

Q4 2016 Earnings Call

Company Participants

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

Other Participants

- Blair Stewart, Analyst
- In-Yong Hwang, Analyst
- Jakob Brink, Analyst
- Matti Ahokas, Analyst
- Michael Igor Huttner, Analyst
- Paul De'Ath, Analyst
- Steven Haywood, Analyst
- Thomas Seidl, Analyst
- Vinit Malhotra, Analyst

MANAGEMENT DISCUSSION SECTION

Jarmo Salonen {BIO 1860650 <GO>}

Ladies and gentlemen, welcome to Sampo's Conference Call on Full Year 2016 Results. I'm Jarmo Salonen, Head of Investor Relations at Sampo. And with me at this call I have our Group's CEO and President, Kari Stadigh; Head of P&C Insurance, Torbjörn Magnusson, and Group's CFO, Peter Johansson.

As has become tradition, we will start with Kari's presentation highlighting the most important developments last year. For that, let me remind you that you can follow this call live at sampo.com/result. And a recorded version of the call will later be available at the same address.

And I'll hand over to Kari now. Kari, please.

Kari Henrik Stadigh {BIO 1504152 <GO>}

Thank you, Jarmo. Welcome to the conference call on my behalf as well. Sampo Group had for the full year 2016 an excellent result, especially given the low interest rate environment which burdens the investment return of the insurance assets as well as the deposit margin on Nordea.

For Q4, we report an all time high EPS of €0.84. Our performance in the quarter was very strong. Its combined ratio at €85.6 was the best ever Q4 result. Nordea reported very good numbers and Mandatum Life premium income rose to a record high, €446 million in the last quarter, good performance in all main business areas.

For the full year 2016, it reports the best ever combined ratio of 86.1% even without the positive one-offs. Also efficiency in operations improved as the cost ratio was all time low at 22.1%.

In Nordea, one can see also a very strong development, and especially the capital generation is impressive, resulting in a record high quarter one ratio of 18.4% at the end of the year. Nordea also increased its dividend even if it's ever so slightly, but we, as an owner, appreciate it greatly.

Mandatum Life continued to increase its unit-linked business, and unit-linked reserves were record high at €6.4 billion. Also unit-linked premiums were on a record high level. We continue to increase the reserves for lowering the discount rates, and the reserves stand now at €273 million, highest ever number as well.

This solid development throughout the group has given us the chance to propose an increased dividend, €2.30 the dividend will increase for the eighth year in a row. And as always, we remain committed to follow that graphically beautiful line of increasing dividends. However, in a more modest way, we used to be and we are going to be a dividend stock.

Jarmo Salonen {BIO 1860650 <GO>}

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

Q&A

Operator

Certainly. Our first question is coming from Jakob Brink from ABG. Please go ahead. Your line is open.

Q - Jakob Brink {BIO 7556154 <GO>}

It's Jakob from ABG. I'd had two questions, please. The first one is regarding non-life insurance and the underlying combined ratio. I know we have discussed this for the past two quarters and I think you've said there's no particularly reason for the deterioration. But again in the third quarter, we see adjusted for large claims, run-off gains and discounting that the so-called underlying is deteriorating a bit year-on-year. Is this anything we should worry about, we see the same (04:16) for example?

Secondly, also, a bit regarding the same, some of your peers are still talking about that they were adding to reserve despite of fairly high gross run-off gains. Can you maybe tell us a bit more about your reserve strength year after 2016 and given your reserve releases in 2016? Thank you.

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

Underlying combined ratio, Jakob. The combined ratio will always vary a bit in non-life and we of course meet all variations with price level changes. If you look at our markets, there is no particular price level changes in Finland, in Denmark or in Sweden. There is, however, some price erosion in the Norwegian market, and some price erosion and I've said previously that the Norwegian combined ratios in the market will move upwards rather than downwards.

And there's also a bit of price erosion that I've commented on in large corporate business, industrial business for us. There's no drama around this, there's no big change, but of course, it keeps us on our toes and we have to meet this with, price increases and more underwriting and segmentation work.

On the reserving issue, we have absolutely no change to our reserving policy from last year, the year before that or five years ago. And we have absolutely no change in our philosophy to be fair - fairly and prudently reserved.

