

## Q1 2018 Earnings Call

### Company Participants

- Jarmo Salonen, Head of Investor Relations and Group Communications
- Kari Stadigh, Group Chief Executive Officer and President
- Peter Johansson, Group Chief Financial Officer
- Ricard Wennerklint, Deputy Head of P&C Insurance
- Unidentified Speaker

### Other Participants

- Jonny Urwin, Analyst
- Matti Ahokas, Analyst
- Per Gronborg, Analyst
- Unidentified Participant
- Vinit Malhotra, Analyst
- Wajahat Rizvi, Analyst

### Presentation

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

Ladies and gentlemen, welcome to this call on Sampo Group's January-March 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; Group CFO, Peter Johansson and Deputy Head of P&C Insurance, Ricard Wennerklint. We will start with Kari's presentation on the developments in Q1 and before that let me just remind you that you can follow this call live on our website, [sampo.com/results](http://sampo.com/results) where a recorded version will later will be available. Now I'll hand over to Kari. Kari, please?

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

Thank you, Jarmo, and welcome to the conference call on my behalf as well. Sampo Group's profit before taxes for the first quarter amounted to EUR445 million which is slightly above the corresponding quarter for the previous year. Especially the underwriting result in our P&C operations was very strong, with a combined ratio of 86.5% in If, and 83.7% in Topdanmark; both best ever first quarter results.

In If, it is also noteworthy that the number of clients is growing in all geographies and there is a healthy premium growth in all business areas as well. Overall, I have to say that our P&C operations are performing better than ever, on plan or above. In Mandatum Life,

the main thing to note is the deal with Danske Bank, which will be included in our Q2 numbers.

Danske Bank will pay us 197 million as an agreed compensation for the waiver by us all our put option under the option agreement from 2007, and for entering into a new long-term co-operation agreement. The new co-operation agreement entitles Danske Bank to higher commissions based on both new sales and the existing portfolio compared to the previous agreement.

Danske Bank is entitled to extend the validity of the co-operation agreement up to 15 years. This is a win-win agreement for both parties as it puts an end and cleans up the legacy from 2007 and at the same time, secures a valuable bank distribution channel from Mandatum Life and a market leading product supplier for Danske.

In the first quarter, we suffered from the weak returns in the investment market and the weakening Swedish kroner. We are however, well positioned actually better than any of our Nordic peers for rising interest rates, or a steepening yield curve. This comment is based on our strong buffers, industry low discount rates, short duration in our fixed income portfolio and the fact that we consolidate bank shareholding into our numbers.

Nordic banks and how they are valued by the market is my final topic. Yes, markets are always right, but at this moment, the earnings potential for an investor into Nordic banks is asymmetrical. With a dividend yield in the case of Nordea of 8%, we have a clear downside protection. Today, the market has discounted future credit losses from the Swedish mortgage market, an unsuccessful IT project, not delivering on their cost-cutting measures, more capital requirements under SSM and no increase in dividends among others.

It's a long list of bad news, however, it will not play out like this. There will not be any credit losses from the Swedish mortgage markets.

Only very few top end developers will suffer, but not the main part of the market. This goes also the same way for many of the other topics, and as the market gets more confidence and information on their doubts, we are going to see a re-rating of the Nordic banks, and especially of Nordea. I am confident over clearly better outcome on the valuation and we have the patience to wait and see it out.

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

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

## Questions And Answers

### Operator

(Operator instructions) We'll take our first question from a caller. Please go ahead.

FINAL

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

Yes, good afternoon. Matti Ahokas from Danske here. Question on the solvency side, first of all, the If partial internal model, which you don't report anymore, you could have [ph] report the economic capital, is this the same thing or is there some kind of methodological change that this economic capital figure for If Solvency is not comparable to the partial internal model, you reported previously. And then also continuing on the solvency side, the Group's solvency margin fell quite a lot quarter on quarter.

It's at the same level as the beginning of 2016, do you see this like 145%, 146% level as some kind of a bottom threshold or could you see the solvency margin going down further from these levels? Thanks.

