

Q4 2018 Earnings Call

Company Participants

- Jarmo Salonen, Head-Investor Relations & Group Communications
- Kari Henrik Stadigh, Group Chief Executive Officer and President
- Torbjörn Magnusson, President & CEO-If P&C Insurance Holding Ltd

Other Participants

- Blair Stewart, Analyst
- Jakob Brink, Analyst
- Kevin Ryan, Insurance Analyst
- Matti Ahokas, Analyst
- Michael Huttner, Analyst
- Per Grønborg, Analyst
- Youdish Chicooree, Equity Research Analyst

MANAGEMENT DISCUSSION SECTION

Jarmo Salonen {BIO 1860650 <GO>}

Ladies and gentlemen, welcome to this conference call on Sampo Group's Full Year 2018 Results. I'm Jarmo Salonen, Head of Investor Relations at Sampo. And with me at this call, I have our Group CEO and President, Kari Stadigh; our new Group CEO and President, Torbjörn Magnusson, starting from 1st of January, 2020; and our new Group CFO, Knut Arne Alsaker.

As always, we'll start with Kari's introduction into the fourth quarter of 2018, but let me remind you before that you can follow this call live on our website sampo.com/result and a recorded version will be available at that same address later on.

Kari, I'll hand over to you.

Kari Henrik Stadigh {BIO 1504152 <GO>}

Thank you, Jarmo. Welcome to the conference call on my behalf as well. We have a history of presenting numbers very briefly before the talk, but today I would like to talk a little bit about people and governments because business in the financial sector in the end is all about people. And therefore, of course, I'm very happy that our board has decided to nominate as my successor Torbjörn Magnusson. We have been Chairman and CEO pair for 17 years, and delivered over the years something, which I think all of you have appreciated. But this is maybe not the main point. The main point is that Torbjörn

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successor, Morten Thorsrud is also an internal nomination, and Ingrid who takes over from him as Head of Private is also an internal nomination.

In front of me sits for the first time on this call Knut Arne Alsaker as the new Group CFO and he is also an internal nomination. I think this is a critical thing within the financial sector that you are able to create a culture which develops shareholder value and that can be seen in the numbers year-after-year. So I would claim that these nominations really create less volatility and stable and predictable earnings, because it's culture, people and knowhow that counts. These can actually be seen in our last year numbers really well because even if the investment environment was difficult, our operative KPIs for the insurance business were excellent.

If we correct it for one-offs, the combined ratio for the full year 2018 was best ever. The fourth quarter standalone was the best ever standalone measured by combined ratio. Also our cost efficiency increased once again and the cost ratio is the lowest ever, and really as the cherry on the cake, I think it's impressive that our growth continued. I think we have now had almost two years with growth within the P&C sector, and we were growing in all territories, all client segments, very promising indeed.

You saw Topdanmark's numbers very stable, very good results and Torbjörn has been chairing Topdanmark; in the next AGM, Torbjörn will step down in order to concentrate the rest of the year more on his new chairmanship in If and chairing Nordea. Ricard Wennerklint too has been on the board will become Chairman, and then Morten Thorsrud, the CEO of If will join the Topdanmark board.

So after the management changes that have been executed in Topdanmark and the continuity these nominations give to the board, I expect Topdanmark to perform well in line of expectations going forward as well.

Mandatum Life reported its best ever operating profit. That is of course to a great extent thanks to the €197 million they booked from the agreement with Danske, but more importantly Danske is now as the third largest bank in Finland, they have an exclusive distribution agreement with Mandatum for insurance products. And of course Mandatum's expense result was highest ever as were their unit linked sales. So, all in all, excellent operational results on the insurance side.

On the investment side, it was disappointing to see that the investment market turned really sour in the end of the year and I think on the whole we lost roughly €200 million in our portfolios. However, the good news is that it's almost exactly the sum that we have recovered in the first weeks of this year. So we are back in the rink fighting fully which is of course very nice to see even if the volatility has been exceptional in last year, at the end of last year in December.

