

Q3 2018 Earnings Call

Company Participants

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

Other Participants

- Blair Stewart, Analyst
- Jakob Brink, Analyst
- Jan Erik Gjerland, Analyst
- Jonny Urwin, Analyst
- Michael Huttner, Analyst
- Per Gronborg, Analyst
- Steven Haywood, Analyst
- Thomas Seidl, Analyst
- Vinit Malhotra, Analyst
- Wajahat Rizvi, Analyst
- Youdish Chicooree, Analyst

Presentation

Jarmo Salonen {BIO 1860650 <GO>}

Ladies and gentlemen, welcome to this conference call on Sampo Group's Third Quarter 2018 Results. I am Jarmo Salonen, Head of Investor Relations at Sampo. And with me at this call I have Kari Stadigh, our Group CEO and President, Peter Johansson, our Group CFO and Ricard Wennerklint, Deputy Head of P&C Insurance.

We will start as always with Kari's introduction into Q3 developments and then open up for your questions. Let me remind you already at this stage that you can follow this broadcast on sampo.com/result and a recorded version of the call will later available at the same address.

With these words, I'll hand over to Kari. Kari please?

Kari Stadigh {BIO 1504152 <GO>}

Thank you, Jarmo. Welcome to the conference call on my behalf as well. Our insurance operations continued overall its very strong performance in the third quarter. Relative to our competitors, this was the best quarter ever. The improved insurance results also compensated for the disappointing results of Nordea.

Sampo profit before taxes for the third quarter was up 3.2% to EUR490 million not taking into account the positive one-off from the consolidation of Topdanmark. If P&C reported the best ever nine-month combined ratio of 85.8%, this without the positive one-offs in earlier years.

Also the cost ratio at 21.6% was best ever. The number of clients continues to grow in all markets and also client satisfaction is improving. Even if we don't target market shares, it is worth noting that our car insurance market share on a Nordic level grew for the sixth quarter in a row.

We will continue our investments in digitalization and scrap old systems one after the other as we move into uniform IT platforms. This is a time of less strategy and more execution, as we are less focused on clients and based on our tradition of underwriting excellence.

Given our strong performance, we lowered our combined ratio guidance to 85% to 87% for the full year 2018. This positive development is also true for Topdanmark where the combined ratio is at an excellent level of 82.7% for the first nine-months, and Topdanmark also improved their guidance for the full year 2018.

Nordea disappointed us in the third quarter. Yes, it is true that the bank is well capitalized and its combined -- core Tier 1 ratio is at an all time high level. Its loan losses are low and costs are declining. However, that is not good enough.

Given Nordea's strong capital position and leading market position in all Nordic countries as well as its significant capital-light high ROE wealth management business, one has the right to expect more.

However, the market is always right and I must admit that for the moment, I'm disappointed. Rest assured that as the main owner, we want more and we are going to see to it that it materializes over time.

Nordea can only accept the number one position in its client offering and its client satisfaction and today we are far from it. It has to be the main partner with many new disruptive FinTech companies and as banking is all about capital allocation, the ROE has to be clearly higher in order to meet our expectations.

The year-after-year increasing dividend requirement comes without saying, we are a very determined long-term owner, let's see what we can deliver. Mandatum is enjoying a good tailwind, gross written premiums are as planned at EUR681 million this time of the year, which is EUR51 million above last year.

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The distribution through Danske has started to pick up well and we have risk products there as the spread had i.e., loan insurance. And the unit linked assets under management have reached the highest ever level at EUR7.2 billion. All in all, a very good performance.

Our internal cash flow remains strong. We increased our dividend from 1f to SEK7 billion from last year's SEK6 billion. Given the changes in currency rates, this corresponds in Euros to EUR675 million which is an increase of EUR55 million from last year's level. Also Mandatum has distributed during 2018, EUR300 million in dividends to Sampo plc compared to 275 million the year before. As always, we remain a dividend stock and are fully prepared to increase our dividend with a modest amount next spring as well.

