

## Q4 2015 Earnings Call

### Company Participants

- Jarmo Salonen, Head-Investor Relations & Group Communications
- Kari Henrik Stadigh, President & Group Chief Executive Officer
- Peter Kristian Johansson, Chief Financial Officer
- Torbjörn Magnusson, Head of P&C insurance

### Other Participants

- Blair Stewart, Analyst
- Christian Hede, Analyst
- Daniel Anh Khoi Do-Thoi, Analyst
- Jakob Brink, Analyst
- Jonny Urwin, Analyst
- Matti Ahokas, Analyst
- Mika Koskinen, Analyst
- Niccolo C. Dalla Palma, Analyst
- Thomas Seidl, Analyst
- Vinit Malhotra, Analyst

## MANAGEMENT DISCUSSION SECTION

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

Ladies and gentlemen, welcome to this Conference Call on Sampo Group's 2015 Results. I am Jarmo Salonen, Head of Investor Relations. And with me at this call, I have our Group CEO and President, Kari Stadigh; Head of P&C Insurance, Torbjörn Magnusson; and Group CFO, Peter Johansson.

We'll have the same procedure as always. Kari will start with presentation of 2015 highlights. But before handing over to Kari, let me remind you that you can follow this call at [sampo.com/results](http://sampo.com/results), and a recorded version of the call will later be available at same address.

With these words, I hand over to Kari. Kari, please.

### Kari Henrik Stadigh {BIO 1504152 <GO>}

Thank you, Jarmo. Welcome to the conference call on my behalf as well. Looking back at 2015, I am happy to note that Sampo performed really very well in 2015. The result was

best ever. According to the proposal made to the AGM, Sampo will increase its dividend to €2.15 per share. It is the seventh successive spring when Sampo will raise its dividend from the previous year's level. Sampo is a dividend stock.

On a more philosophical note, I would like to comment the world around us and especially digitalization. The financial sector has traditionally targeted economies of scale as the industry enjoys significant scale benefits. Efficiency, discipline, economies of scale, cross-border supply, risk assessment, risk management have been cornerstones for these success stories. On the other hand also, agility, local presence and being close to the customers has been a good basis for the success of several smaller companies.

If digitalization removes these boundaries between these operational models, the major service supplier becomes local and, if need be, always present. On the other hand, even a minor player can reach global markets easier.

In this scenario and of the changing digital world, If P&C, Nordea, Mandatum are all in an excellent position to prevail and succeed. Based on the market leader positions, geographical coverage, good profitability and the number of satisfied customers they have in the Nordics, this creates a solid base to be a forerunner also in the future when meeting the customer demands. Significant investments in the digital world are already proceeding at full speed in all our companies. So we have a very positive view on the future as well.

Looking back at 2015, If P&C performed and delivered the best ever results. Its result before taxes was €960 million and the combined ratio excluding the non-recurring items at 86.5%. Customer satisfaction increased further in 2015 in almost all product lines. And fine-tuning of the Nordic business model continued. The growth or efficiency in operations was reflected especially in the cost ratio, which reached its lowest ever level even excluding the non-recurring items at 22.3%. An excellent year indeed.

Nordea, the most important thing last year of course where several significant organizational reforms that were executed. The most important of them naturally being the appointment of the new CEO, Casper von Koskull. Even resources in administrative and supporting functions, risk compliance, internal audit and so on were increased to meet the exponentially growing demands of regulation.

In spite of the reforms and regulatory pressure as well as the low interest rate environment, Nordea's result after taxes was best ever, as was the dividend of €0.64 per share for 2015, Nordea will pay over €550 million to Sampo in the spring of 2016. Also, here, a very good performance level and outcome.

Mandatum, the long-term work to improve efficiency in Mandatum Life could be seen in the key figures. Expense and risk results were at new record levels. Premium income in 2015 was all-time high; €1.144 billion. Also, here customer satisfaction improved further. 2015 was the first full year when Suomi Mutual's group pension portfolio of €1.3 billion was included in the company figures.