Q - Jakob Brink {BIO 7556154 <GO>}

Could I just come back to what you just said about increasing prices and how far are you in this sort of repricing to new claims levels and is that something you just started or is it just the ongoing process?

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

That's just the ongoing process. As I mentioned, there's no drama around this. So there are no really large price jumps or hikes in any market at the moment.

Q - Jakob Brink {BIO 7556154 <GO>}

Okay. Many thanks.

Operator

Our next question is coming from Matti Ahokas from Danske Bank. Please go ahead.

Q - Matti Ahokas {BIO 2037723 <GO>}

Yes. Good afternoon. Matti Ahokas from Danske Bank. Two questions. Firstly, also on the non-life side, Torbjörn, if you could give us a breakdown of the run-off gains in the fourth quarter, that would be great. And then I can see that you've actually been increasing your Topdanmark after the (07:00) offer. Just out of curiosity, what was the price you paid for this and should we expect for you to increase the stake further? Thanks.

A - Torbjörn Magnusson

Sorry, Matti, at the last, you were cut, we didn't hear the last question here. Could you repeat the second question?

Q - Matti Ahokas {BIO 2037723 <GO>}

The second question, with regarding Topdanmark, I see that you've increased your stake slightly in Topdanmark at (7:27) takeover offer expired. What was the average price here and should we expect you to increase your stake further from the grant levels?

A - Torbjörn Magnusson

I'll take the first question, and Matti, you know well that we do not give the breakdown on that run-off.

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

This is Peter, Matti. Yes, you're correct. You're the first one that noticed that we have increased the stake. We bought some. For the first time in a very, very long time we were offered a block slightly over a 0.5 million shares. The average price on the block was DKK 177 per share.

Q - Matti Ahokas {BIO 2037723 <GO>}

(8:11)

Operator

Our next question...

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

So Matti, could you hear us?

Q - Matti Ahokas {BIO 2037723 <GO>}

Sorry?

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

Could you hear us, Matti or there was some noise on the line?

Q - Matti Ahokas {BIO 2037723 <GO>}

I could hear you fine. The only thing, Kari, that if you could just tell that is this an indication that you are interested in increasing the Topdanmark stake further if opportunity rises?

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

We have always been interested to increase our shareholding. However, we have great limitations in when we can buy and we are only interested to do it at the right valuation.

Q - Matti Ahokas {BIO 2037723 <GO>}

Thanks.

Operator

Our next question is coming from Michael Huttner from JPMorgan. Please go ahead.

Q - Michael Igor Huttner {BIO 1556863 <GO>}

Fantastic. Thank you so much. In August, you had this lovely presentation on motoring (09:14) trends in the Scandinavia were better with lower claims. Could you maybe provide an update on that? I was hoping that you might also say that as a result of these trends, your margins have gone up. It seems on the previous question (9:30) actually margins have gone down. I don't know if you could comment on that. And then on the top, when you - if when you (9:45) buybacks to dividends, how much more dividends will that allow you to pay yourself to sell your (9:52) Thank you.

A - Torbjörn Magnusson

I wasn't present at the presentation around motor trends. But of course, the motor trends are really long-term and there has been no change in these past two quarters around those. When it comes to the margins in motor, again no big changes. I think the biggest change there is what we've talked about for the past maybe eight quarters that we had insufficient profitability in the Swedish market which we addressed in a continuous business as usual way by increasing rates and we are now at satisfactory levels for motor in the Swedish market.

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

On top dividends, we haven't made up our mind yet. We have indicated to the market that we are considering whether we would ask the AGM to stop the buybacks. And of course, when we communicate that we are considering this, that means that there is a high likelihood that we would do that.

So, if the share buybacks from Topdanmark would be stopped, then of course this would be done at the AGM and only after the AGM would then the new board communicate to the market a dividend policy. I don't know what the new board would communicate, but normally, insurance - Nordic insurance companies, they have quite stable dividends.

However, for Sampo's dividends to Sampo's shareholders, these numbers are not that important. We are committed to slowly, gradually increase the dividend and that stays and it's not dependent on our internal dividends from Topdanmark.

Q - Michael Igor Huttner {BIO 1556863 <GO>}

Okay. Yeah. Thank you. Yeah, I must have – okay, thank you. Thank you very much. On the motor trends, yeah, I was really hoping, but I understand if you are not present (12:06) Thank you very much.