Jarmo Salonen {BIO 1860650 <GO>}

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

Questions And Answers

Operator

Thank you. (Operator Instructions). And the first question comes from the line of Youdish Chicooree from Autonomous Research. Please go ahead, your line is now open.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Good afternoon everyone. I have got two questions please. Firstly, could you just comment on the state of competition in your key markets and whether across all your portfolio you are able to increase prices in line with claims inflation? And secondly it's on the premium growth trends in Sweden and Norway, which is currently running at 45%. So could you comment on what lines are driving this and how it splits between volume and pricing? Thank you.

A - Kari Stadigh {BIO 1504152 <GO>}

Markets all over Scandinavia has been quite calm in the third quarter. You can see that from us being able to increase the number of customers in all key markets in private and commercial and also retention is very high. So all in all, I would say stable markets in the third quarter. We expect to see a pickup in market volatility in Norway, since there are some premium increases coming through in the market, especially in the commercial market.

Premium growth is primarily in Sweden, driven by higher retention rather than increased new sales, but it is high retention and for some time, we have seen quite high car sales, however, not in the third quarter. But high retention and some increased new sales in commercial and private.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Okay, understood. I mean do you think this level is sustainable in the near-term?

A - Jarmo Salonen {BIO 1860650 <GO>}

Growth in Sweden in private will be determined by, I think it's largely sent [ph] by car sales in the coming year. So that's very difficult to have a view on. Apart from that, I think it will be sustainable, yes.

Q - Youdish Chicooree {BIO 17430923 <GO>}

Okay, thank you very much.

Operator

And the next question comes from the line of Jakob Brink from Nordea. Please go ahead.

Q - Jakob Brink {BIO 20303720 <GO>}

Thank you. I have three questions please. I think the first one might be for Peter. On the chances of the capitalization of Nordea and also the internal models in If and Topdanmark. Could you maybe give some indication of a net impact and also timing, and then lastly, maybe consequences for capitalization of Sampo. Then the second question, just coming back to what you just said now Ricard about Norway, I'm not quite sure I understood, but you said something about volatility is expected to go up, could you maybe clarify?

And then lastly as you said, Kari, you're paying up additional internal dividends from Mandatum, increasing it from If, should we look at this as financing further acquisitions on a group level or is it, should we look at it as supporting the dividend? Thank you.

A - Peter Johansson {BIO 3902189 <GO>}

This is Peter, if I start on the capital side, yes, we can use now the partial internal model both for If and Topdanmark in our conglomerate capital calculation and we had assumed that we will do so at year-end and that will have a positive effect of close to 500, if I use the September numbers, pro forma would be around positive EUR500 million. So basically that would increase the excess capital to over 4 billion.

Year-end, actually the Nordea capital increase will be quite marginal using simply the end of September numbers, but the potential negative effect or the actual negative effect kicks in 2019 first in the second quarter, no, sorry, in the first quarter when the global SIFI buffer for Nordea goes up to 2% and that's part of the pillar 1 requirement and then the full effect when it goes to 3% in end of Q3, but the expectation is that the outcome of the 500 minus the increased capital requirement in Nordea will be negative, but it's too early days to say -- to give you any exact numbers because that will depend heavily on what the development on REA will be in Nordea.

A - Kari Stadigh {BIO 1504152 <GO>}

But overall, we are going to maintain our -- the present situation that we are over capitalized, so it will not as in any substantial way change the Group situation.

A - Peter Johansson {BIO 3902189 <GO>}

Norway?

A - Ricard Wennerklint

Norway, yeah. Maybe volatility was a bad choice of word when I was speculating about loss and the fact that most of our market has been very stable in the third quarter, but when we see a pickup in premium increases in a market which we do see right now in the Norway and hear about it, you could expect some increased churn and some increased new sales.

So, and it doesn't really matter for us and it doesn't really impact the numbers in a big degree whether churn picked up a bit, but sites [ph] more comment to where I expect the Norwegian market to be, going forward.

A - Kari Stadigh {BIO 1504152 <GO>}

In the parent company, we have made these direct investments today to a value of roughly 1 billion and we had a plan to have a potential amount of 1.5 billion. So we can still continue them. Given the market situation, we haven't found any new investment objects and we are not that actively looking, because the five investments that we have done some of them might need additional capital if and when they succeed in their own buy and build programs. So I think that we are going to invest in these direct investment something between the present 1 billion and up to 1.5 billion, but not actively looking for other objects.