We have made from the parent five investments in our core area which is the Nordic financials and with the hindsight if I look back to that I would do the investments again. Probably, I could do some of them at a lower valuation. But on the other hand, we wouldn't catch up the loss time if we were now in the market. And the loss timing is

meaningful because Saxo has launched a bid on BinckBank. Nets has already done a few add-ons as well as Nordax and Asiakastieto is in the middle of a merger with UC. So very good and promising development on that front as well.

And lastly but not least we could see a good quarter for the parent given the interest rate and currency rate development. This is, Jarmo, my summary for today. Shouldn't we open up for questions?

Jarmo Salonen {BIO 1860650 <GO>}

Yes, let's do that. Thank you. Operator, we are now ready for the questions.

Q&A

Operator

Thank you. Our first question comes from the line of Youdish Chicooree of Autonomous Research. Please go ahead. Your line is open.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Good afternoon, everyone. I've got three questions, please. The first one is really on the personnel changes. Your announcement today talks of the need to inject new energy in a new phase of development. So I was wondering if you could elaborate on this new phase and what role the new investor Cevian has to play in this, please? That's the first question.

The second one is on whether you think the cost targets at Nordea are ambitious enough. And finally the last question on non-life, and there seems to be some pricing momentum in merger in Norway, and considering that your claims inflation experience is not as high as peers, is it fair to say you're improving your margins in this business at the moment. Thank you.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

The first question I just want to clarify was it on Nordea that you...

Q - Youdish Chicooree {BIO 17430923 <GO>}

That's right.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

...on the energy and the new persons. I could answer in the role of the chairing the nomination committee, how the nomination committee looked at this. And as you remember in the nomination committee, we have representation from the four biggest shareholders i.e., Sampo, Nordea-fonden, Alecta, Varma. And then in the last meeting we also had Cevian present as the newcomer.

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I think that the discussion in the NomCom has been unanimous on all fronts and we shared a view on the board changes. So what was NomCom really looking for. I think it was clear that now and Nordea during the chairmanship of Björn Wahlroos has done all the big calls, €1 billion in IT, €700 million in compliance investments, de-risking, taking down the risks in Russia, selling off Baltics, private banking Luxembourg, life business in Denmark, and so on, it's a long list. On top of that, there has been re-domiciling the headquarter, there has been branchification of the legal structure. So huge major projects.

Then the next phase naturally is execution. So the NomCom was looking for execution expertise. And then they turned their eyes to Torbjörn who was proposed to become the new Chair, and of course three very experienced people with a banking background. So, that's the background for the decision, and it was unanimous. And as said, I have been working together with Torbjörn for 17 years. So, I think I know him better than anyone in the business sector or business life, and I'm convinced that the shareholders of Nordea will get what they see.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Yes, very clear, very clear, thank you.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

Your second question was.

Q - Youdish Chicooree {BIO 17430923 <GO>}

On the cost targets at Nordea.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

I think that's up to Nordea to answer, and not up to us. We can see a positive cost development, and you have to be patient, and wait what Nordea communicates on that.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Okay.

A - Torbjörn Magnusson

Torbjörn then. On the non-life question, you very accurately described the situation in Norway, and we have as always been long term in our thinking, the market is receptive for rate increases. So, they are coming through in a way which we feel is also accurate.

Let me add to that, that the one market which I have year after year being a bit disappointed in the large corporate Nordic market has also been receptive to corrective price actions. As you probably know, the big renewal there is the 1st of January and we have been pleased to see the best renewal for at least 10 years.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Just one follow-up, would it be fair to say that actually at the moment, you're potentially improving your margin but also increasing your client numbers as well.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

We're maximizing value in doing both, yes.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Very clear. Thank you very much.

Operator

Thank you. Our next question comes from the line of Jakob Brink from Nordea. Please go ahead. Your line is open.

Q - Jakob Brink {BIO 20303720 <GO>}

Thank you very much. I have three questions please. The first one is about Swedish growth in premiums, in net earned premiums. Torbjörn, could you give us just some help on what we should look for in 2019 given the tax change on motor in 2018 and how the growth or what's the impact of that would on growth rates in 2019 please?