After the financial crisis, it has been clear that in the banking sector, the only way to go forward and minimize the risk is that you increase the capital in the banks. This is the clearest and simplest remedy to the problems we have had in the past years. This has already been done. For example, Nordea's core Tier 1 ratio increased from 7.5% to 16.5% between 2007 and 2015. Nordea's Tier 1 capital increased during this time with more than €10 billion.

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It's very difficult to understand that there should be any reason for volatility in the Nordic banks. I see the situation between the Central European banks and the Nordic banks as very different. You must all remember that during the financial crisis, the weakest quarter of Nordea was more than €500 million in profits.

If we look at the future, in the current from the financial sector's perspective, a quite unfavorable environment, Sampo's ability to generate profits is not going to change significantly one way or the other. However, to improve from these excellent levels, we need to get some help from the outside world, we need to see our clients prosper, we need to see their willingness to invest to grow, we should see the GDP get back on the growth track and gradually we hope for rising interest rates.

On the other hand, if these things that we expect to happen someday in the future are postponed, we have several ongoing investments in IT and digitalization. And once they are completed, our products and process improvements are going to offer a new possibility for significant cost savings in the coming years.

The purpose of these large investments especially in Nordea is to further raise the current good level of results going forward. Therefore, our guidance for 2016 is really more of the same, nothing dramatic one way or the other.

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

Thank you, Kari. And, now operator, we are ready for the questions.

## Q&A

### Operator

Thank you. Our first question comes from Matti Ahokas of Danske Bank. Go ahead, sir. Your line is open.

**Q - Matti Ahokas** {BIO 2037723 <GO>}

Yes. Hi, it's Matti Ahokas here from Danske Bank. Two questions if I may. First, regarding the capital in If, there is still around €300 million buffer to the S&P A rating as far as I can see. Is this a level that you think you should still have in as a buffer or should we expect that the capital would more move towards the A rating level?

The second question is regarding the Swedish business. In If, you had expense ratio around or cost ratio of 19.9% which is the lowest we've seen in many, many quarters. Obviously there is probably quite a lot of FX volatility here, but how come that figure is so low? Thanks.

#### **A - Peter Kristian Johansson** {BIO 3902189 <GO>}

On the first question, this is Peter, (10:04) the capital in If, normally we target roughly in the midpoint of a single A rating level and then it also depends on how much we happen to have liquidity on the holding company. So I think we left a couple of hundred - €100 million or €200 million roughly of liquidity on the holding company level. But it was this - the dividends are also driven by the cash needed to the parent company for paying out our own dividend.

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

On the cost ratio, please don't look at individual cost ratios for individual countries, individual quarters. That's pure coincidence whether we run marketing campaigns, whether we do large IT investments at quarter, et cetera. We have no - we don't spend any energy trying to smooth out those numbers.

#### **Q - Matti Ahokas** {BIO 2037723 <GO>}

Great. Thanks a lot.

#### **Operator**

Thank you. Our next question comes from Vinit Malhotra of Mediobanca. Go ahead, your line is open.

#### **Q - Vinit Malhotra** {BIO 16184491 <GO>}

Yes. Hi. Sorry. Three quick ones if I can - if I'm allowed. Just one is, I've seen that, I mean, in Mandatum Life, you are looking for higher internal dividend this year, and please could you just highlight how the recent market volatility, for example, (11:23) trying to get more or being able to get more out of Mandatum? So that's the first question. Second question is, if you could just comment a bit on the reserve increase seen in the quarter. Is it just something we should be careful about going forward? And lastly, please could you just remind us of your stand on leveraging up. I know you stated in the past that you have the option, but are you more or less inclined on what would be the trigger? Thank you.

#### **A - Peter Kristian Johansson** {BIO 3902189 <GO>}

This is Peter again. Yeah, we increased the dividend from Mandatum from €100 million to €120 million, so there was no exact science around that numbers, but we still had a significant buffer with transition rules, of course, €700 million, when we calculate the solvency ratio. So we had a solvency ratio of actually 158% at the end of year. The sensitivity from - you can the sensitivities from the equity and interest rates, and then actually I myself looked how the sensitivity numbers work. So with the volatility that you

have seen in the market, the biggest effect has actually come from the interest rate. So (12:54) solvency, if we would disclose the solvency now, it would be roughly 150%.

