Q3 2019 Earnings Call

Company Participants

- Jarmo Salonen, Head of Investor Relations and Group Communications
- Kari Henrik Stadigh, Group Chief Executive Officer
- Knut Arne Alsaker, Group Chief Financial Officer
- Morten Thorsrud, CEO of If P&C
- Torbjorn Magnusson, Chairman of If P&C
- Unidentified Speaker

Other Participants

- Blair Stewart, Analyst
- Jakob Brink, Analyst
- Jan Erik Gjerland, Analyst
- Johan Strom, Analyst
- Jonathan Denham, Analyst
- Jonny Urwin, Analyst
- Kevin Ryan, Analyst
- Matti Ahokas, Analyst
- Per Gronborg, Analyst
- Sami Taipalus, Analyst

Presentation

Jarmo Salonen {BIO 1860650 <GO>}

Ladies and gentlemen, welcome to this conference call on Sampo's Third quarter 2019 results. I'm Jarmo Salonen, Head of Investor Relations at Sampo, and with me at this call I have Kari Stadigh, our Group CEO and President; Torbjorn Magnusson, who will be Group President and CEO starting 1st of January next year; Knut Arne Alsaker, Group CFO and Morten Thorsrud, CEO for If P&C.

We'll have the same procedures as always, but before handing over to Kari, I'll just remind you that you can follow this transmission on sampo.com/results and a recorded version will also be available later on at that same address.

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

Kari Henrik Stadigh {BIO 1504152 <GO>}

Thank you, Jarmo. Welcome to the conference call on my behalf as well. As you are all well aware of, I'm stepping down as Group CEO by the end of the year. Therefore, I'm going to hand over to Torbjorn for the comments on our Q3 results in a moment. Before that, I want to comment shortly on our new guidance on the dividend.

We have, for many years, been committed to a yearly increase of our dividend. Also in our Q2 conference call, I was firmly behind continuing that good tradition. If necessary, even bridging it if our Group internal dividends didn't sum up to an adequate amount. However, two things have changed since our August call, the main thing being, of course, Nordea's new communication, a payout ratio of 60% to 70%, significant write-offs and new Group targets.

The second thing was ECB's communication in early September. Rates will stay lower for longer. My view on interest rates bottoming out was wrong. It became obvious that to continue to propose an increasing dividend for Sampo or bridging an annual increasing dividend was not in the best interest of our shareholders.

It is also worth remembering, the dividend of EUR0.56 already distributed as Nordea shares, and this in itself, reducing the number of shares for which our internal Nordea dividends is based. Thus, a new guidance for the Sampo dividend was needed. It is the duty of the management to react swiftly to news of this magnitude. Our dividend guidance for next spring still maintains our status as a dividend stock, with a dividend yield of roughly 6%. This is my main comment on the dividend.

And now, I hand over to be Torbjorn on the Q3 results.

Torbjorn Magnusson {BIO 1863476 <GO>}

Thank you, Kari. This has been a somewhat unusual quarter for Sampo. We have both had some significant one-time events, both in Nordea and in Sampo, as well as strong developments in our insurance operations. Let me first comment on the more exceptional actions and events.

As we had planned and communicated, we have this quarter distributed 55 million Nordea shares to our shareholders as a dividend, and as a consequence, our ownership in the bank came down to just below 20%. The aim of this was to terminate the regulation of Sampo as a financial conglomerate, since the capital commitment we had to make for Nordea was about to come as economical, as it was illogical [ph]. After the approval by the Finnish regulator in October, Sampo is now an Insurance Group, also for regulatory purposes, with a strong solvency ratio. The process was well executed and with an outcome that aligns the regulation of Sampo with how I strategically view the Group. We have been waiting for Nordea to present their updated business plan and new financial targets.

Now the rapid appointment of a new CEO made it possible to do things in the right order and get him involved at an early stage. And if you allow me to talk as Nordea's Chairman for a moment, I was pleased with the presentation Nordea made two weeks ago. And it was the result of a significant amount of work done by the Board of Nordea, the new CEO and his management team altogether. Nordea's business plan is about better execution, better customer experiences, enhanced operational efficiency, and as a result, better shareholder value creation. It's a credible and realistic plan with the right actions and targets that reduce uncertainty for Sampo and for other shareholders for the coming period.