The internal dividends are more reflecting our strong cash flow, internal cash flow and we have enough capital in the parent to take care of both the acquisitions and the dividends and as you always, you know, we are fully committed to increase the dividend every year and so we will do also next spring.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay. So, just following up on that, so basically you're saying that without the internal dividends, you would have been well enough capitalized to do those additional acquisitions you think?

A - Kari Stadigh {BIO 1504152 <GO>}

Yes.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay. Fair enough.

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A - Kari Stadigh {BIO 1504152 <GO>}

But don't count this in the third decimal because we just want to maintain the nice dividend increase year-after-year. So let's not extrapolate too much out of this now.

Q - Jakob Brink {BIO 20303720 <GO>}

Fair enough, thanks a lot.

Operator

And the next question comes from the line of Jonny Urwin from UBS. Please go ahead.

Q - Jonny Urwin {BIO 17445508 <GO>}

Thank you very much. Just two quick ones from me, please. So firstly, are there any pockets of high claims inflation across the book? And if so, could you give us a line in geography, please? And secondly is the longer-term aim still just to price in line with claims inflation so to price it out or do you think for example high price increases in Norway are an opportunity to sort of price above claims inflation? Thanks.

A - Kari Stadigh {BIO 1504152 <GO>}

There are no larger business lines or business area with high claims inflation currently. Claims inflation is still running at the fairly low level and we have seen no real change during the third quarter.

Yes, we continue to price in line with the claims inflation. However, we sometimes see a possibility and indeed a need to increase slightly higher in individual products for certain customer groups.

So that will continue to happen, but nothing that really change our view on our -- from a sort of group perspective or a Scandinavian perspective. So now, it's still the same story.

Q - Jonny Urwin {BIO 17445508 <GO>}

Thank you very much.

Operator

And the next question comes from the line of Wajahat Rizvi from Deutsche Bank. Please go ahead.

Q - Wajahat Rizvi {BIO 19928187 <GO>}

Hello. Good afternoon, everyone. Wajahat Rizvi from Deutsche Bank. Two quick questions from me please. I remember at the 1Q, there was a comment of around 1 percentage point improvement in the underlying sort of loss ratio.

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I'm just wondering now we have results for two more quarters, do you still remain -- maintain that sort of a guidance, because on an underlying sort of level, I know you guys don't like to look at it in that way that much, it looks like year-on-year we are in 3Q at least, there's some deterioration and overall in 2018, it doesn't look like it will improve by 1 percentage point.

So just a comment on that would be helpful. And the second thing is the combined ratio for Denmark seem to have ticked up quite a lot, so just trying to understand what is happening there? Are there any large agriculture fire claims or what? Thank you.

A - Ricard Wennerklint

So first, back to first quarter. Yeah, I remember commenting that it was a percentage point, better than first quarter of 2017. I did not try to make an estimate for the full year or for the future.

Currently, I would say that the combined ratio is in line with what we saw last year and then I talked about the first nine months of this year compared to the first nine months of last year and of course, the outlook of 85 to 87 you have seen.

So I wouldn't see any change in that, combined ratio in Denmark is definitely on the high side, primarily explained with some large claims and some medium-sized claims both sort of current year and prior year.

So no agriculture fires of any specific nature or anything else and as a side comment, are we happy with the combined ratio for our Danish business when we look into it? No, not really and of course, that's one area where we can increase prices slightly more than the average of the Group.

Q - Wajahat Rizvi {BIO 19928187 <GO>}

Thank you very much.

Operator

The next question comes from the line of Per Gronborg from SEB. Please go ahead.

Q - Per Gronborg {BIO 15910340 <GO>}

Yes, thank you. Two questions from my side, the first one on your combined ratio and the year-over-year development, can I take your combined ratio stripping out of the prior year gains and just stripping out whether large claims are higher or lower than normal and you all had a setback for three quarters in a row, when I look at your Nordic peers, Tryg has delivered improvement seven quarters in a row, Topdanmark somewhat more mixed what I was seeing in your business I guess, Q1 was due to weather but what's really driving the adverse trend build in Q2 and especially Q3?