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

I'd be very comfortable with this new dividend level, because you must remember that the weak (13:05) profit portfolio is melting away with €200 million a year that frees up €50 million of capital in a way. Then we haven't touched upon the issue with hybrids and so on, so you could see this as a new level. We have the €100 million for so many years. It was time to increase it now.

Second question was that reserving when we lowered the interest rate of Mandatum?

**Q - Vinit Malhotra** {BIO 16184491 <GO>}

No, it was more the P&C side, sorry. It was more on If.

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

If?

**Q - Vinit Malhotra** {BIO 16184491 <GO>}

Yeah, because there has been a very unique – I mean we haven't seen in many years, and there is a reserve addition in it. I missed a few – maybe I missed some details there, so if you could just remind them.

**A - Torbjörn Magnusson**

The reserve increase that you can see during the year is because of the lowering of the discount rate in Finland. So, that increase is the annuity reserve and therefore affects the numbers.

**Q - Vinit Malhotra** {BIO 16184491 <GO>}

And even on the fourth quarter?

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

Not in the fourth quarter.

**A - Torbjörn Magnusson**

Might be second quarter and fourth quarter.

**Q - Vinit Malhotra** {BIO 16184491 <GO>}

So even in the fourth quarter. Okay. Thank you very much.

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

Not in the fourth quarter, Vinit.

**Q - Vinit Malhotra** {BIO 16184491 <GO>}

Not in the fourth quarter. So, what was in the fourth quarter? Should we know some - should we be careful of something, sorry (14:13)?

**A - Torbjörn Magnusson**

I think we will actually have to look at the number. I cannot remind myself of what the numbers exactly are.

**Q - Vinit Malhotra** {BIO 16184491 <GO>}

Okay, fair enough.

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

And if you're looking at the euro movements, there is easily quite big currency fluctuations.

**Q - Vinit Malhotra** {BIO 16184491 <GO>}

Fair enough, all right. Thank you very much.

**A - Peter Kristian Johansson** {BIO 3902189 <GO>}

(14:33) event, I am looking a bit disturbed at your question.

**Q - Vinit Malhotra** {BIO 16184491 <GO>}

Okay. Thank you.

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

And you had a question on leveraging up. Would you like to clarify that question?

**Q - Vinit Malhotra** {BIO 16184491 <GO>}

(14:53). Okay. Clarification, I mean I know that you had the ability to do it. And I was just wondering if now you're feeling more inclined on this, but I think given the answer you just made on Mandatum, I think I've got my answer already. So you can ignore that question please. Thank you.

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

Yeah. I think that we are dividend stock and we are in a very comfortable position that we strive to increase the dividend year after year also going forward. Nothing new on that front either.

**Q - Vinit Malhotra** {BIO 16184491 <GO>}

Okay. All right. Thank you.

## Operator

Thank you. Our next question comes from Blair Stewart of Bank of America. Go ahead, sir. Your line is open.

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

Thank you very much. Good afternoon, gentlemen. A couple of questions. Just on the solvency of the Life business, why is the ratio 150%, why is it insensitive to equity is going down 10%? Has this just got some – is there some protection that you have in place? That's the first question. And thanks for the answer earlier giving us the mark-to-market. It's useful.

And as a follow-on to that, again just on the greater level of dividends coming from the Life business €125 million. I appreciate the point about what the profits fund (16:17) running down and freeing up capital. But, of course, the transition has also run down at the same time, which is I guess in some ways a cost of capital. So I am slightly surprised to see the increase in the internal dividend, but you seem to be suggesting that is sustainable, I don't even think there is a question in there, but maybe you can comment.