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

Matti, on the internal model, it's -- actually we have a partial internal model for If (inaudible) so the Swedish operation with the branches in Norway, Denmark and Finland. So outside of the model is If holding and also If Life, which is very small operation and the partial internal model is only on the underwriting. So we use the standard formula in -- on investments.

But it's a reasonable proxy to look at our economic capital model what the Group numbers would be. On the solvency side, the biggest change on group solvency is the treatment of Nordea, because up until end of last year, we had to report Basel I rules based on a floor which was very high actually. So Nordea had a REA at year-end, which was EUR25 billion and the Basel floor on top of that was EUR76 billion. And then so altogether REA was EUR202 billion.

So the minimum requirement was 8% of that and now the minimum requirement is 14.3% of the EUR123 billion of REA. So that increased the capital requirement for Nordea, EUR240 million. Most likely it will be the same when they re-domicile to Finland on Sampo's numbers. Then, the other increase on minimum requirements comes from Nordea's [ph] investment that increased roughly, roughly EUR80 million on the PLC capital requirement. So we now have a buffer of EUR3.4 billion, but if this is with no diversification benefits and it is with very little outstanding hybrid capital. If you look at the fixed income material presentation, there you can see that we actually internally have a very high diversification benefit which we follow internally. So there, the buffer would be EUR5.5 billion.

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

Is there a level that you feel comfortable on the reported figures? Is this kind of a level you don't want to go below or how should we interpret that?

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

We will go lower because this does not include Saxo investment.

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

Bloomberg Transcript

I think that we have clearly overcapitalized with more than 3 billion, so if it moves a few hundred million here or there, it's not on my radar screen.

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

Great. If I finally make -- continue on that, is there some kind of target buffer on top of the 100% you would see as kind of reasonable or does it vary with the markets and opportunities?

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

Historically, we had a 120% in a sense, minimum, but now it's probably more useful to look at the absolute Euros.

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

Great, thanks.

**Operator**

We will take our next question from a caller. Please go ahead.

**Q - Unidentified Participant**

I had three questions. The first one is the income from your new equity stakes. Where do I see them or when will I see them? How much will they contribute?

And the second is, if you're so confident of re-rating [ph] for the Nordax banks, why did you buy more shares in Nordea or other banks, I guess?

And the third question is what's -- in terms of, if I think of the group as some of the parts, you kind of alluded to the fact that you think the banking operation is mis-priced by the market, but how confident are you? Because you said this pretty much the same thing in September that you felt, you know, the prospects in Nordea were very good, and I guess the market hasn't quite seen it that way, since where does your confidence come from? Thank you.

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

Well, I think that I'm quite bullish, and I can really not say much more than what -- what I said that. I see a clear, or let me say so that you saw Nordea issue a subordinated paper at 3.5% return, and then you see a share trading at 1.1 times book at and having an 8% dividend yield. So something is wrong here in how the bond market prices the asset and how the equity market prices the asset, and in situation like this, I am so old, so I have seen this so many times.

So I think that both numbers are wrong. I think that equity like risk in bonds will be valued differently and actually, I think that the 3.5% yield already today is closer to 4. And then on the equity, I think that the market is always right. I'm not saying that the market is wrong. I

FINAL

have only seen these type of isometric or learning [ph] situations so many times that when the market gets more confidence and starts to tick-off of the box, their doubts or worries, then the market will front run the news and we will see a re-rate thing.

So that's why I'm quite confident. I don't know the timing. If I knew the timing, I would probably resign from here and just buy the shares, but I don't know the timing. So I just see in front of me a re-rating of the banks and especially Nordea. Why don't we buy more? We can't buy more. We would love to buy more, but we can't buy more as a company, maybe we have to consider whether we could do that individually, but that doesn't help our shareholders.

So we can't buy more because we don't want to become a US bank holding company, which would be the outcome if we bought as much as our appetite would be. I think that the market has now discounted all potential bad news into the share prices. And especially, I think that the Swedish mortgage market is misunderstood by the investment community, and there I think that we will see a development that there are -- there is not going to be any credit losses from Swedish mortgages.