A - Ricard Wennerklint

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When I look at our numbers, when I look at the profitability of these, we're actually very happy with the profitability level and as I said, I mean it's a very close to where we were a year ago and it is (inaudible) it is absolutely enough for delivering the return targets that we have, I don't see the deterioration that you talk about, so I'm not really sure what numbers you're referring to and of course if you strip out certain things and add back certain other things you can always come up with a comparison that, that looks the way you think it should look, but in all honesty, the results are very, very good.

The profitability is equally good as last year and we have seen no deterioration during this year.

Q - Per Gronborg {BIO 15910340 <GO>}

When I look at your numbers. Yes, I fully agree the absolute level is of course, great, but you have significantly more tailwind from prior year gains this year than you have last year. As if this not something we should expect that this inflated level if it is inflated to continue forever.

A - Ricard Wennerklint

It's still an insurance business and it's still some volatility in claims development of course and it's difficult to normalize for everything like weather, like prior year claims, et cetera, et cetera. But when I look at how we price and how we evaluate the profitability in the group, I don't see the deterioration that you talk about.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay. And my second question more specific to the industrial lines, you are loss making now for the second year in a row, in the third quarter, any specific reason you are loss making in the third quarter or is this just a coincidence? Can you also say a bit what you're seeing in industrial pricing rise and how do you see your profitability on the industrial in the big picture?

A - Ricard Wennerklint

There is nothing specific with the third quarter and in the industrial markets, so it's a pure coincidence, if you see some pattern in the third quarter numbers.

Profitability in the industrial business that we have, I would say is, to make sure that we deliver a -- continue to deliver a good result, we need to increase prices slightly more than claims inflation, but now we are on sort of now in the third decimal that Kari talked about earlier. So it's no great problem, it's just normal volatility in the industrial business.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay, thank you.

Operator

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And the next question comes from the line of Blair Stewart from Bank of America. Please go ahead.

Q - Blair Stewart {BIO 4191309 <GO>}

Thank you and good afternoon. Maybe to start by, by trying to clarify this normalized combined ratio point for the -- that Per was asking, for the nine months this year, if you strip out the reserve releases and adjust for large claims, the combined ratio was about 89 and it was 86.5 at the nine month stage in 2017.

So the 2.5 point difference, I'm assuming that 2.5 points could be easily explained by simple things like lower claims frequency and just natural deviations and -- in the weather patterns, et cetera, year-on-year. Is that correct?

A - Ricard Wennerklint

It can be explained by a lot of things, big claims frequencies and average claims and the weather and whatnot. So, of course, there are many explanations. But I don't see a 2.5% deterioration in average profitability, meaning that I would need to -- I would have needed to increase prices 2.5% more this year than what we did.

I don't really see a change in profitability this year compared to last year. I don't see a need to increase prices going forward with more than expected claims inflation and if I can add to the last one, of course, if I have a possibility to increase slightly more or have a more maybe negative view on claims inflation in certain pockets of our business, then of course, we will do that, but I'm not concerned with sort of the quality of the 86 in combined ratio that we have for the first nine month.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay. I think that's fair. I think 2017 was widely recognized as a year where there was low levels of claims frequency, which hasn't been the case this year. My second question, can I just ask about your comment on inflation, one of your competitors in Norway has talked about high claims inflation in motor and it makes sense what they're saying because the car repair costs are higher for cars with more technology, with electric vehicles, et cetera. Are you not seeing any of that or are you just saying that it's no different to what your expectations were and what you're pricing for?

A - Ricard Wennerklint

I think as, this is difficult to answer, because I don't have full access of course to competitor's numbers, but I think that it's sometimes a bit of a confusion about what we're talking about. If I see a pickup in frequency, that's not claims inflation, if we see newer cars being more expensive than the car used to be, then of course, that's not claims inflation that's just a different type of claim and they could be more expensive than they were -- than the same sort of accident incurred a year ago or two years ago.

