comes to culture and business mix, etcetera. So apart from any regulatory issues, it would make any sense to me. Peter?

A - Peter Hermann {BIO 20507411 <GO>}

Yeah. You could say that Topdanmark's growth strategy is based on probably order priority. It's organic growth, it's growth through partners and its growth through acquisitions and we would only make acquisitions if the return on investment and acquisition cases higher than the required return on the top share, meaning that we could contribute to our future value creation. I don't think I will comment specifically on Codan to just point out that, as also mentioned, the authorities have to access mergers and acquisitions activities. When Topdanmark's included, they will look at Topdanmark's and its total market share in the Danish market. And as saying is saying, we are focusing on the private and SME segment and agriculture. And if you look at the Codan Denmark business they have a lot of other business. So a total buy of Codan will not be an interesting thing.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

So a final simplified remark. We have two operations in Denmark., That's enough.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. This is for Knut-Arne. Michael Huttner, Berenberg Bank. Just to recap. If you reduce solvency target, can you return more than EUR5 to EUR6 per share to shareholders?

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

Let's revert today. We have just released today sort of optimal range of 170 to 190. To speculate and then change all that rate to an exact new number, I won't do today, but it is fair to say that if we have significantly lower market risk, which we will have, when we first and foremost have reduced our exposure to Nordea. We will of course also look at weather our North way, it makes sense to reduce that optimal range somewhat as well. So that would be my answer to that without sort of trying to set the new targets, starting at the sort of 18 months from now at this point in time.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. We had five questions left. This is to Morten. Per Gronborg from SEB. Swedish charge insurance. You are under exposed to this segment, which seems to be a key driver of tricks business case for Trygg-Hansa to deliver sustainable low 70s combined ratios. What is the historical reason and what are the potential for changing the market position in Sweden?

A - Morten Thorsrud {BIO 16111627 <GO>}

Yeah, it's correct, that we have -- I would say a growth opportunity in becoming even larger in China insurance area in Sweden, something that we work on. It obviously takes a bit of time, but it's a normal, it's a natural product that we sell very much as an add-on product to our end customers. Of course this portfolio that Trygg-Hansa has is a portfolio with a long, long history sort of partly also position they got through acquisitions sort of back in time. So that's kind of partially explaining why they had a high market share in that segment. But again it's -- is a segment with decent profitability and that we very much focus on and where we expect further growth going forward.

A - Jarmo Salonen {BIO 1860650 <GO>}

We are on the subject of market shares. We have a question these market share has declined in the Nordics steadily but slowly over the last 10 years. Why has this occurred? Again, Morten.

A - Morten Thorsrud {BIO 16111627 <GO>}

Yeah, it's always a balancing act between profitability and growth. And we've been always trying to optimize that balance. So it's true that over a longer time period we seen some loss of market shares. And over the last two years to three years, the market share development has been more stable for us. So last year growing 4.7% is roughly in line with the Nordic market. And then of course, we have a bit of variations from country-to-country. But again it's always a balancing act between growth and profitability. And that will then lead to whether we will increase in market share or decrease or disable.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. And this is for Torbjorn Per Gronborg on Hastings. You paid 37% premium to the pre deal value of Hastings. Where is your 88% operating ratio target versus consensus pre deal. I had hope for some tangible on why you are, or why you can make this entity worth even more than the 40% premium you paid for getting control?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

The 88% is an operating ratio that has not been calculated by the consensus. So I can't comment on that, unfortunately, but a loss ratio of 76% is then -- more below 76% is an improvement on the previous guidance, there is one improvement, but remember also that the consensus numbers when we acquired the company, were a long way above the market price.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. And the last question for today is for Torbjorn and Knut-Arne. And it's on Nordea. Jan Erik Gjerland, ABG. Is the lock-up period, the reason for why it would take so long time for you to exit 15.9% stake in Nordea, 5% then six months, 5% then six months, then 5% and 18 months has passed on. Is there any methods not to get a lockup period?

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

Yeah, I think that Bjorn's concluding remarks were important in this respect. This is a complicated operation that has to be done with our first care and designed to optimize the value for shareholders. And we don't want to lock us into to a specific procedure for this without all the information that we could have, for instance, on capital distribution for the long-term, where we will clearly have more information later this year. So no, the lock-up periods are not really the reason for the 18-month, the choice of the 18 months. This is a complex operation, and we will design it with the best of the shareholders view in front of us.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. And it appears that we have no further questions. It remains for me to say thank you on behalf of us all for your participation, and particularly, your activity on the Q&A front. Thank you, and stay safe.