We have recently communicated how we see next year's dividend for Sampo, and that the Board will review the dividend policy over the months to come. Kari already covered the background to this. The dividend has been and will always be important for Sampo and for our owners. Obviously, our dividend needs to be based on the earnings in the businesses that we own and the dividends that these businesses upstream to Sampo plc. This is nothing new.

With the change in dividend policy in Nordea, expectations of a dividend from Sampo of between EUR2.10 and EUR2.30 per share next year is a straightforward communication, which aligns profit expectations and dividends. I see a communication from 24th of October as a prudent one, but with the best interests of our shareholders in mind, with respect to long-term value creation, which has always included securing a strong balance sheet for this Group.

This has also been a quarter with business as usual for Sampo. So as usual, we have today released a great set of results for our insurance businesses, the combined ratios of the P&C insurance operations that we own are excellent, and as you have seen, the operating environment for Nordic P&C is still very good. Competition from recent entrants without competitive advantages has faded and If P&C had growth for the first nine months of 5%. This is very much due to market-leading web offering and a successful transition into an omnichannel distribution world.

In Mandatum further, the result this year is very good due to high investment returns. The transformation of the Company's balance sheet is continuing with growth in unit-linked reserves and continued reduction amounts with profit reserves. We have taken various initiatives during the third quarter to strengthen the Company's balance sheet given, of course, the impact from the low interest rate environment.

Then for Topdanmark. I think the only thing to say is that we have become so used to the Company performance that non-life combined ratio is just above 80% for the year so far, and continued double-digit percent growth in unit life -- unit-linked life business almost past this, without anybody noticing. However, with the investment in IT -- in IT, that the Company is making, combined with the exceptionally strong underwriting culture, we see possibilities for further continuous improvements.

For Nordea, Q3 results -- the Q3 result was obviously affected by a number of one-offs, which you are already well aware of. But looking at the underlying business, I think it was a decent quarter where we saw some small positive effects from increased business volumes and activities on both net interest and net commission income, and the market shares for the mortgage businesses backed roughly at the back book levels in all countries.

Then lastly, one thing is undoubtedly special for the quarter, we're already well into, not only for Sampo, but for me personally and for Kari, this is Kari's last few weeks as CEO of Sampo Group. I want to thank Kari for the enormous support that you have given me during the last 18 years and for the belief that you have shown that creating shareholder value can be done owning insurance businesses. This was certainly not a commonly held view 18 years ago. We have worked together for an exceptionally long time, so the CEO transition here is a very continuous one, and I obviously share many of your core values, Kari, including a focus on people and equally on accessing maximum information in the markets, and the importance of a strong balance sheet, but equally on not hoarding capital unnecessarily.

So thank you, Kari, and I'm certain, many of you others on this call, wish you all the best for your retirement.

Kari Henrik Stadigh {BIO 1504152 <GO>}

Thank you.

Jarmo Salonen {BIO 1860650 <GO>}

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

Questions And Answers

Operator

Thank you. (Operator Instructions) Our first question comes from the line of Jakob Brink from Nordea. Please go ahead.

Q - Jakob Brink {BIO 20303720 <GO>}

Thank you. I have a few detailed questions. I hope that's okay. But on Page 24 in the slide package, maybe (inaudible), could you just highlight or give us a bit more details on how the equity -- the sensitivity to equity prices, hence also I guess Nordea is actually working? How much of this is Nordea and maybe just a bit more detail on that would be helpful. Thanks.

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

Okay. I can start here. Hello, Jakob. What we show on Page 24 is our equity exposure including Nordea but it's also including the symmetric adjustment under Solvency II, which gives us a buffer for a reduction in the first 20% drop in share prices which obviously is reflected here on this page since we are showing minus 10% and minus 20%, which gives a fairly limited sensitivity. And this is assuming that our equity portfolio, including Nordea, moves in line with the global indices, which is -- the symmetric adjustment is based on. That's what we show on this particular page.

Q - Jakob Brink {BIO 20303720 <GO>}

So what if Nordea would move differently than the World Index?