So now we have seen no dramatic pickup in claims inflation, but of course, one of the areas that we have singled out where it's slightly higher than average, that would be the

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motor business in Norway. So, for sure but not any numbers that are sort of dramatic or has any real impact on a Group level for If.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay, thank you. And maybe if I could just ask a final question to Kari. Kari, you said in your prepared remarks that this was less about strategy and more about execution going forward, and I guess the two parts of your business, when I look at it, that are perhaps not delivering and maybe need a bit more execution in them would be Denmark, not Topdanmark business but your own business in Denmark, what can be done from an execution perspective there that can fix that business, so to speak.

And secondly, with Nordea as well, you talked about it, but what can Sampo do as one of the main owners to improve the execution at Nordea and how patient are you going to be?

A - Kari Stadigh {BIO 1504152 <GO>}

Well, I think that we are less patient than before, because we are disappointed and I can't, of course discuss our future actions. So you have to be patient. We are a patient owner in that sense that we are committed to be a long-term owner in this extremely cash generative asset where we see increasing value and dividend going forward, but it's an oil tanker.

So it moves slowly, but yes, I would say this is the low point. We are now disappointed and now we have to see what -- how to execute more efficiently in the bank.

Q - Blair Stewart {BIO 4191309 <GO>}

Kari, can that happen? Can you get the ROE up to an acceptable level without a rise in interest rates.

A - Kari Stadigh {BIO 1504152 <GO>}

I think that we can clearly improve it from what it is today, but I would say that for a bank in general, the present interest rate is anomaly, it's unusually low. So this is not a normalized situation. This is not within any normalized parameters.

So I would say so, we all know that 1 percentage higher interest rates in Nordea is between 600 million to 800 million on the bottom line. So I think that all Nordic banks are going to earn much more, especially if the Swedish Krona interest rate is different from today.

But we have had the wrong view on interest rates for five years. So even there, we are patient but sooner or later, we have to see a different development especially concerning Swedish krona and it will be positive. Where we draw the line, what is acceptable, both our own actions and interest rates will contribute to the ROE. So let's see how much comes from each bucket.

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Q - Blair Stewart {BIO 4191309 <GO>}

And Denmark?

A - Ricard Wennerklint

When it comes to If in Denmark, I mean the lowest hanging fruit is of course the cost level in Denmark, which is much higher than what we have on the Nordic level and there are many things we can do. The reason we haven't done them is that many of them has to do with the IT infrastructure that we're working on, and since Denmark is the smallest market, it's the last area that we introduce our Nordic systems at in. So that is what we're working on and then there are some pricing issues that we can still do, i.e, the increased prices that I talked about earlier.

But cost is actually the lowest hanging fruit, but it is also the one that takes some time. But we will get -- definitely come there.

Q - Blair Stewart {BIO 4191309 <GO>}

What's the time frame on getting the Nordic IT infrastructure into If Denmark?

A - Kari Stadigh {BIO 1504152 <GO>}

The full effect of If Denmark is not during this year and probably not during in next year either.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay. Thank you very much for your time.

Operator

And the next question comes from the line of Michael Huttner from JPMorgan. Please go ahead, your line is now open.

Q - Michael Huttner {BIO 1556863 <GO>}

Fantastic. Thank you very much. I had three questions, the first one is on Nordea and just to confirm, when you calculate the solvency for the bank. The available capital, the figure which goes into your earned funds figure is the book value of Nordea, not the share price and the second question is, when you were listing those lovely rises in cash flow from Mandatum and from If, you didn't mention the top dividend now I maybe probably wrong, but it looks like that's 200 million that's a big number and that would allow you to grow your dividend more than the kind of modest figure that you said so, I'm just wondering whether implicitly you're kind of using that, I don't know actually the question is why didn't you mention it and maybe I'm missing something.

And the third question is, you know we had these -- issues kind of public upheaval what you have [ph] around Danske Bank, plus two months ago, has there been any

consequence or do you expect any consequence for you direct or indirect going forward?
Thank you.

A - Peter Johansson {BIO 3902189 <GO>}

This is Peter, I can start with the Nordea capital calculation. The book value or the market value doesn't have any effect on our capital, how we calculate the minimum capital requirement for Nordea. So we simply have to take what is the Pillar 1 minimum requirement and then we take our 21.25% of Nordea's minimum capital requirement.