And, thirdly, just on your investment philosophy at this point in time with a bit of volatility in the market spreads widening, I remember a few years ago, you used this type of opportunities to buy, I assume, this kind of amount of credit. So I wonder if that type of thing might be on your radar screens at the moment? Thank you.

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

On the solvency on Life. So the solvency on Life, it's the sensitivity on equity. It's actually – it looks a bit surprising if you look at the sensitivity table in a sense that if equities go down by 10%. Then it (17:18) impacts of course the SCR, but it also affects on the amount of equities. So, that means that the solvency ratio looks neutral, but at the same time in the beginning of the year, rates have come down and that's the reason why you have actually seen the movement on the solvency ratio, which would have been roughly in line with €150 million, so a drop from €158 million to €150 million.

I would feel quite comfortable with the dividend of €125 million unless we continue to see massive volatility in the market because simply the rundown on the portfolio with guarantees is €200 million per year. And we have reserved €244 million by lowering the discount rates now for this year to 1%, next year to 1.25%, and then to 2.25%.

And if you look at the expense result, risk result, so you need roughly investment income around €30 million – only €30 million on the guarantee book for this year to start making up profit, and the expense result and risk result together was close to €60 million in 2015.

### A - Peter Kristian Johansson {BIO 3902189 <GO>}

On the investment side, I think that you know us so well, Blair, that we always enjoy volatility and we are contrarian. What we are picking up now is Nordic bank ATIs. We feel that there is definitely value. We can't see any reason for this re-pricing that is going on, so just give them to us.

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

Okay. (19:19). Peter, just on the equity sensitivity again, is it just core (19:26) of the 10% number or are you saying that that would be true for further stresses down in equities, I find that very surprising?

**A - Peter Kristian Johansson** {BIO 3902189 <GO>}

There is a sensitivity table on the supplementary package, where you can see what the effect on actual - on the mark-to-market portfolio, so if equities go down by 10%, the direct impact - the direct mark-to-market impact is minus €173 million, but then you see that there is a neutral impact on the solvency ratio.

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

Okay. Thanks. Where is that, Peter? Is that in the supplementary pack?

**A - Peter Kristian Johansson** {BIO 3902189 <GO>}

It's in the supplementary pack.

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

Thank you, and I'll find that.

**A - Peter Kristian Johansson** {BIO 3902189 <GO>}

Okay.

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

What's the number (20:23).

**A - Peter Kristian Johansson** {BIO 3902189 <GO>}

I'm sorry. I don't know. I just closed it.

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

I'll find it, Peter. Thank you. I don't want to take up anyone's time.

**A - Peter Kristian Johansson** {BIO 3902189 <GO>}

Thanks.

**Operator**



Okay. Thank you. Our next question comes from Niccolo Dalla Palma of Exane BNP Paribas. Go ahead, sir. Your line is open.

**Q - Niccolo C. Dalla Palma** {BIO 16052945 <GO>}

Yes, good afternoon, everyone. My first question is on the fact in your report you mentioned that you have withdrawn your application for the internal model of If P&C with Finnish FSA. Could you just say something more on that? I mean, is this for the entire If P&C Group, is this just for the Finnish businesses, what are the implications and what do you expect going forward? Are you just going to run it on the standard formula because you don't think it were having internal model on the side, so if you could just clarify that?

And the second question is, if you could give us a quick refresher on your thoughts around Denmark and the level of your stake? And what you are thinking is around potentially the opportunity of owning 100% of its cash generation and if the evaluation starts to get levels that are more interesting compared to what we have seen a few months ago?

And thirdly, maybe sort of a very boring quick question on the finance costs, either if you could remind us what the normal run rate level is here because there are some moving parts. So if you could just remind that to us? Thank you.

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

Are you referring to the finance costs at the holding company?

**A - Peter Kristian Johansson** {BIO 3902189 <GO>}

Holding, yeah.

**Q - Niccolo C. Dalla Palma** {BIO 16052945 <GO>}

That's correct. Yes.