The second question is about the Mandatum Life SCR in Q4, is the decline and the SCR fully markets driven or is something else going on there? And then, finally on this group solvency on the financial conglomerate, with Nordea increasing around €1 billion towards the end of the year, I estimate that your solvency will drop to around 125%. I seem to recall that, that's the sort of threshold you said you could not go under some years ago. Could you give us some update on solvency and the whole change of the capitalization of Nordea, please? Thank you.

A - Torbjörn Magnusson

The first question, thanks for that really easy question to predict how many cars will be sold in Sweden by month for this year. My expectation is that the comparison to the first half of last year will be a bit stretched as most suites chose to buy a car in the first six months, because of the tax change on 1st of July and then that the comparison numbers become easier towards the end of the year, and that's probably as much as I can say about that.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

And the second question on the SCR, yes it's market driven, also market related due to the fact that there's a metric adjustment for equities in Mandatum changed. As market goes down that metric is - adjustment is a dampener on that impact according to its own regulation, contrarian market increase, it will increase also the SCR risk somewhat.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

Could you repeat the third question on the group solvency?

Q - Jakob Brink {BIO 20303720 <GO>}

No, it's just if you adjust for the sort of increasing in Nordea capital consumption in Sampo during 2019 as this Finnish systemic risk buffer increases. I get somewhat lower solvency ratio for Sampo towards the end of the year than the end 2018, one. And so just could you give us some help on what solvency level will you target, and is there any updates on the implications of the Nordea capitalization change?

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

There's no news Nordea reported a risk exposure assets perfectly in line with what was previously communicated. And that in itself is increasing our solvency requirement due to the fact that, that increases Nordea's Pillar 1 requirement, which is what we use for our solvency calculation.

What happens during 2019 is the systematic risk buffer for banks as introduced in Finland, it will increase from zero to 2% 1st of January and will increase to 3% 1st of July which again will be the percentage multiplied by the risk exposure assets in Nordea and our share in Nordea that will impact Sampo's capital requirement. Then we have an ongoing discussion with the regulator regarding this matter and other technical matters as well since our clear view of course is that the risks for Sampo due to Nordea's moves to Finland has not changed.

Q - Jakob Brink {BIO 20303720 <GO>}

But let's say you don't get anything out of the Finnish regulator then your capital requirement will go up in Nordea by €1 billion as far as I estimate by Q3 of this year. And your own funds will be roughly unchanged if you keep the current dividend, so slightly increasing, which means that your solvency ratio will drop from current level to around let's say 125% to 130%. Would that be a problem if that happens?

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

Okay. If that happens, we will look into taking other measures to increase the solvency ratio somewhat.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay, fair enough. Thanks a lot.

Operator

Thank you. Our next question comes from the line of Matti Ahokas of Danske Bank. Please go ahead. Your line is open.

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Q - Matti Ahokas {BIO 2037723 <GO>}

Hi. Yes. Good afternoon. I'd like to continue on the same topic, i.e., the Solvency I. Obviously, we saw the decrease in the capital requirement from the internal models by roughly €500 million in the quarter, but you're still writing the report that you expect or you're looking into different measures to counter the impact of the higher Nordea requirement as Jakob mentioned earlier. What are these measures all together and or is this still - are you referring to the internal model?

The second question is regarding the weather we're seeing here in the Nordics, a lot of snow reminding me a bit like last Q1. What have you seen so far in terms of claims in the normalized business weather related, should it be somewhat similar to Q1 2018? Thank you.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

On the first question, the discussions around the internal model is one of the discussions we have ongoing with the regulator. As you saw in Q4, we got an agreement to use that for the financial conglomerate calculation, and that is also a discussion with the same regulator to use for Solvency II purposes, so that's one of the things. There's a list of things, which would adjust the risk position in the group somewhat, the drivers of the risk position and there is also possibilities to utilize the fact that the Sampo groups have ample hybrid capital capacity which we could use to increase the own funds. But the first action is to continue these discussions with the Finnish regulators.