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

If Nordea specifically would go down obviously that reduction in market value would impact own funds. And roughly 40% of that reduction would reduce the SCR assuming that Nordea was the only stock that went down and Global Markets otherwise remained unchanged.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay, thank you for that. And then on the -- it looks like the reduction in with-profit guarantee reserves year-to-date or year-on-year is somewhat larger than what it has been in recent quarters. I remember I think at the Analyst Day in August there was a presentation talking about you would try to speed up that reduction. Is that what we are seeing the results of now and should it continue the higher pace?

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

Yeah, that's what you see the result of now. The reduction that we have year-to-date is the highest reductions we've had in any of the years where this has been a run-off and roughly EUR200 million of that reduction is related to the 3.5% and 4.5% guarantee. And I would expect that to remain -- probably end up in there somewhere EUR250 million to EUR300 million in total, where the majority of that will be the high guarantee products.

Q - Jakob Brink {BIO 20303720 <GO>}

EUR250 million to EUR350 million. Okay.

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

EUR250 million to EUR300 million.

Q - Jakob Brink {BIO 20303720 <GO>}

EUR300 million. Okay, thank you. And then on the -- and as far as I can calculate the goodwill amortization on Nordea is relatively large here in Q3. I don't know if that's anything to do with the sell down of SCRs. So is that a new level?

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

No, there is no special in the goodwill amortization in Q3. The -- our -- the goodwill -- our goodwill related to Nordea doesn't change. Obviously, we have a lower stock on Nordea shares. So of course that is reducing our holding and book value of Nordea, the 55 million Nordea shares is proportionally reducing the book -- the total nominal book value of

Nordea since it's not -- no longer on our balance sheet. There is no other special things going on in terms of our goodwill and intangibles related to Nordea.

Q - Jakob Brink {BIO 20303720 <GO>}

Great. And then just finally on non-life. So the very strong Swedish combined ratio now for three quarters in a row or even better than it used to be for three quarters. I think you said last quarter that that was due to relatively high run-off gains on motor TPL. Is that same -- still the same going on?

A - Morten Thorsrud {BIO 16111627 <GO>}

Jakob, Morten here. That's correct, it's still very much reserve releases from motor TPL affecting that in Sweden.

Q - Jakob Brink {BIO 20303720 <GO>}

Okay, thank you very much for the answers.

Operator

And the next question comes from the line of Matti Ahokas from Danske Bank. Please go ahead.

Q - Matti Ahokas {BIO 2037723 <GO>}

Yes, good afternoon. Two questions on the non-life business as well. Firstly a topic you've talked about quite frequently is the impact of lower interest rates. But then when you look at the running yield of If in particular, it has actually been extremely stable. I was ,wondering could you shed us some light on what's behind it? Is this purely technical or does it reflect kind of different investments mix to, for example, Norway where rates are higher and how do you see this is going forward?

The other question is regarding also Sweden and the non-life business. The profitability has been very strong, but so has also the premium growth. I was wondering, Morten, if you could talk a bit, then elaborate on the kind of dynamics on the market, how come premiums are growing so much as they are? Thank you.

A - Morten Thorsrud {BIO 16111627 <GO>}

So to start with the running yield question Matti, the maturity profile of our fixed income book likely have been fairly stable, meaning that we haven't had a lot of fixed income maturities over the last couple of quarters and will not have in Q4 either. So that has helped to keep up the running yield in If and also in Mandatum actually. Obviously with the -- with the interest rate environment we have, the reinvestment yield is lower and on many of the -- all the reinvestments we do, obviously the yield is more sort of between zero and 0.5 percentage points, slightly higher, if we take a bit of all credit risk, but it's lower than the running yield. But again, that has been kept open, will probably be kept open for a couple of more quarters due to the maturity profile of the fixed income portfolio.

Q - Matti Ahokas {BIO 2037723 <GO>}

But it will still come down in 2020, if rates stay at current levels?

A - Morten Thorsrud {BIO 16111627 <GO>}

Definitely is will come down in 2020.