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

Right. Maybe I'll start with the internal model. This has been a very lengthy process that's started actually with the Swedish regulator, and it was work in progress for three years with this Swedish regulator, but then the regulatory responsibility shifted to Finland and actually there wasn't really time to finalize it. And the reason why we pulled back the application is that you basically have two choices that you take back the application because if you don't get the decision within a six-month period or you stop the clock and then you continue the discussion with the regulator.

But we came to a conclusion that the key part of the internal model where we see that we get significant diversification benefit being a pan-Nordic P&C player that would have been watered down so much with good discussions with the regulators what they were willing to approve, so that was one of the decisions or key decisions that we simply pulled back the model application and now run with the standard model.

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So we haven't made any decisions how to go forward, but let's see. And the limiting factor is really the S&P (23:29) model. So we didn't face enough regulatory hassle. So we didn't want to take more extra regulatory hassle from the internal model. So let's see how we go forward.

The benefits from the internal model would have been €300 million, €400 million – or €400 million. So as we're overcapitalized, this is not a critical issue, especially when S&P rating is anyway more demanding than the modeling. On the Topdanmark, you have heard me saying for a long time that the share price is too high for us to see value in it than for us to buy more shares. And it has been good that our time sense has been so clear and in a way stubborn because the share price has been coming down for a longer time already.

Whether it's nearing levels where we would have interest, I think that we have to see and look at the relative valuations with other possible investments that we have. But of course, we follow it all the time. We have now passed one-third of the votes and Topdanmark is coming out with its results tomorrow. So we will then hear how many shares they redeem and what is our true ownership. All these things affected, but we are not doing anything special until the evaluation is such that it would create value for our shareholders and that is not today.

**Q - Niccolo C. Dalla Palma** {BIO 16052945 <GO>}

Okay. And just to reconfirm the – you don't expect – I mean the – clearly you probably go for the 33% threshold, as they disclose the new number of shares and the expectation is still that the Danish have to say well not for us any movement on the back of that. Is that correct?

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

Our legal advice is very clear on that. We haven't bought any shares since 2011. We haven't exercised any power to that extent that we would have to make an obligatory bid. No, that is still the same.

**Q - Niccolo C. Dalla Palma** {BIO 16052945 <GO>}

Okay. Thanks, Kari, for these answers.

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

And then you have the question on the parent company funding cost. And if you look at the numbers, we have an average interest rate of roughly 1.5%, which gives an annual interest cost on the gross debt of €2.3 billion at around €35 million annually. The reason why we had in Q4 somewhat higher finance costs of actually exactly €12 million is simply the Swedish krona debt that we have on the parent company, so you always see some quarterly volatility on the finance cost line.

**A - Peter Kristian Johansson** {BIO 3902189 <GO>}

Because of currencies.

FINAL

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

Because of currency movements that's un-hedged.

**Q - Niccolo C. Dalla Palma** {BIO 16052945 <GO>}

Okay. But in the normal quarters, the main thing in there is just interest cost on debt, there's nothing else.

**A - Peter Kristian Johansson** {BIO 3902189 <GO>}

Exactly. Yeah. And you can see that on the supplementary package on page 58, the average interest cost there.

**Q - Niccolo C. Dalla Palma** {BIO 16052945 <GO>}

Okay. Thank you.

**Operator**

Thank you. Our next question comes from Mika Koskinen of SEB. Go ahead, sir. Your line is open.

**Q - Mika Koskinen** {BIO 1557965 <GO>}

Thanks very much. Only one question from my side, would relate to the large claims that you report that were substantially - were clearly higher than you anticipate normally, and also of course clearly higher than they've been historically. And they seem to be fairly concentrated in Norway. Could you just discuss slightly more around that and are there potentially some sector concentrations or industry concentrations, and I guess the (27:30) question from my side would be, how much do you just think that maybe the lower energy prices are (27:37)? Thank you.

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

With the longer time perspective, this is coincidental. The claims that we've had are very normal typical Nordic industries that are actually both in Norway and Sweden in Q4, but we have looked at them, they're not in any way abnormal and over a longer time perspective, this is actually not even a very large deviation.