A - Torbjörn Magnusson

Turning to the weather experts (00:19:41). There are two things that decide how much winter losses, climate losses, winter weather losses you will have in the non-life insurer in the Nordic region, one is how early and how severe the winter is when it comes because it makes the ground frozen and houses freezing. That was late this year, so that's helpful.

Secondly, it depends on how prolonged the winter is and that was the issue last year when we came out of it in Q1 with an expectation of a normal to benign winter and then the winter continued for another month. So that's all I can say at this point in time.

Q - Matti Ahokas {BIO 2037723 <GO>}

So I interpret Torbjörn your answer that it has not been as bad as Q1 2018.

A - Torbjörn Magnusson

We're in the beginning of February.

Q - Matti Ahokas {BIO 2037723 <GO>}

Fair enough. Thanks.

A - Torbjörn Magnusson

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I remember 2010 when Kari asked me around this point in time if we would have loss or winter losses, and I said probably not. And now we had the worst winter for 30 years.

Q - Matti Ahokas {BIO 2037723 <GO>}

Great. Thanks.

Operator

Thank you. Our next question comes from the line of Kevin Ryan of Bloomberg Intelligence. Please go ahead. Your line is open.

Q - Kevin Ryan {BIO 1814771 <GO>}

Thank you. I just wanted to ask a little bit more about Mandatum and the Danske situation. Could you give us some guidance on what you expect Danske to sell in terms of volume this year and also what sort of product types, so we can get a feel for the capital usage and that sort of thing? But any additional background on that would be really helpful. Thank you.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

Yeah. If I remember the volume in 2018 through Danske was maybe half of what it was a year earlier. And that of course the uncertainty whether the distribution agreement would be prolonged or not made an influence here, and possibly also some internal issues. Now after we signed the new agreement, we started off by promoting risk insurance, mainly loan insurance combined to their mortgage sales. And as a percentage of how many of their mortgages have loan insurance, I don't know if Danske has published that ever but we are doing much better now than a year ago. So that's not a volume product that you see, but it's of course an important product for our risk ratio.

A - Torbjörn Magnusson

And it's not a driver of capital consumptions in Mandatum neither that nor the unit linked product that Danske sells.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

Yeah. Then of course, the next step which we would like to promote is that Mandatum is one of the leading, or if not leading house, on alternative assets. So it would be great if also these could be sold through the Danske distribution. But those plans have not yet progressed. And they would also be sold - under probably a big part of the reinsurance wrappers or even directly and that would not take capital either. So we are in the fee business mode with them and share the fees.

Q - Kevin Ryan {BIO 1814771 <GO>}

Thank you.

Operator

Thank you. Our next question comes from the line of Blair Stewart of Bank of America. Please go ahead. Your line is open.

Q - Blair Stewart {BIO 4191309 <GO>}

Thank you, and good afternoon. I've got a few questions. Firstly, just coming back to the considerations around the solvency position as and when the capital requirements for Nordea go up. I was just wondering what considerations do you take into deconsolidating Nordea given that the earnings yield is pretty much the same as a dividend yield would make a great deal of difference to the numbers, but you would of course avoid after you consolidate (00:24:07) the capital position.

Second question relates to the dividend, the dividend growth over the last few years has been I think on the last six years has been averaging about 13%, 1-3-percent which has outpaced the level of the underlying earnings growth. So I guess the question for you, Torbjörn, as an incoming CEO, your ability to commit to the same level of generosity that your predecessor has exhibited, that's my second question.

And thirdly, I listened to the press conference call earlier today and you seemed to be implying, rather simplistically but you seemed to be implying that the success that you've had with the P&C business focusing on the customer, good IT, and good underwriting replicating that success is what you're looking to do at Nordea. But of course the banking and the insurance industries are very different; the competitive challenges are different; the regulatory challenges are different, so I just wonder if that's maybe an overly simplistic assessment of the way forward. Thank you.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

Yeah. On the deconsolidation, I don't think that tool - we have every measure in our toolbox. But that toolbox, I wouldn't call it imminent because I remember how much I enjoyed the investment community's approach to us when we started consolidating. So some of my colleagues say that it's less important whether you consolidate or not. But maybe I'm the old school, and then we see what the successors do.