On the other issues, I think that more clarity will come when the IP rollout, when the bank can give us more evidence that the rollout is successful. On the cost, they have a guidance, and the market sees that they follow the guidance and so on. Your first question was, how and when will we see something from the 3 investments we have done in the parent company.

I think that the first, which will be visible is Nordax where we own 36 and XX percent, that there we will see a one-line consolidation.

Saxo Bank has not yet closed, so we have to come back to that when it closes, and next we will only see the valuation change in our fair value reserve until we exit it, which will take several years. So that's the answer on those.

## Q - Unidentified Participant

Okay, thank you very much.

## Operator

We'll move on to our next question. Caller, please go ahead.

## Q - Wajahat Rizvi {BIO 19928187 <GO>}

Hi, Wajahat Rizvi from Deutsche Bank. I have two quick questions please, one is on Nordea capital requirement increase. Is there anything you can do to actually reverse that increase over time? Any changes to model or any discussion with the regulator, which could reduce that capital requirement again in the future?

Bloomberg Transcript

And then secondly you talk a bit about Nordax, looking at their public disclosures, it looks like they make around SEK550 million.

Is -- will that be sort of a straight consolidation of 36%, your share coming to your account or any other guidance you would give on Nordax, please? Thank you.

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

Or Nordax it would be -- is that the pre-tax number you're referring to, so it would be the net profit, we'll take 36% of the net profit in one line consolidation. On the capital -- yeah, on the capital side, so we -- we report the capital requirement goes under (inaudible) directive, and there is nothing we can do about that.

The Swedish regulator has a Pillar I minimum which is 14.3% that means Tier 1 and plus Tier 2 capital. So it doesn't include the Pillar II requirements.

When Nordea re-domiciled to Finland, it most likely -- this is my guess, Nordea hasn't communicated anything on this one, but most likely it will stay at 14.3%, because if I look at the OP Group which is of a large -- large mutual bank here in Finland, they -- they're under ECB. So they have a 14.3% minimum capital requirement.

And this is something we can do nothing about.

**Q - Wajahat Rizvi** {BIO 19928187 <GO>}

Okay, thank you.

**Operator**

We'll take our next question. Caller, please go ahead.

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

Hi, there. Thanks, Jonny Urwin here from UBS. Quick question on the underlying loss ratio development, there is a bit of deterioration in the quarter and I know it bounces around quite a lot the underlying loss ratio and you're reluctant to sort of draw any trends, so I just wondered if you could tell us what you think pricing is doing versus claims inflation, at the moment in each of your key P&C markets, that will be great. Thanks.

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

That's actually a fairly easy question, because price changes in general are in line with claims inflation regardless actually if what market you look at or which business area.

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

I mean, is there any areas of rising claims inflation and so --

FINAL

Bloomberg Transcript

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

Not really worth mentioning from a group perspective or that I think will have had an effect on group combined ratios. We have discussed claims inflation in Norway particularly in the motor business for some time, higher now than a year or 18 months ago, but it's really no business area or no product line that have had an effect on the group results when it comes to claims inflation.

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

Okay, thank you.

**Operator**

We'll take our next question. Caller, please go ahead.

**Q - Unidentified Participant**

Good afternoon. (inaudible). Couple of questions left. Just on the Life business, we seem to have gone from a quarterly run rate of about 50 million up to about 70 this quarter, just wondering if that's something we should expect going forward? I don't think you changed the discount rate in this quarter. So on the assumption that you don't change going forward is 70 the new 50?

And sticking with the Life business, I think it'll be fair to say that the agreement with -- or the distribution agreement with Danske has been at times disappointing, in terms of the amount of volume that they have been able to drive through their branches, what changes have you made to ensure that that will be more successful, other than just have commissions of course, but what gives you confidence that that will be a more successful agreement going forward?

And finally, I noticed that the -- obviously the higher reserve release in Q1 in P&C and I appreciate that these things can be volatile on a quarter-on-quarter basis, I wonder Ricard, if you could just remind me of your reserving principles in the P&C business, in terms of trying to assess what reserving buffer there might be, because I suspect it's meaningful.