**Q - Mika Koskinen** {BIO 1557965 <GO>}

And no concentration?

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

No.

**Q - Mika Koskinen** {BIO 1557965 <GO>}

Okay. Thanks.

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## Operator

Thank you. Our next question comes from Jonny Urwin of UBS. Go ahead, sir. Your line is open.

### Q - Jonny Urwin {BIO 17445508 <GO>}

Hi, good afternoon. Thanks for taking my questions. Just two from me please. The first, I'd be interested to hear a bit about claims inflation by markets and line if possible. And just what are you thinking about your ability to price this claims inflation out given I'm sure your clients are feeling the pinch to some extent from the macroeconomic environment particularly on the commercial side? And secondly, it's interesting your comments around digital and the changes that we're going to face quite soon. I was just wondering if you could elaborate a bit about what were you were investing in and are you seeing any tangible benefits hereon; if not, how long might that take? Thanks very much.

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

Thanks. Inflation first maybe. The only market where there is a structural challenge for us is Norway where competition is intense due to the large number of companies there and I can see lines where it is challenging to increase prices with claims inflation. Having said that, claims inflation in all Nordic countries is very low maybe to the tune of 1.5% to 2% on average, and no line stands out as very different from that, and our pricing abilities in any of the other markets is well in line with us.

### A - Peter Kristian Johansson {BIO 3902189 <GO>}

On the acceleration (29:45) in general I think that the big investments are in Nordea and there you have to look at Nordea's communication. I think that in general there is lots of data and conferences and consultants and talks about any disruptive behavior in our industry. I still think that if the market leaders are really alert and on the ball, there will not be a disruptive development. However, there will be a very, very significant change in behavior from our clients.

And those who invest in this have the best client interface and who has fewer branches than the others. I think those are going to be really well positioned, because when this development really rolls out, of course, the burden of branches is going to be significant, because clients are going to communicate digitally with the service providers, and the structure is, therefore, different.

So significant cost improvements and efficiency improvements to be seen. Part of that will be given to the clients, but part will also improve our profitability, going forward. We are really well positioned.

### Q - Jonny Urwin {BIO 17445508 <GO>}

Okay. Thanks for that. And just going back to the claims inflation, perhaps, I mean, do you think there's scope to go further than claims inflation, i.e., improving underlying margin, or will you just be happy pricing out claims inflation where you can, given the high absolute level of profitability?

FINAL

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

I don't think, on average, that you will see combined ratios coming down in the Nordic region, that would be going too far.

**Q - Jonny Urwin {BIO 17445508 <GO>}**

Okay. Thanks very much.

**Operator**

Thank you. Our next question comes from Daniel Do-Thoi of JPMorgan. Go ahead, sir, your line is open.

**Q - Daniel Anh Khoi Do-Thoi {BIO 17019775 <GO>}**

Hi. Good afternoon. Thanks for taking my question. I just have one actually. And it's on the make-up of the dividends. Now, when I look at the Nordea, the consensus, the (32:04) growth expectations sort of around 3% per annum over the next two years and then if I look at the upstream dividends from (32:11), I guess those have been fairly stable in nominal terms in recent history. And then, final, on Mandatum, you mentioned €125 million is the new and sustainable level. But still, if I put that all together, should we get more used to a more gradual growth in the dividends, going forward, or are there any other levers that you could pull, going forward, as well? Thank you.

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

I think that we have been very clear in our communication, that we will see – our target is to be able to increase our dividend in a balanced way, so that it optically looks nice. And I think we have several levers. Our internal dividends this year were €60 million bigger than the dividend we distributed to our shareholders. So there is some buffer.

Depending on the investments and so on, I think that we have a new level of dividend for Mandatum. In this case, I don't see the need to increase the dividends actually because as Nordea communicates, they are also going to gradually increase their dividend. So I don't see any reason why our dividend wouldn't gradually increase.