Of course the situation might be different if the reporting is fully in mark-to-market environment, then these one line consolidations don't play that much into the game, but that's in 2021. So I think that we have ample time to consider that mark-to-market environment where it wouldn't be very different if we are consolidating or not.

On the dividend, I would like to spare Torbjörn here a little bit and say that if I interpret him. I think he's very artistic, so he really likes the - not really the percentages, but I think he's actually artistic, he sings in a choir and so it might be that he adopts this idea of beautiful graphically increasing dividend.

(00:26:48)

Q - Blair Stewart {BIO 4191309 <GO>}

... he's an actuary, he's not artistic at all.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

How about Torbjörn, what would you say?

A - Torbjörn Magnusson

Let's move on to the third question.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

On dividends, I think we are all committed to increasing dividends, and we see many ways to continue to be owners and investors in businesses that create a growing dividend yield for our shareholders.

A - Torbjörn Magnusson

And then, Blair, yes I think that banking and non-life insurance are very different animals, and I did not mean to say what I said at the press conference was the only actions necessary for Nordea.

On the other hand I think that the fields that I mentioned are fields that were similar or are similar between If P&C and Nordea and that there are also lessons to be learned.

Q - Blair Stewart {BIO 4191309 <GO>}

Yeah, yeah. I was the one who was simplifying Torbjörn, I do recognize a point, but Nordea is hugely complex animal, I guess, so you've certainly got a challenge there. Good luck with it.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

Yeah. Blair, I also think that - that one thing to consider is that if you have an oil tanker that turns slowly once it creates momentum then it turns quite nicely also. And the banking sector has one thing, it's really scalable. So I think that with the investments that are being done there then the scale plays into a role. And then we must remember that all disruptive businesses, there are also things where the new fintech solutions, and so if we look at them all the fintechs, they want to have Nordea as their partner because Nordea has the biggest amount of customers in the Nordics. It's the only truly pan-Nordic bank.

So therefore, as Nordea has developed the capabilities to be a gatekeeper and choose the right fintech partners, these could also improve their relative market position, because I think many of us have been annoyed that the offering between the Nordic banks is really similar, and there has not been really differentiation. I think that in the digital world, we will see more of a differentiated or client offering and then I think Nordea is really well-positioned. So I see the potential as significant here.

Q - Blair Stewart {BIO 4191309 <GO>}

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Okay. Thank you.

Operator

Thank you. Our next question comes from the line of Per Grønborg of SEB. Please go ahead. Your line is open.

Q - Per Grønborg

Yes. Thank you. Just a single question from my side. I struggled a little bit with the dividend from If, if I look at page 10, it looks like the equity capital you have on page 10 for If has not been that the dividend haven't been paid. If I look at the page 46 with the S&P Capital base, that's obviously been deducted. Can you clarify what's the difference between these two slides?

A - Torbjörn Magnusson

Sorry, Per what was the number of the first slide?

Q - Per Grønborg

Slide 10 and slide 46.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

I think we do so that they now know the page numbers and we give them some time to look into the details either during the call we will get an answer or then we will call you up with the answer.

Q - Per Grønborg

Perfect. Thank you.

Operator

Thank you. Our next question comes from the line of Michael Huttner of JPMorgan. Please go ahead. Your line is open.

Q - Michael Huttner {BIO 1556863 <GO>}

Can you hear me? I'm calling from my mobile. So I have three questions. The first one is on the dividends and the growth. Maybe you could give a little bit of a feeling for where you have potential buffers. The reason I ask is not all operations grow their dividends smoothly year-on-year. And so, if one large division didn't have growth, what would be the possibility for the others to kind of make the slack, and I just wondered if you could give a feel for the excess capital in the various divisions, or maybe in the parent, which is available to (00:31:26) should it be needed? This is really just the question.