Operator

Our next question is coming from Paul De'Ath from RBC. Please go ahead. Your line is open.

Q - Paul De'Ath

Yeah. Hi there. Couple of questions please on kind of your view on outlook, I guess. I mean, firstly, I think you've made it clear a couple of times earlier on this call that you're looking for a kind of slow, gradual increase in the dividend going forward and obviously that was also the guidance for this year and then it went out 7% and – which isn't really slow and gradual in (12:45) And I'm just getting my numbers wrong. And I guess, is there any kind of guidance you can give on what you mean by slow and gradual? Is that less than 5% or just some kind of steer on that would be good.

And then the second point was on the outlook you've got in your release. You talked about you expect 2017 to be a good year in terms of operating earnings, but then you also talked about that (13:21) challenges in terms of interest rate environment, et cetera. So, could you give any more color on what you would see as a good results – is a good result flat in this environment and/or would you be expecting growth in earnings going forward? Thanks.

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

I think that Sampo has always painted a picture where we appreciate stable and predictable earnings with low volatility. So the less drama you can see on our numbers, the better. However, I think that we are living in very unusual times and there are going to be many significant political decisions that have to be done in Europe during the year. So in this uncertain environment, I can't give you a better guidance than more of the same. That's our approach.

So I don't – what was your first question? Your first question was on...

Q - Paul De'Ath

Is on the dividend...

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

Okay. In dividends. Yeah, growth in dividends, I think it's better that we stick to this comment that we have, that we just want the dividend growth to be specifically beautiful and gradually increase. And I think it's clear that I don't see an uptrend from the present level. So I probably see it slow and gradually down the increase.

Q - Paul De'Ath

Okay. Thanks.

Operator

Our next question is coming from Thomas Seidl from Bernstein. Please go ahead. Your line is open.

Q - Thomas Seidl {BIO 17755912 <GO>}

Yeah. Thank you, good afternoon. Three questions, first. One, Nordea. I think I do remember from your Chairman saying that the Dodd-Frank Act is a major issue in potentially increasing your stake in

Nordea. So my question is, if the Dodd-Frank Act is now coming down, would that basically allow you and would you consider further increasing the stake in Nordea? First question.

Second question. With rising interest rates, how do you see the likelihood of you disposing Mandatum to another buyer. Is it now a better environment to sell a life business. And the third question, interest rates slightly moving upwards over the past years. Pricing in the Nordics have compensated almost fully for the low interest rates, now with interest rates going up. Do you expect basically that prices gives back some of those improvements just as they have done over the last years. Thank you.

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

Well before we go over to pricing, maybe I would comment the interest rates in general. This is a relative game. Some people are better positioned on rising interest rates than others. We had some but we feel that we are going to benefit significantly from rising interest rates compared to the peer group.

And why is that? I think there are two main reasons. One is that we are not fully matched with our asset liability match. We are not fully matched there, so we have a very short duration. And of course some of our colleagues who have a much longer duration in a rising rates - if interest rates grow, then they will take mark-to-market hits on that and then our relative performance will be much better.

Then we have also discounted part of our liabilities with very, very conservative interest rates. For instance in Finland, I think that we have the lowest discount rate of the peer group. So, also here, we will gain compared to our colleagues in the industry.

And of course, if we think of an insurance company, then we have one additional thing and that is that big part of our business is Nordea, and of course all banks will benefit greatly from - at least from a steepening yield curve, if not only rising interest rates. So I think we are a perfect hedge against the development that you described. But when or how that will come, that we have to see.

On Mandatum Life, I don't think that for us, this is at all an interest rate play or how we view the ownership of Mandatum. We have a big project ongoing this year there, when we negotiate the sale of the Danske portfolio to Danske Bank and that wasn't - the decision wasn't based on interest rates. Neither is the rest of the portfolios destiny decided by interest rate. It's more other issues, market development in our domestic market.

On Nordea, yes, there have been movements, there have been several movements over the years when we would have loved to buy more Nordea. It has been clear because many times, if we look how stable Nordea's result development has been and how volatile the share price development has been, there has been very many opportunities where you should have been buying shares.