**Q - Daniel Anh Khoi Do-Thoi {BIO 17019775 <GO>}**

Okay. And just a follow up. I mean, if there were any sort of bumps of regulatory requirements for Nordea. Also, this year, as based on last year, is there perhaps a bit (33:47) possibility to increase the pound ratio (33:50) moving out the dividend. Is that a possibility? Thank you.

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

Of course, it is possible to [Technical Difficulty] (33:58) dividends if necessary. And on Nordea's part, I think we have to stick exactly to the wording of their communication, nothing more, nothing less.

**Q - Daniel Anh Khoi Do-Thoi** {BIO 17019775 <GO>}

Sure, sure. Thank you very much.

**Operator**

Thank you. Our next question comes from Christian Hede of Nordea. Go ahead, sir. Your line is open.

**Q - Christian Hede** {BIO 18642300 <GO>}

Thank you. Yes, good afternoon. This is Christian from Nordea in Copenhagen. I think most of my questions have been answered, but if you could give a bit more flavor on how you see the weaker macro market and any effects you've seen so far in P&C, that's one thing.

And then, a very detailed question. I think Kari, you said that you would know by tomorrow how many shares (34:37) are going to reduce? I think there would be a new policy from them, as normally we've had to wait for – as far as I know, at least had to wait for the notice to come into the Annual General Meeting. So is that just an assumption, or should we expect that actually to be in the report tomorrow? Thank you.

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

I don't actually know what they are going to report tomorrow. So, I thought that they would report. But if you know better than me that we will get the information only in the AGM, then we have to wait for that.

**Q - Christian Hede** {BIO 18642300 <GO>}

Very well.

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

And (35:15) region macro, well, non-Life insurance is always lagging. So, the effects that we've seen so far are minute.

Furthermore, we actually don't write energy business to anything that has varying significant degree. So, even if that part of the Norwegian economy would shrink or not grow, we would be – the effect on us would be very limited.

**Q - Christian Hede** {BIO 18642300 <GO>}

Okay. Thank you. That's all from me. Thank you very much.

**Operator**

Thank you. Our next question comes from Thomas Seidl of Bernstein. Go ahead, your line is open.

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FINAL

**Q - Thomas Seidl** {BIO 17755912 <GO>}

Hello. Just one question left on - If P&C, the top line growth, including FX is now pretty flat. So if I push you off the fence, what is basically your outlook for the next one or two years' opportunity to slightly grow from here? Or should we, because of competitive pressures, actually expect it now to start shrinking?

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

The main reason for the development of the growth in P&C is GDP. So if you tell me what GDP will be, I'll tell you what our growth will be. Joking apart, we are, of course, affected by the developments in Finland at the moment. We are affected by the relatively good car sales figures in Sweden, which is important for us. But we will also, of course, see what happens in Norway and that - the way the lag will impact our numbers.

**Q - Thomas Seidl** {BIO 17755912 <GO>}

Okay. Thank you.

**Operator**

Can we have a follow-up question from Blair Stewart of Bank of America. Go ahead, your line open.

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

Thank you. Another one for you. Peter, Just coming back to the transitionals, you talked about the weight profits book running down at €200 million per annum, which frees up about €50 million of capital, I think, you said, I'm just wondering what is the offsetting drag from the loss of one year of transitional per annum, if you can give some guidance on that? And then, secondly, with regards to your sensitivities that you show in the pack, and - does that take into account a recalibration of the transitionals at this point in time? Would it be fair to say that?

**A - Peter Kristian Johansson** {BIO 3902189 <GO>}

On the transitionals, so yeah, we still say that's at least - we said in the past that at least the next five years the rundown will be roughly €200 million per year. Now I would probably say that at least the next three years, four years, the rundown should be close to €200 million. So that will release capital. But the transition then, of course, runs down first on the asset side, where you have - after six years, seven years, you have higher weights on your equity. But on the other hand then, the balance sheet is shrinking gradually on weight profit book.

So, so far, when we look at forecast, this should go okay.

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

So the unwinding of the transitional and the unwinding of the actual book are broadly equivalent in financial terms to that €50 million, I think, you said. Is that the way to interpret

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it?