The other one is the combined ratio of 85.2% and I apologize came to the call (00:31:36) and maybe a bit late. How sustainable is this? This is an extraordinary number. However,

listening to the early answers, you seem to imply that the margin is actually rising both in Norway and in Finland commercial lines. And so that margins are rising from this level. And I just wonder if you can give a feel for are we now at a stable level? We've been at 85% in the last two years or can we now improve as a further kind of step function going forward?

And then the final one is Kari you said - and I was looking at Bloomberg that you said you came to retirement only in a legal sense and I just wondered what you meant by that?
Thank you.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

Well, that was a very personal comment. I don't like the word retire. So legally I'm definitely out from Sampo by the end of the year. But privately, I'm of course continuing to work in some other capacity, but not within the Sampo Group. On the dividend side, if you want us to paint the picture that if something awful happened, could we manage one year with interim dividends for instance. If that's your question, I think you must remember that we are strongly capitalized.

So we have never taken any internal dividends to the extreme. And I think we have communicated that the surplus capital through a theme (00:33:14) capitalized is how much. It's €1 billion probably. So there are ample resources and then we have of course many times commented to you that we haven't maximized subordinated debt in the entities within the group.

And of course the third lever is that now we have direct investments in the parents which are not there to be kept forever. So all these together - but then the fundamental thing of course underlying here is that as a group, we are geared to benefit a lot from increase in interest rates if that ever happens. The deposit margin will appear in the bank P&L, the discount rates will release capital from our liability side, and of course our fixed income portfolio will earn much more. So we are still positioned in a situation where we target slowly increasing dividends.

Q - Michael Huttner {BIO 1556863 <GO>}

And the bad book (00:34:30) from Mandatum is that still releasing capital?

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

That's also a good comment, you are on the ball. So the goal with (00:34:37) profit portfolio decreases by at least €200 million a year, and if we have a solvency of 25% that releases €50 million a year as well. You're right.

A - Torbjörn Magnusson

And then the 85.2% combined ratio is not an extraordinary number. We aim for high returns, which you can also see in Topdanmark where the combined ratio is lower than that, but also and as importantly I think, if you look at the Nordic market as such, our peers are also at least striving for combined ratios in the region of what we are achieving.

Q - Michael Huttner {BIO 1556863 <GO>}

That's really helpful. Excellent. Thank you very much.

Operator

Thank you. And our next question is a follow-up from Blair Stewart of Bank of America. Please go ahead. Your line is open.

Q - Blair Stewart {BIO 4191309 <GO>}

Thank you. I didn't expect to come on so soon. A couple of things. Can we come back to the €1 billion comment that you just made in terms of the surplus capital within the P&C business because on an S&P basis, I know that you've paid the dividend at the end of the year, it's more like €200 million, so I just wonder how you got to that €1 billion?

Secondly, on Mandatum looking at Q4, you earned almost as much in the risk result and the expense result in Q4 as you did in the first nine months of the year. I just wonder is there anything exceptional within there or is that just a very strong quarter?

And Kari, you talked about losing €200 million due to investment markets which had been replaced so far this year. If I look at your fair value adjustment reserve, it went down by €400 million. So I just wonder how we can reconcile that, and has that €400 million more or less been topped back up so far this year with market moves? Thank you.

A - Torbjörn Magnusson

On the excess capital of If, you're right if we were to look at the rating of cluster A (00:36:46) dividend then a €1 billion is stretching it. But of course the rating - for exactly the S&P model, but that's not an exact number. And Kari's comment was also related to having a more lower Solvency II ratio in If and focusing more on maximizing the capital from a solvency perspective and not necessarily referring back to the rating, the S&P model. And the other one was on at Mandatum at Q4.

(00:37:25)

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

So if there is anything exceptional on cost and risk result?

A - Torbjörn Magnusson

On the costs, there is no exception, it was a very strong Q4 and full year on the expense result in Mandatum, it was the best ever, actually. Then if you were to look forward, you should remember that we previously said that when Danske starts selling the commission, we'll pay to Danske. It's somewhat higher than what would be the average commission level in 2018.