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

I don't think you can draw a conclusion of any run rate in Mandatum Life, we showed now a result of 70, if Danske deal closes as it should in Q2, I think that the underlying run rate will be lower if we already have 200 million on top there, so but we are not talking big differences, I myself have been assuming above 50 is the bottom and somewhere above 50, but how high it will of course depend also on the investment markets.

On the sales volume with Danske, we have no guarantee that how they will perform. I think they are strongly incentivized now to perform in their sales here, because they pay upfront for a long-term sales agreement, so that should be positive, but we don't know

how they prioritize Life sales compared to their other products in the distribution shared channel, it's always a question.

From a profit perspective, I think it's important that our expectations that the relationship will produce roughly 20 million of annual pre-tax profits and then we must remember that if the portfolio transfer had taken place, there would have been the synergies of about 5 million.

So now in this situation, the payback for taking this deal instead of the old deal is favorable for us, monetary wise immediately with a pre-tax P [ph] of 4 to 5. However, it's a strategic relationship and therefore it's a win-win for both parties. So Danske has now the best product portfolio as an offering from a life insurance company in Finland and we have the only remaining free bank distributor exclusively working for us.

So it's a win-win deal. Volumes are to be seen.

### **A - Ricard Wennerklint**

And on the reserving we haven't changed our methodology. We continue to be conservative. And so to the extent that there are any margins in the reserves, they are at the same level level end of the quarter, as they were in the beginning of the quarter.

But you're right, prior year gains were higher in the first quarter than what we have sort of normally seen or guided even in a low inflation environment. That's to some extent sort of neutralized a bit the fact that the first quarter had a more normal winter compared to first quarter last year, for instance. So you don't really see it in the bottom line number. We see a 1% improvement compared to last year and for me, that's roughly where we were in the quarter one, 1% better than last year.

So I think that's roughly, what I have to say on reserves.

### **Q - Unidentified Participant**

And just on the reserving, was this specific and case estimates that were revised, there was just a general speak of the reserves, the card in the quarter.

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

It was actually about you know the individual case reserves and just a effect of continue to see low inflation. So was no particular line of business or products, bear in mind of course that most of our reserves are with a long tail business, so you would expect more from motor and worker's comp or liability compared to the short-tail business. But nothing really in particular.

### **Q - Unidentified Participant**

And when you say 1% better than last year, that's just your assessment broadly for where the market is now compared to last year, is that fair to say?



FINAL

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

Well, that's my assessment of where we are compared to one year ago and as you can see, we also guide 1% lower end of first quarter this year compared to end of first quarter last year.

**Q - Unidentified Participant**

Okay, interesting. Thank you.

**Operator**

We'll move on to our next question. Caller, please go ahead.

**Q - Unidentified Participant**

Good afternoon, everyone. I've got three questions, please. The first one is really just to clarify your comment on the 1-point improvement you're saying -- you've seen in the first quarter. So is that basically, are you saying that the 3 points increase in the combined ratio when we adjust for reserve leases and losses is all down to weather and therefore, underlying it better? That's my first question.

Secondly, I just -- my question is on the Mandatum and the 200 million pre-tax gain you're due to receive by continuing your distribution agreement with Danske. I was wondering whether you had any plans on how you would deploy the proceed?

And finally, just in terms of the capital as the solvency II capital models for If, the gap between the economic or partial internal model and the standard formula is quite wide now. So I was wondering whether you plan to resubmit your partial internal model for approval at some stage in the future? Thank you.

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

Okay, let's start with the 1% -- my comment was only to say that we are reporting 1% lower combined ratio than last year. We have guided 1% lower for the full year. There are ups and downs in this and the big difference now compared to last year if you look at sort of general environment is that we've had a normal winter this year we didn't have that last year. So, that's a --

**A - Unidentified Speaker**

Okay, understood. Alright.

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

That's the worsening, but of course, then, on the positive side of this quarter, we have had a higher prior year gains than what we've normally have had.

**A - Unidentified Speaker**

Bloomberg Transcript

Okay, on Mandatum Life, we haven't made any decisions, how to deploy the proceeds. Partly, it will be returned to the parent through an extra dividend, but we haven't made any decisions on that.