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

Then, to your question Matti, on Sweden and growth, in the report 4.3% growth for the Swedish business year-to-date and 7% in the third quarter stand-alone, and we do see quite a good growth in net number of customers in Sweden, particularly in the business area private. On top of that in Q3, we also see increased car sales. And if you recall, we had a special situation last year where a lot of the car sales took place in the first half of the year due to tax changes. So now we kind of comparing toward a quarter third quarter last year that was a bit weaker, as a result of that.

But still we do see a good growth in number of customers, again, particularly in the private segment in Sweden.

Q - Matti Ahokas {BIO 2037723 <GO>}

So this is not the reflection of significant price adjustment. It's more a question of volume?

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

No, it's more a question of volume. Price increases are more natural, I will say, kind of more normal in Sweden, a bit higher in commercial than in private, but nothing kind of special.

Q - Matti Ahokas {BIO 2037723 <GO>}

Got it. Thanks and all the best to your many future endeavors, Kari. Thank you.

Operator

And 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. First of all, industrial you're growing 14% year-over-year. Can you put some light on what you're seeing out in the marketplace? We know that a number of other Nordic compared to us are leading this market. What are you seeing going forward from here?

A - Unidentified Speaker

Yeah. We do see good profitability in our industrial business and we've been doing things so far for many, many years. So the industrial businesses a key part of our business, a natural part of our business. We do experience quite strong growth this year. It's driven by several factors. One being increased turnover with a number of our clients. And other one being price increases in the portfolio as such. And then we also have some one-off effects with some larger projects, construction projects that typically inflates than GDP figure and typically earn more over time. And then we see a high retention rate, a very high retention rate in the large corporate segment which I guess is reflecting a little bit that some other players have a bit more negative view on this segment. But again, we see good underlying profitability inside this segment and are happy about the growth that we see.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay. My second question relates to Mandatum. You show in the report that you have provided EUR227 million for low weight. Taking into account that that's approximately 1% of a few -- sorry, taking into account the size of your book and where interest rates are currently. It doesn't look like you have provided a lot taking into account that yes, this is not very, very, very long tail businesses, but is still businesses you will have on your book for, I guess, I know it's six to eight years, still to come.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Let's see if I got your question right. With this EUR227 million, if I should describe what it includes, then it's including the discounting all the 4.5% guaranteed liabilities that we have, down to 3.5%. And in addition to that, it includes discounting all liabilities down to 0.25% for this year, next year in 2021, and all liabilities down to 2.5% discount rate in 2022. After that, there is no discount rate reserve and the average guarantee on Mandatum's liability is slightly above 3%.

Q - Per Gronborg {BIO 15910340 <GO>}

I think in the light of you also stating that your reinvestment yield is now down to a level of between zero and 0.5%, there seems to be a potential significant need for putting reserves aside for these guarantees, if we don't see a sharp rise in interest rates within a couple of years?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Sure. After 2022, the guaranteed rate is, is just above 3%. That can be met in different ways, obviously, with an investment return with the portfolio Mandatum and then have -- but you're right. Some of that will need to be (inaudible) guarantees or alternatively Mandatum is making roughly 30% risk result and 30% -- sorry EUR30 million risk result and EUR30 million expense result per year roughly today. In 2022, one-year cost of Mandatum's guarantee with the run-off profile, it now will have, will be EUR60 million. So in 2022, with 0% in this investment return and the current risk and expense result, Mandatum's profit will be zero. But the risk and expense result in 2022 will still be enough in itself to meet one year's guarantee.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay. Thank you.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

My apology, I should say, 2023. In 2022, we actually need a little bit less than EUR60 million. We need EUR45 million.

Q - Per Gronborg {BIO 15910340 <GO>}

Of course. Got the point. Thank you.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

All right.

Operator

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

Q - Jonny Urwin {BIO 17445508 <GO>}

Good afternoon. Thanks for taking my question. Just one focus area really around the attritional loss ratio, mainly the expectations going forward. So I think you guys are making the point again today that pricing is on average in line with claims inflation and in some markets ahead, mainly Norway. So I mean, all else being equal, should we expect that attritional loss ratio to improve from here?

And then I was also just hoping for you to make a comment around retentions. The growth is pretty good at the moment. You're getting rate as well. So what's happening to retentions? Is there anything you're doing there to perhaps lift retentions even higher, anything you'd like to showcase? Thank you.