Unfortunately, we have not been able to do that because we can't increase our shareholding in Nordea, because then we have the risk of Sampo being treated as a U.S. bank holding company and that we don't want to happen.

Whether what will happen with Dodd-Frank Act, I don't think that these type of things are settled in weeks after a new President. So, we have to wait and see of the nitty-gritty details and see how much room this would allow us. Of course, the fact is that there was a possibility to buy more Nordea, that would be an attractive opportunity for us depending on when and how it materializes.

Q - Thomas Seidl {BIO 17755912 <GO>}

Okay. And on pricing?

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

I have very little to add. We're busy trying to compensate for price erosion as I just described rather than speculate in increasing rates going forward.

Q - Thomas Seidl {BIO 17755912 <GO>}

Okay. Maybe one follow-up on Mandatum, so the €125 million dividend you get from Mandatum, is that also the type of dividend that you expect once you have sold the Danske portfolio?

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

Yeah. I think that the sale of the Danske portfolio, it makes the balance sheet of Mandatum more robust. So if we had a need to increase the dividend from Mandatum, it could give some room for that. But as we haven't had any need for more capital to the parent, it's not something that we have right now on the table. Our intention is to distribute this spring (20:58) that the same €125 million as we distributed last year.

Q - Thomas Seidl {BIO 17755912 <GO>}

All right. Very clear. Thank you very much.

Operator

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

You're most welcome.

Operator

Our next question is coming from In-Yong Hwang from Goldman Sachs. Please go ahead.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Hi. Good afternoon. Thank you for taking my question. And I have two. Firstly, Torbjörn, I know you didn't want to comment too much on the reserve release in P&C but just the fourth quarter kind of number 3.8 percentage points, on a combined ratio, that seems like a quite a high number when you look at it versus your history. I know we had that Swedish entity reserve release (21:39) in the first quarter. But is there anything noteworthy around the fourth quarter reserve release, is it part of an annual review or – and just I mean, is that something we can sort of extrapolate going forward, this kind of level of reserve release? That's my first question.

And secondly, on your dividend payment. It seems like in contrast to the past, where you left this as headroom on your dividend per share versus your internal dividend. You seem to be paying out, basically all of it this time around. I mean, does that kind of cause you concern around the potential flexibility you have, and the kind of headroom to absorb potential shock (22:25) going forward? Thank you.

A - Torbjörn Magnusson

The reserve release in the fourth quarter, I guess I'm smiling a little bit when we start looking at our quarterly movements of reserve releases. There's nothing special around this and you shouldn't make a trend of it. As long we have low inflation, we are expecting to see reserve releases. I've mentioned around a number, a number of times, SEK 150 million in a quarter, but that will vary. This time, quite a bit of it came out of Norway because the Norwegian market has seen low – have seen few or low developments for bodily injury claims for a while and that this was a result of that. But that's nothing out of the ordinary.

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

On the dividend side actually, if you look at the internal cash flows we have taken, a dividend of SEK 2.8 billion from it, before the December dividend of SEK 5.8 billion and we will receive a dividend from Mandatum and Nordea before we pay out our own dividend. So internal cash flow has been more than €1.5 billion.

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

And the dividend is 1, 2...

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

8.8 (23:46).

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

So, there is a significant buffer. I think it's also important that when one paints a picture of an ambition to grow dividends every year, you need to have some leeway on some buffers to do that. So we don't feel at all any pressure that we couldn't continue with this. Otherwise we wouldn't be so confident in painting the picture.

However, the caveat is of course that we are not the decision makers. It's the board proposal to the AGM always. But the management ambition is to continue with this as have always done.

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

And also as you look at the...

A - Torbjörn Magnusson

So if you look at the capital buffer that we have in If we could have taken a bigger dividend if needed.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Sure. Just a follow-up, the SEK 2-point billion that you mentioned from If, I think in the last quarterly call you mentioned that, that was mostly going to be used to kind of finance the (24:52) transfer the top Denmark (24:53) shares to the (24:55) P&C, that's still the case. I mean we shouldn't expect that to be a thing that - something that's available coming back to shareholders.

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

Yeah. That's part of this funding package (25:07) shares.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Yeah.

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

(25:10) we increased the leverage. Yes.

Q - In-Yong Hwang {BIO 18784369 <GO>}

Great. Great. Very helpful. Thank you very much.