**A - Peter Kristian Johansson** {BIO 3902189 <GO>}

Yeah, because the transition is so long on the liabilities side. So the discounting is 16 years. So that's after 16 years, I think there will be a tail, which is less than €1 billion in group pension policies.

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

Okay. Very good. And are you be able to reset the transitional amount? If markets are adverse, does the transitional increase every quarter, for example?

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

No. No, I don't think so.

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

Okay. It seems to be different for every company. Thank you.

**Operator**

Thank you. Our next question comes from Jakob Brink of ABG. Go ahead, your line is open.

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

Yes. Thank you. It's Jakob from ABG. I have two questions, please. Coming back to the capital and the withdrawal of the application for the internal model, Peter, also I think you once told me that the Finnish FSA would not allow an insurance company to use expected future profits as well as the tax asset in connection with a 200-year event, what you use to internal model. So the fact that you're now going over to the standard model, I guess that, that means that you can start to include those new capital elements in your solvency.

And also, regarding the modeling, is there anything new on the treatment of Nordea in your capital? Those are my first questions.

And then, I guess, the second one. I could, of course, have done the calculation wrong. But if I was trying to take your reported euro premiums by country and adjusting them with the FX rates you provide, then it looks like, in the fourth quarter, there's quite significant declines. Norway is down around 3% year-on-year in Q4; also, Sweden, this year, it's still positive growth, but somewhat lower than in the past three quarters; and Finland as well, in euro terms, is down 3% year-on-year. So it looks like your four was quite weak on the premium development. Could you - is there anything particularly going on here, or is growth just slowing quite dramatically towards the end of the year? Thank you.

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



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Yeah. On your first question on the expected profit. So when you look at the P&C solvency capital numbers that we have reported with the partial internal model, which is not then used in when we calculate group solvency numbers or the capital requirement for it, it does not include a expected profit. And I'm skeptical to believe that the Finnish regulator would give approval on that.

The funny thing is, technically, if you look at the legal entities separately If P&C (41:45) Sweden, so actually calculating the original internal model is actually three models. So it includes If P&C is in a standalone in Sweden and then for a group model to get the group diversification, but the standalone capital requirement for Finland would have been the same with an internal model or a standard approach.

When it comes to the growth numbers for Q4 that you mentioned, they don't quite tally against what I have. But let me give you an example of what might be a (42:22). In Sweden, we did not renew one of the large industrial agreements, which is large enough to - for you to see in your numbers. The way that you calculate is one quarter, it is not. There's definitely no trend changing the assessment that I see for us, going forward.

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

Okay. Thanks a lot.

## Operator

Thank you. And we do have one further question coming through, that's from Jonny Urwin of UBS. Go ahead, sir. Your line is open.

**Q - Jonny Urwin** {BIO 17445508 <GO>}

Thanks very much. A very quick follow-up. Is it possible to give us a view of the Mandatum Solvency II ratio, excluding transitional measures, perhaps on a roll-forward basis?

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

I think we have disclosed it. So it's...yeah?

(43:17) 103%, I think...

So we are on the borderline. Yeah.

**Q - Jonny Urwin** {BIO 17445508 <GO>}

And on mark-to-market?

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

That is mark-to-market, yeah.

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**Q - Jonny Urwin** {BIO 17445508 <GO>}

That's mark-to-market?

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

Yeah. And actually, the Mandatum bearing - you have to keep in mind also that we only have €100 million of hybrid. So, the first line of defense, of course, is the profitability in the company and the second line of defense is that we can use hybrids in Mandatum.

That is 103% excluding both transitionals on the assets side and the liabilities side.

**Q - Jonny Urwin** {BIO 17445508 <GO>}

Okay. Thanks very much.

**Operator**

Thank you. Okay. As we have no further questions coming through, I'll hand back to our speakers for the closing comments.

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

Thank you. And thank you, all, for your attention. And have a very nice evening. Thank you.

**Operator**

This now concludes the conference. Thank you, all, very much for attending. You may now disconnect.

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