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

Yeah. Of course as you know, we prefer to look at the total combined and we report total combined of 84.3%, which of course is a highly attractive combined ratio. When we look at the current year result, it's of course somewhat higher as this is partly supported by run-off gains and to a magnitude that is somewhat higher than what we've seen earlier.

We do see a certain underlying improvement if you look at the first nine months. Since we are having in part of the business price increases that are somewhat above what is expected inflation. And that continues into Q4 as well. So on a current-year basis, we do expect to see some improvement going forward.

When it comes to growth and the retention, a larger part of the growth that we see comes from improved retention even particularly in the private segment where we do see a retention rate increasing in all the markets and being actually at record high levels now. So that trend kind of continues.

Q - Jonny Urwin {BIO 17445508 <GO>}

Thank you very much and all the best, Kari.

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

Thanks.

Operator

The next question comes from the line of Kevin Ryan from Bloomberg Intelligence. Please go ahead.

Q - Kevin Ryan {BIO 1814771 <GO>}

Thank you very much. I just wanted to try and understand a little better the dividend guidance going forward. And around that, I wonder if you could tell us what level of earnings distribution for the dividend you're happy with. And also how that ties in with the solvency level you're happy with? Thank you.

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

The guidance, if you read it carefully, it's actually only for next spring. And then we have said in the announcement that we will come back to that early next year on a proper dividend policy.

Q - Jonny Urwin {BIO 17445508 <GO>}

Okay, thanks.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

(technical difficulty) solvency ratios that we would be happy with.

Operator

And the next question comes from line of Sami Taipalus from Goldman Sachs. Please go ahead.

Q - Sami Taipalus {BIO 17452234 <GO>}

Yeah, hi. Good afternoon, everyone. My first question is strategic. Torbjorn, you've talked about sort of a will to return more towards an insurance focus in the past and you mentioned your -- in your speech about more of an insurance focus as well. And you've announced the appointment of Mr. Wennerklint as Chief Strategy Officer today, who also comes from a very insurance focused background. So I'm just wondering whether -- what we should read into this regarding Sampo's strategy going forward and potential implications for the states in Nordea. And maybe also the investment portfolio held at the holding company level, it would be great to hear any thoughts on that to start off with please.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

(inaudible) any dramatic sign to be read into it. Three quarters or so of Sampo is now insurance operations. It's by and large thus an insurance dominated operation and we have an unusual amount of knowledge about insurance business. We need to keep it that way and continue to develop that business and any further thoughts on the future of course will return to next year.

Q - Sami Taipalus {BIO 17452234 <GO>}

Okay, great. Then just moving on to the solvency ratio, if I just try to strip out the Nordea stake out of the Group Solvency II ratio, it looks like the insurance only solvency ratio would be quite low actually. Is that something that you would see in your own calculations? And then second, how optimized is the Group solvency ratio? If I remember correctly, and correct me if I'm wrong, it doesn't -- it includes If and Topdanmark and Mandatum standard models. Is that right? And are there some other potential actions you could take there to optimize the ratio further?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

The answer to your first question in terms of the insurance business stand-alone, the way I view the Group now, it is an insurance group with a large holding in Nordea which adds from a solvency perspective market risk to our solvency calculation. It's an integrated part of the solvency to group SCR and own funds. So there is nothing really to strip out. If I took the extreme case that Nordea should go bankrupt and the value of Nordea should be zero, we would have a Solvency II ratio as of Q3 of slightly above 120%. So we would still be okay even in such a such an extreme scenario, which we -- which means that we are very comfortable with the solvency position and the capital position that we have today. And we have -- at least it means more capital than we actually need from a regulatory purposes, and clearly without Nordea going bankrupt, we have a very comfortable strong capital buffer.

In terms of optimizing, there is -- there is no activity going on with a strong capital buffer. We have to try to further optimize it right now. We have -- we have a possibility to issue some more hybrid capital, which we have talked about before we most likely will do in the years to come, particularly out of If. There's room for a little bit more hybrids. Mandatum is pretty much fully optimized. On a Group basis, we could over time, consider to apply also for a Group internal model that would, significantly on a Group basis, change the solvency ratio from today's level. But it would make it a little bit higher with the assumptions we currently have in our own consideration around (inaudible). But the solvency ratio of 178%, that's not an active ongoing project for the time being.