Q - Michael Huttner {BIO 1556863 <GO>}

And -- But on the end [ph] of the figure above in the included in the numerator which figure is that?

A - Peter Johansson {BIO 3902189 <GO>}

Own funds is simply -- the group Sampo group own funds, there in Sampo group own funds, you have the value of Nordea, but not that market value. So it's the historical acquisition value plus then our share of Nordea's profit.

Q - Michael Huttner {BIO 1556863 <GO>}

Okay, brilliant. Thank you.

A - Kari Stadigh {BIO 1504152 <GO>}

On the top dividend, I think that the number you referred to is the 100% of Topdanmark's dividend and we only own less than 50%, that's one comment. The second comment is that the Topdanmark dividend will be decided in the Topdanmark AGM, depending on what is proposed by the Topdanmark Board and as it's a listed entity, it's not something where we have insight at this moment, but the only thing we know is that a year ago, Topdanmark became a dividend stock and they distributed more than a 100% of their profits last year, because they did both buybacks and dividends.

So we interpret that Topdanmark is a very good dividend payer. Let's see what they decide. On Danske, I think that we don't -- I don't see that we would have any direct effects from the Danske, but of course all Nordic banks have suffered because of the bad publicity involved in this. There are both factual things and media things, all, both factual media things relate to things that happened actually many years ago and we must remember that Nordea was fined in 2013 and 2015 for deficiencies in KYC and AML.

So it's clear that Nordea wasn't up to standard 5 to 10 years ago. I think that Nordea or my understanding is that Nordea today is fully compliant and I wouldn't expect to see anything like this in present Nordea and therefore, I think that the consequences are going to be indirect and especially on brand and public image of the Nordic banking sector in general.

Q - Michael Huttner {BIO 1556863 <GO>}

Okay. From the top dividend and this is probably where I got it wrong. I think what I was assuming that the dividend that you received from Top this year, so I think it was paid in April will affect the dividend that you pay out yourselves in 2019, but from your answer, I'm guessing that's the top dividend that was paid in '18, you immediately paid out or you took into account when you made the dividend decision for the dividend, you pay that you've already paid out, is that right?

A - Kari Stadigh {BIO 1504152 <GO>}

Our cash pool is much, much bigger than Top's dividends. So we really didn't allocate them, there is no break point that before or after our dividend and we have sufficient cash flows to support the dividend from many streams and TopDanmark is only one of them and we don't these -- we don't cut the year in our dividend in that sense.

Q - Michael Huttner {BIO 1556863 <GO>}

Okay, brilliant. Thank you.

Operator

And the next question comes from the line of Thomas Seidl from Bernstein. Please go ahead.

Q - Thomas Seidl {BIO 17755912 <GO>}

Yeah. Thank you. Good afternoon. First on Life, you mentioned some tailwinds Kari, I think the investment with that is a bit volatile with this tailwind, it's now double what it was in Q2, so what is driving this volatility and what would you consider is a normal run rate for a profit before tax from Mandatum, I mean, in the past we used I think 50 maybe it's now 60 to 70, so -- comment would be helpful.

Secondly, you said the Nordic financial suffered a lot on the back of this discussions and you have a big exposure there on the equity markets, (inaudible) I'm surprised actually that the fair value reserve you have is pretty stable in Q3.

Can you comment and why it was a stable and should we expect now after October that the fair value reserve is a lot more down at nine months. And thirdly, on the dividend again, with the dividend from If and the normal run rate of earnings, I get to above 100% payout ratio. Is this a one-off or should we expect you to continue paying out more than 100% from If?

A - Kari Stadigh {BIO 1504152 <GO>}

I don't think that you need to calculate the payout ratio in If. If is strongly over capitalized, so if we wanted to pay more than 100% we could very well do that, our historical average I think is 85% or something like that.

A - Peter Johansson {BIO 3902189 <GO>}

Yeah, or maybe even slightly higher.