Operator

The next question is coming from Blair Stewart from Bank of America. Please go ahead.

Q - Blair Stewart {BIO 4191309 <GO>}

Thanks very much. Good afternoon. I've got couple left. Just want on investment income, I noticed there was a small pickup in the investment yield in Q4, the first time for a while. I just wonder if you can talk generally, perhaps Kari, about what's out there at the moment and what you've been investing in. And with regards to that, you've got a very large fair value adjustment reserves in both the Life and P&C businesses. And in theory (25:54), as interest rate towards fixed income assets perhaps become a bit more attractive, would you be prepared to crystallize those gains, which are largely in equities over time?

And coming back to the first couple of questions on the P&C combined ratio and trying to - everyone tries to normalize it by taking out large loss experience and gains. But - again, sorry probably your reserve releases. But one thing we don't capture on that is the weather. Has plenty - has there been a difference in weather conditions and perhaps clean frequency that does not get captured in those adjustments between 2016 and 2015 that made a life (26:47) for that one point to show deterioration. I guess its (26:51) seeing this within the kind of normal downs. Thank you.

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

So first on investment yield side, I think that yes, we have been able to protect partly the running yield in our fixed income portfolios. But the fact is it's trailing downwards. And also the fact is that it's increasingly difficult to find good investment objects. So, I don't see that any positive movement yet there in the euro area. So maybe the only way to deploy cash now is to find something that's attractive in the North American market, and then secure the currency risk and you are still left with a return which is better than full cash. But those - now, we are talking really low yields anyway. So the main task at this moment is to avoid negative or really low yields and stay put.

Of course, we are going to see volatility and we have been shaving off equity risk now lately. And we will continue to do that in this environment and then hope for some volatility, so that we can add equity risk back.

On the reserves, yes, we have been able to build up some reserves mainly on the equity side of course. And I would say so that we are not really looking at the reserves as smoothening of the result. I think it has more to do with our investment stance. So, at this moment, we are full on equity risk and therefore when equities are increasing a value, we are shaving off in order to maintain the present risk but not allow it to increase.

On the combined ratio and weather, I would turn it over to Torbjörn.

A - Torbjörn Magnusson

I think both 2015 and 2016 have even fewer skiing opportunities in the Nordic regions. And the comparison should really be with the years before where we had more snow and more winter losses.

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

Yes. As Torbjörn said that, it's obvious that we could have worse climate in the winter than we have had this year and last year.

A - Torbjörn Magnusson

Yes. These have been benign winters.

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

Yes.

Q - Blair Stewart {BIO 4191309 <GO>}

Yeah. Okay.

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

Prepare for that.

Operator

Our next question is coming from (29:31) from Autonomous. Please go ahead. Your line is open.

Q - Jarmo Salonen {BIO 1860650 <GO>}

Good afternoon, everyone. I've got two questions. I was wondering if you could tell us a bit more about the competitive backdrop (29:43) in industrial lines and whether we should expect an improvement from the premium declines we've seen in 16 - 2016. And secondly, I wanted to pick up on comments you made about the Swedish motor market that you were happy, you've got the pricing to a level where you're happy. Does that mean the growth in Sweden should actually tail off from the 4% we've seen recently?

A - Torbjörn Magnusson

Industrial lines has been very competitive for a number of years also on back of softer insurance market and the reinsurance markets seem to have - still being somewhat soft this renewal season but slightly less so over year-end. And we have done better in the one-one renewals this year than 2016.

Swedish motor pricing, we have gained a number of customers and our Internet offering has been well received and the developments of that has been well received in Sweden. We're working hard at that. But yes, price increases helped - still helped in 2016 and will do less so in 2017.

Q - Jarmo Salonen {BIO 1860650 <GO>}

Okay. Thank you.

Operator

Our next question is coming from Michael Huttner from JPMorgan. Please go ahead.

Q - Michael Igor Huttner {BIO 1556863 <GO>}

Okay. Thank you so much. I was wondering and it's more a compliment than anything because you've - as a team, you've done a fantastic job. And, but in terms of succession planning, is there a kind of deadline or kind of date where some management changes will be due and we - some of the question we would need to ask more closely?