Q - Sami Taipalus {BIO 17452234 <GO>}

Okay, great. Then, just finally, finishing off on If, and I guess, the growth there. If the profitability and the returns are quite considerably above the -- your sort of market cost of capital you've already accelerated the growth a little bit, but at the same time, I get the sense that you've made quite a lot of progress on the IT side, and particularly on the digital distribution. Is there room there to accelerate the growth further from the current level, or are you sort of pretty much hitting up against what you can do or what you're comfortable on doing?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Well, let's see what the future brings. Of course, 5% growth year-to-date and 6.9% in Q3 is a very high growth rate in P&C. So I think just being at that level, it should be highly satisfactory.

Q - Sami Taipalus {BIO 17452234 <GO>}

Okay, great. Thanks very much for your answers.

Operator

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. Good afternoon, everyone. I've got two questions. Firstly, just on dividends expected from subsidiaries, are we done for this year or should we expect a late dividend -- extra dividend coming in from Mandatum? And on that point, just a second part of that question. You mentioned about potentially raising hybrids at the P&C level. Why would you do that? Would that allow you to perhaps free up some equity within that business in the form of higher dividends back to Group? That's the first question.

Secondly, just on the dividend or the dividend statement that you have made for 2019, I'm assuming, and I'm correct me if I'm wrong here, but I'm assuming that would be a level, which would be consistent with your new dividend policy and you wouldn't be making further changes from here. So in other words, it's a dividend of EUR2.10 to EUR2.30, I'm assuming that that's going to fit within your new dividend strategy. Thank you.

A - Knut Arne Alsaker {BIO 18730318 <GO>}

Should I start with the -- take the first, you should not expect us to take up any extra dividend from Mandatum. Mandatum's solvency ratio today is good and solid. I expect everything else equal. Let's see where the year ends up to be a room for an ordinary dividend, but not for an extraordinary dividend. So let's say that we are done for this year and I think it's --

Q - Blair Stewart {BIO 4191309 <GO>}

Clear. Thank you.

A - Knut Arne Alsaker {BIO 18730318 <GO>}

Yeah, hybrid, we're not talking big amounts from If. We have capitalization strategy to have the balance sheets of our subsidiaries to be capitalized on their own merits. So we utilized now in Q3, the possibility to raise some hybrids in month of which improve their solvency. And we have done and plan to continue to do small amounts also in If. Obviously that will with the total solvency (inaudible) over time contribute -- is continuing to pay a very good dividend to Sampo plc, but mainly because of the profit generation that it is having. That's where the dividend over time will come from.

Q - Blair Stewart {BIO 4191309 <GO>}

But I think you have commented that If is over-capitalized. So just wondering why you would add more capital?

A - Morten Thorsrud {BIO 16111627 <GO>}

We don't need more capital in If from that perspective. So it is to make the balance sheet of If more efficient. I haven't changed my view on the strong capital position of If.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

And then on the dividend going forward, you now have clear guidance for this year. And I said the profit expectation and the dividend now go hand in hand. Let's see what the Board makes of that when they look at the policy early next year.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay, all right, fine. I'd be disappointed if it was a second downward revision to dividend. But I'll leave that for later. But maybe just to finish it a word on Kari. Kari, all the best and I have always enjoyed our encounters. You've got a great sense of humor, even if that doesn't always come out on these calls. You're a very entertaining guy, so all the best. And all the best to you Torbjorn. You served a very long apprenticeship and I wish you every success. Thank you.

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

And likewise, Blair, you are very entertaining guy as well. So let's both keep it up.

Q - Blair Stewart {BIO 4191309 <GO>}

Yeah.

Operator

And the next question comes from the line of Johan Strom from Carnegie. Please go ahead.

Q - Johan Strom {BIO 17541253 <GO>}

Thank you. Apologies, but I'd like to come back to the hybrid capital questions. And so my question is on the holding company's senior bond portfolio where you have around EUR300 million of maturities I think it's in May next year. And If, maybe a little bit early to comment but wouldn't it make sense to refinance some of these maturities with cheap hybrid capital now?