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A - Kari Stadigh {BIO 1504152 <GO>}

Yeah. So I would assume that given nothing unusual, the payout ratio, if you want me to guess, we don't really look at it as a payout ratio, but it would be between 80% to 100%.

Q - Thomas Seidl {BIO 17755912 <GO>}

Yeah. And are you -- are you planning to bring down the capital buffer of If over the next couple of years by doing a higher payouts then?

A - Kari Stadigh {BIO 1504152 <GO>}

Well, we don't plan many years in advance. We have for the last 10 years, we have always been over capitalized and we have this buffer, if there was some need, we could of course extract a higher dividend from If than we do today, because there are significant buffers, but we don't have any plan. Well, our plan is to increase our group dividend every year and we have ample buffers to continue doing that.

On the fair value reserve, I don't think that there should have been any other changes in the first nine months because, the turmoil that we saw was mainly in the October and I would just with a finger (inaudible) if you would say that probably the fair value reserves are 10% down and then Nordea is a separate case because Nordea has come down much more so, probably our NAV would be down EUR2.3 or something today compared to that. But that's a guesstimate again, I haven't calculated.

Well, then what was your first question?

Q - Thomas Seidl {BIO 17755912 <GO>}

On Mandatum the investment risk [ph] side is quite volatile double in Q3 from compared to Q2, what is a normal run rate for the investment risk side and why is it actually is a volatile?

A - Kari Stadigh {BIO 1504152 <GO>}

Well, I think that the investment side in Mandatum is volatile because it has, let's say roughly 40% -- 45% -- 40% equity risk weights so it's -- you have heard us many times say that the old with profit portfolio with Mandatum we treat as a hedge fund. So we feel that we can earn a margin on the discounted liabilities and we still feel even in this low interest rate environment that over the cycle, we can continue doing that. We haven't really given any guidance on the quarterly profit levels, but the management team at Mandatum, they have been building successfully up a wealth management business, which is also producing a very good ROE. And on top of that, we have the risk result and expense result. So we have actually four components where we gather the results and of course the investment income is the volatile one and the other ones are less volatile.

Q - Thomas Seidl {BIO 17755912 <GO>}

All right, thank you very much and maybe also thank you to Peter because I guess it's probably your last call you are participating, for the great working relationship over the

last years. Thank you very much.

A - Peter Johansson {BIO 3902189 <GO>}

Thanks, thanks for that.

A - Kari Stadigh {BIO 1504152 <GO>}

Thank you for reminding us. I should have opened with thanking Peter for the great work he has done, but it was -- I think even more valuable when you pointed it out. Thank you so much. That's very generous of you.

Operator

And the next question comes from the line of Jan Erik Gjerland from ABG. Please go ahead.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Good afternoon. It's Jan Erik Gjerland from ABG. Most of my questions have been answered, but I just want to make sure that I understand the volatility in the Norwegian and commercial combined ratio year-on-year when it comes to the third quarter, because it looks like it's 450 basis points difference between the combined ratio in Q3 this year versus Q3 last year in Norway and some 810 in the commercial business. Could you just shed some lights to those two diversification, please?

A - Kari Stadigh {BIO 1504152 <GO>}

The changes in the Norwegian combined ratio mainly has to do with -- well, the large areas of the large claims some prior year development and of course the different weather that we have seen in Q3 this year compared to last year.

Again, nothing if I were to look at the pricing of the business, the estimated sort of risk ratio with normal claims development there is really no difference year-on-year, maybe ever so slightly up, which is of course why we do price increases in Norwegian market, as we have talked about before.

So, it's now 450 basis points or worse (inaudible)

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

And is there a difference between those two quarters because it's multi [ph] to tell about your -- tax claims as well as your -- five year gains in the different markets as you don't know them fully. Thank you. And for commercials?

A - Kari Stadigh {BIO 1504152 <GO>}

That was an answer for both commercial and private.

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Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay, thank you. And finally just one question on the equity level.

Operator

Sorry.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Should I go on for one more question please? On the equity level, you seems to have been increasing your portion of equities during the third quarter results. So they -- should we expect them to be increased further during the fourth quarter?