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

Well, I think that if we start off with me, the CEO, I could have retired when I turned 60 and I'm still here. But the board has asked me to continue and we have agreed that this - that I continue for the time being. I think that this is really fun, so why wouldn't one continue? But seriously speaking, we have a very detailed succession plan. So if anyone of us is left under a card, there is an immediate replacement and internally. So if there were any changes in key positions, it wouldn't change the culture or the management or the performance of the company.

Q - Michael Igor Huttner {BIO 1556863 <GO>}

Brilliant (32:38). Thank you very much.

Operator

Our next question is coming from Vinit Malhotra from Mediobanca. Please go ahead.

It seems that the participant has then stepped away. The next question is coming from Steven Haywood from HSBC. Please go ahead, your line is open.

Q - Steven Haywood {BIO 15743259 <GO>}

Hello. Thank you for taking my question. I just had one question left. It was regards to the approval of the past internal model that you have in Sweden and then the potential movement of the Finnish subsidiary to a branch rather than being a subsidiary, so that's going to come under the portions (33:20) standard model as well. Does all this mean that your solvency (33:26) ratio for it would go from 197% to 244% by getting these approvals all done, and what kind of impact would that have on the group solvency (33:37) ratio as well, please?

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

The gross as it goes such that, first, we would have to do a branchification (33:46) of the Finnish operation. And then if the regulator approves a partial internal model, it gives us more flexibility. It of course depends on what they accept on the internal model, so in a partial internal model, most likely of course, we would get the diversification benefit from Finland, but it's too early to say how big that would be.

Anyway, on the group level, it would still be a question mark, in the conglomerate calculation, if we could use the partial internal model because the ball pit (34:26) part is still outside the model. So, most likely that the regulator would force us to use the standard model and from the If perspective, of course, it would give more flexibility moving around capital but yet the rating regulation would affect that, the capital ratios would have to be much higher in practice. But of course, we wouldn't be doing this unless we thought it'd be worthwhile.

Q - Steven Haywood {BIO 15743259 <GO>}

Yes, of course.

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

(34:56 - 35:02) I think important to point out that yes; we see benefits especially in capital flow and flexibility but not to the magnitude that you just described.

Q - Steven Haywood {BIO 15743259 <GO>}

Okay. That's fine. Thank you very much.

Operator

Mr. Vinit Malhotra from Mediobanca. Please go ahead. Your line is open.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes. Thank you. I'll try again. Maybe I'm getting through now. So just quickly, from the P&C investment asset side, I've noticed a small shift already like you've lowered the money market for example by 3 points in the fourth quarter. I mean, is it a fair guess that now that you have enjoyed the benefit of short duration, you will be rendering (35:50) duration and so we should look at some kind of a yield pickup from that. So that's the first question.

And second question is, just on the Danish combined ratio, I'm assuming this is some volatile industrial claims that led to that 98.5% kind of level in fourth quarter. If anything else worth note in

that base?

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

Vinit, on your first question, the simple answer on less cash on money market is that it's paid in December, a dividend of SEK 5.8 billion to the parent company. So that lowered the allocation.

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

Yeah. Then I wouldn't count on any yield because yet, I think that - you must remember, we are now talking also Swedish kroner, Norwegian kroner and this type of currencies. So let's not assume any good news yet. I can still see also that running yield trailing downwards marginally.

Q - Vinit Malhotra {BIO 16184491 <GO>}

All right.

A - Torbjörn Magnusson

And the combined ratio, to be very specific, it's mainly due to an impact from the settlement of some very old large industrial claims that we unusually had to increase in the settlement.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Okay. All right. Is the settlement seasonally done in 4Q or is it just normal, probably just - is it just - sometimes you don't know, it happens every. Sorry, is it just a seasonal thing that happens in the fourth quarter or it just happened to be the fourth quarter?

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

This is unusual but for once we get (37:32) some reserves when you settle them.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Thank you very much.

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

Its Norwegian (37:36) so you have one settlement that moves the needle.

Q - Vinit Malhotra {BIO 16184491 <GO>}

(37:39). All right. Thank you.

Operator

As there is no further question over the phone, I would like to turn the call back to our host.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you, operator, and thank you all for your attention. Have a nice evening.

Operator

That will conclude today's conference call. Thank you very much for your participation. You may now disconnect.

FINAL

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