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

On the model side, --

**A - Unidentified Speaker**

Okay, understood.

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

Yeah, on the model side, basically what is binding us is the S&P model, so but this gives us more flexibility have in the partial internal model from the regulatory perspective to move our --

**Q - Unidentified Participant**

Okay, guys, but --

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

Sorry?

**A - Unidentified Speaker**

Okay, no thank you.

**Operator**

Our next question, caller, please go ahead.

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

Yes. Thank you, Per Gronborg from SEB. My first question, I'll return to the Danske Bank deal. Just a clarification on the original deal you had 75 billion in goodwill that would be offset in the gain. Will that still be offset, or will you keep that good will on your balance sheet?

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

We will keep the goodwill on the balance sheet, yeah, so it doesn't change now.

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

Okay. Perfect, the EUR20 million you originally talked about is a reduction in profit from Mandatum from the deal disappearing. Now Danske have got better terms, how much of those 20 million are you expecting to get back or to keep [ph] on your P&L?

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

I think that we are at least in the beginning, we are expecting this business to generate a gross profit for us of 20 million.

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

Okay.

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

So it's unchanged. The positive change in number is more a round up figure.

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

Okay, perfect. Question on your running yield, you addressed your running yield in without taking into account the currency hedges, you have previously addressed the impact of currency hedges, can you update on what your running yield would be including currency hedges in If and Mandatum?

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

No, we are not really thinking of the currency hedges. Our running yields are more or less the same now in Mandatum, it's -- last year it was 2.4, now, it's 2.6, in If it's at the same level, 1.5 as the year before. So currencies fluctuate, they come and go, and we don't have a number -- net [ph] of currency hedges on top of that.

**Q - Unidentified Participant**

Well, is this correct that a lot of part of those investments are in US dollar and I assume, you don't have a open [ph] exposure to US dollar?

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

Part of them are in US dollar and we have a small open position also in US dollars at this moment.

**Q - Unidentified Participant**

Okay, thank you.

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

Thank you.

**Operator**

We'll take our next question. Caller, please go ahead.

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

Good afternoon. Thank you. This is Vinit from Mediobanca. I just was curious, in the press release you have mentioned that the challenging market environment for Sampo, were you just referring to the exchange rates or were you referring to motor markets or could you just clarify on that, that will be very helpful. Thank you very much.

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

No, the reference is to the capital markets, not to the actual operations of -- of any of our insurance businesses, if I understood it well.

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

I mean, it's remarkable because in Life it was one of their highest quarterly results have ever -- hello?

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

Yes, we can hear you well.

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

Sorry, I interrupted. Please carry on.

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

No, no I think I said what I had --

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

Yeah, okay. No, no I was curious because in Life, we've seen one of a very high, I mean obviously, equity market gains flowing in Life, probably -- yes, it was a tough-ish environment, but you're referring to the investment market only --

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

Yes, Vinit not the mark-to-market returns. They were not particularly high.

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

I think you're mixing up mark-to-market and AFS results here. Mark-to-market returns in Mandatum was slightly negative on the investments.

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

Yes. And can I just follow up on the underlying -- apologies for the the P&C underlying loss ratio? I mean last year I think in 1Q it was somewhat -- the, my understanding that there is the 1-point good weather fortune in that number. That still leaves a gap of 2 points between that adjusted level and today's normalized winter water level.

Is there anything else you would like to point out to explain that gap or is it just volatility or random fluctuation that we should understand? Thank you.

FINAL

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

Well, as far as I can remember, I don't think we did any normalization in the beginning of last year and we haven't tried to do it this year. There are a number of things you can of course argue that you can normalize for in insurance, weather being one of them, large claims being another, and of course prior year gains.

I tried to make an indication earlier that I think that the reported combined ratio for this year being 1% lower than last year is a good indication of where we feel the sort of the -- the performance of the business is. If you want to go into detail in the numbers, you can -- you will of course see that this first quarter was more of a normal winter quarter in the Nordic season.

Last year it was a very, very good winter from an insurance perspective. So that's the difference. But all in all, if I would try to do the normalization game, I would put us roughly a 1% better than we were in the first quarter of last year.