A - Kari Stadigh {BIO 1504152 <GO>}

I don't see that we have increased our equity weights, actually our Chief Investment Officer just informed me that in the last 2.5 years, we have sold equities for 900 million. So our equity weight has been more or less the same, all the time we have been shaving off the value increase for the last 2.5 years.

So if there is a different number, then it's just some small fluctuation, but no allocation change from our part.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay. Thank you. That's all from my side.

A - Kari Stadigh {BIO 1504152 <GO>}

Yeah, okay. For equities, there is apparently a change from 15% to 16%, but that's a round-up.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay, thank you.

Operator

And the next question comes from the line of Steven Haywood from HSBC. Please go ahead.

Q - Steven Haywood {BIO 15743259 <GO>}

Thank you very much. I see that you've upgraded your full-year combined ratio again to 85% to 87%. And I was wondering whether because this has been, maybe a fairly typical kind of underwriting year for If P&C, whether a 85% to 87% combined ratio would be a good outlook for 2019 and if you can comment on any thoughts about 2019 yet, that would be great. Thank you.

A - Kari Stadigh {BIO 1504152 <GO>}

Unfortunately, we can't comment, you have to wait for our guidance for next year, but I don't know if Ricard wants after my opening remarks to say something.

A - Ricard Wennerklint

I think that would be a bad idea.

Q - Steven Haywood {BIO 15743259 <GO>}

Okay, thanks very much.

Operator

And the next question comes from the line of Vinit Malhotra from Mediobanca. Please go ahead.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yeah. Thank you. So several topics addressed for me as well, but if I can please clarify two things, first is that, you mentioned the Nordea ownership, your patient owner [ph] , Mike, I'm just curious that in the event that Nordea's efforts do not work, then if it is a safe assumption that your dividend and the modest growth plans do not get affected, is that a safe assumption would you say?

A - Kari Stadigh {BIO 1504152 <GO>}

So I think we have ample buffers to continue to increase our dividend, even if Nordea's dividend was flat, but I would be extremely disappointed if Nordea is not increasing its dividend as they have communicated.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Thank you. Second question is just you, Kari, you mentioned that the car dealership for six quarters in a row now Sampo has increased its market share in that space. Is it worth just exploring that some of these new cars might be the electric or the trouble maker hybrids or whichever way, if its possible for you to comment that is that some of the reason why you had to point out Norwegian motor as an area of concern?

A - Kari Stadigh {BIO 1504152 <GO>}

We have increased in the general car market so it's not just sort of new cars from car dealers but of course new cars are a large part of this when we sell a new car insurance it's of course extremely important that it's priced correctly.

That's one of our core competencies. Are we more worried about electric cars and the new cars? Not really. New cars is always slightly more difficult to price than something that has been on the roads for 10 years, but we're not more worried with the cars that are sold today than the cars that were sold few years ago.

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However, have we seen different claims development in certain new models? Have we seen different claims frequency, the answer is yes. Is it something that we're concerned about? Is it something that we don't think we can price correctly, the answer is no.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Okay, very clear. Thank you very much.

Operator

(Operator Instructions). And we have a follow-up question from Jakob Brink from Nordea. Please go ahead.

Q - Jakob Brink {BIO 20303720 <GO>}

Yeah, sorry. I just have one follow-up question. I think we haven't discussed with you Kari about your most recent acquisitions of 5% of the interim. Could you maybe give us a few more details on buying those shares, please?

A - Kari Stadigh {BIO 1504152 <GO>}

Yeah. All the five investments that we have done the interim deal is more like a trade, I would say, we see value it's probably one of the most sorted stocks on the Swedish Stock Market and it's an area where we know the players really well.

The company itself it has guided that in 2020 they would earn SEK35 per share and our acquisition value is somewhere around 220-225, 220 is our -- 228 is our average acquisition price. So if they deliver the SEK35 per share in 2020 that they have indicated, then I think this investment will meet our requirement. It's an industry that we know we have been following the company for many, many years and its predecessors. So we thought that the valuation risk adjusted was the correct one now for us.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay, many thanks.

Operator

As there are no further questions, I'll hand back to the speakers.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you. Ladies and gentlemen, thank you for your attention. I wish you all a very good evening. Thank you.

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