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So you should bear that in mind when thinking about the expense result going forward. But in Q4 excellent expense result in Mandatum and full year as well. The only thing that was special was a smaller reserve release which contributed to the good risk result in Mandatum in 2018 and in the fourth quarter of - sort of single digit million euros, low single digit million euros that's the only special item in the Q4.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

And did you ask about...

Q - Blair Stewart {BIO 4191309 <GO>}

Sorry to interrupt, Kari, should we think about those numbers as a run rate apart from the reserve release given that the Danske agreement is now back up and running fully, should we think about those numbers for a run rate going forward?

A - Torbjörn Magnusson

I think the risk result for Mandatum has been fairly stable at the current level for a number of years, so I would consider that as a run rate. The expense results which we had in 2018, I think is also a reasonable run rate. My comment was also that you shouldn't expect that to increase in the same way that its assets down over the last few years.

Q - Blair Stewart {BIO 4191309 <GO>}

Understood. Thank you.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

Yeah. There was the question of €200 million of - so to get that numbers to match, I think that we lost €200 million last year on investments and we have made up that this year. But then, the reserves were partly - or do you want to answer?

A - Torbjörn Magnusson

The fair value reserves, it's both the mark-to-market value changes and the fact that we sold off some assets, reduced our equity exposures during the year and then in Q4, which contributed as of end of Q3 to the fair value reserve.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay. Thank you (00:40:08)

Operator

Thank you. And we have a follow-up from Michael Huttner at JPMorgan. Please go ahead. Your line is open.

Q - Michael Huttner {BIO 1556863 <GO>}

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(00:40:33) I'm just asking a little bit more and maybe you've answered it, so then I listen to the replay. Apart from the pricing where you said the merger in Norway and I think liability of commercial lines in Finland what's the price doing in the other markets, please? And on the weather where it sounds to me in weather I'd just say is you really don't know but sounds to me with 2018 was maybe a little bit behind due to the late start of winter. Is that something we should kind of normalize for? Thank you.

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A - Kari Henrik Stadigh {BIO 1504152 <GO>}

Pricing in Sweden is very rational, there have been very few moves in market share for a long time, no change there except for the large corporate business Torbjörn had just mentioned, Finland big changes in 2017, rate reductions and despite that we have a very good result in Finland and no change, no big changes in market share this year. Denmark same thing. And the winter last year was definitely not benign, maybe not that much worse than normal, but you don't need to normalize anything there because it continue for so long into the - what is normally the spring in April and before it ended.

Q - Michael Huttner {BIO 1556863 <GO>}

Got it. Thank you very much. And a final question (00:42:03) there was a storm right on the cusp of the New Year's Day, can you say anything about that? Sorry, this maybe a very late question.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

The answer was timing.

Q - Michael Huttner {BIO 1556863 <GO>}

All timing. Thanks you. That's all I had. Thank you.

Operator

Thank you. The next question is another follow-up from Blair Stewart, Bank of America. Please go ahead. Your line is open.

Q - Blair Stewart {BIO 4191309 <GO>}

Yeah, just more of a comment than a question. I just wanted to say congratulations Torbjörn on the promotion. It's been a long time coming and it's nice to see a fellow actually going up in the world, but listening to the press call today, I noticed the Chairman and CEO refer to each other as cookie and Nalla (00:42:50). So one observation would be that you're going to have to get yourself a nickname if you're going to be successful in this job.

A - Torbjörn Magnusson

Thanks a lot, Blair. I'll keep that in mind and think about it.

Q - Blair Stewart {BIO 4191309 <GO>}

If I can help let me know.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

Thanks Blair.

Operator

Okay. So there are no further questions coming for at this time, I'll hand back to our speakers for the closing comments.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you operator and thank you all for your attention and Knut and I will come back to you in a few minutes about the slides you referred to. I'm not sure that (00:43:44). Talk to you soon. Thanks. Bye, bye.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

Thank you.

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