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

Okay, thank you very much.

**Operator**

We'll move on to our next question. Caller, please go ahead.

**Q - Unidentified Participant**

Thank you very much for the second opportunity. So going back to capital allocation. On the market -- at the moment at least is clearly rewarding the insurance business better than the banking business. Does that -- and I know you're saying the bank [ph] will bounce back, but longer term you still had (inaudible) you're still in my point of view an insurance company. And what, how much of that \$3 billion buffer could we see deployed in insurance deals potentially? I think in Baltics, I don't know, there might be other stuff. Thank you.

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

I don't think that we are that much in an M&A mood right now. I don't see any -- in a way we are a proxy for all of you into the Nordic financial sector, and our latest investments have been in payment infrastructure, trading platforms and consumer credits and that means that we have seen them as more favorable. I have no plans, I haven't heard of any internal plans to expand our exposure in the Baltics. So I think that we have a very strong position in the Baltics, we don't need anymore business there.

On the buffer, we have always wanted to be overcapitalized and especially that capital could be used in a downturn to take on more at more attractive valuations at this moment we are not going to use the 3 billion for anything exciting. We want to stay strongly capitalized in this environment.

## Q - Unidentified Participant

Brilliant. Thank you very much.

## Operator

We will take our next question. Caller, please go ahead.

## Q - Unidentified Participant

Alright, this is Oliver [ph] from Bernstein. I wondered if you could just provide an update on the competitive environment in your main P&C market, and in particular, are there any areas where you've noticed any increases or decreases in the intensity of competition you're facing. And then also I'd be really interested in more of your thoughts on the Swedish mortgage market, and what makes you so confident that I think that it's only the top-end developers that you think will face losses?

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

Well, I'm so old again, that I have seen real crisis and that was early '90s and then it -- then we had a real crisis, that is layman-wise, not anything compared to that and even then we couldn't get that -- there were no real mortgage losses of any magnitude. I think that in Sweden, the demographics are such that there is a real big need of new housing, I think, up almost 40,000 people moving to Stockholm every year.

The GDP is growing, interest rates are low, certainly you will see asset bubbles and especially top end developers might have gotten a little bit or in a big way carried away, but loan to values in Nordic banks are such that we are not going to see any credit losses on (inaudible) from those. The normal mortgages that for instance the main banks have given out, they are very, very prudent, so it's not an area of worry for me.

## Q - Unidentified Participant

Okay.

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

On the P&C, the competitive environment in Q1 was actually -- was a very calm quarter, especially one, find one area where it was maybe a bit more hit than the normal it was the commercial market, they sort of the largest segment of the commercial market, where we have seen some increased competition and we have talked about it earlier, that that's the segment that we think are coming up to premium increases slightly higher than claims inflation, generally speaking, but other than that it was a very calm quarter.

## Q - Unidentified Participant

Okay. Thank you.

## Operator

We'll take our next question. Caller, please go ahead.

### Q - Unidentified Participant

Hello, good afternoon, everyone. Just a quick question on Topdanmark for Peter. If you could explain us the accounting differences between Topdanmark in the loan [ph] and in your accounts, and how much of this is structural, what the structural difference will be over time? And sorry if this has already been asked, but just to make sure I understand this correctly, thank you.

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

Okay, thanks. Yeah, this is unfortunate that we had to change partly their numbers to be in line with If's way of accounts or the auditors didn't give away on this one, but -- so basically Q1 going forward, you will see that Q1 will normally be higher, because majority of Topdanmark's premiums come in the first quarter, they say that around 50% .

And so this will even out during the year. So at the end of, when we report the full-year numbers, then basically, we have the same numbers than Topdanmark. So the coming quarters will be again, marginally lower.

### Q - Unidentified Participant

Okay. That's very clear. Thank you.

### Operator

There appears to be no other questions at this time. I will turn it back for any closing or additional remarks.

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

Thank you, operator and thank you all for your attention. Have a great evening and please remember that tomorrow is a public holiday in the Nordic countries.

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

Talk to you on Friday. Thanks.

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

Thank you.

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect,*

*incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*

FINAL

Bloomberg Transcript