A - Knut Arne Alsaker {BIO 18730318 <GO>}

I think you said it yourself. It's a little bit early to comment. We have -- we have that date to look at and we'll make our plans and see how the market looks, when we are approaching that date. So I don't have any plans to outline on that point now.

Q - Johan Strom {BIO 17541253 <GO>}

Okay, thank you, Knut. And then a quick one to Morten of If. Another quarter with good run-off gains. Just wanted to double check if there are any trends or other dynamics that suggest that near term run-off gains should go down from the current levels? Thank you very much.

A - Morten Thorsrud {BIO 16111627 <GO>}

While we typically don't want to speculate about sort of future run-off gains. I mean it's still something we assess from a quarter to quarter. And so far that trend that we've seen on reduced bodily injuries in motor TPL in Sweden has continued. But of course it's no guarantee that this will continue in the future. So I always try to avoid to speculate on that.

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. I just wanted to check your strategy here going forward. Is this -- when being an insurance group, would you like to start to consolidate more into the life insurance industry in the Nordics? Maybe moving into Sweden, Denmark or Norway with essentially unit-linked products rather than this or guarantees. So how should we look at your insurance interest going forward, if you think about your already consolidated non-life insurance side?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Well, I think it's reasonable that I get to answer your questions about the strategy of the Group next year rather than this year, but on life insurance between synergies, between even Nordic countries are non-existent. So that's not a brilliant starting point.

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

Okay.

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

And you must always read into Torbjorn's answers the fact that Nordea already is big life insurer in the Nordics.

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

Okay. (inaudible). Secondly on the Mandatum side, if you are saying that you have a guaranteed interest rate from the back book there around 3% by '23, should we expect no dividends going forward if we would look for a sort of the rate -- interest rates you have today and then that we will cover your guarantee volume by the -- I mean, result on risk result as such? Is that a fair comment [ph]?

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

No, that's not what I meant. It was in a scenario where investment results were zero in a year. We obviously do believe that we will make an investment result, positive investment result over time in Mandatum like we've done for many years. And the expense and (inaudible) result will come on top for that. So in our thinking around Mandatum, it is not a zero dividend. I would more call it in line with what you have seen our ordinary dividends recently, which last year was EUR150 million [ph]. And obviously 2023, it is a little bit away in time. Mandatum's unit-linked book is -- clearly is growing gradually, not big steps, but gradually good. Premium income in this quarter and this year has been good and that should everything else equal over time, also increase the expense result element in this profit mix I was relating to. So it was absolutely no link to have -- an expect dividend from Mandatum to grow obviously year or for the years to come.

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

How is the take out of the balance sheet as that is going faster? So how helpful will that be if that really translated into 3% or is that for a separate issue?

A - Knut Arne Alsaker {BIO 18730318 <GO>}

It's quite helpful, because with the run rate we've had in recent years, in addition to the profit, which we have been talking about a couple of times on the call, we free up capital. So there will be a freed up capital requirement when this book is running down and around EUR250 million or lower with profit reserves releases around EUR50 million of capital with very little additional capital requirement from new unit-linked business that basically in owned. So that will help in maintaining a good dividend when the investment return from the (inaudible) profit book is being reduced.

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

Perfect. Just finally on the If side then. You have a very strong cost ratio this time around. Is it seasonally stronger because of the summer quietness or is it driven higher by the premiums in this quarter, as I said it was extremely short and high?

A - Morten Thorsrud {BIO 16111627 <GO>}

Yes, I wouldn't say read too much into sort of quarterly changes. The cost ratio year-to-date is 21.5% down from 21.6%. So -- so there could be sort of some variation sort of on when different costs are booked. So I wouldn't read too much into the 0.3% reduction that you have in the third quarter stand-alone. More than nine months, it's more in line with expectation.

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

Okay. Then finally on the price increases, you said that Norway was may be running a little bit higher than claims at the moment. What should be our expectations there in the Q4 and maybe also next year? Is this also something you see continuing at this high pace?

A - Knut Arne Alsaker {BIO 18730318 <GO>}

Well, let's see, it's -- as we have commented earlier, there are quite some differences between business segments where we do see higher price increases on commercial than in other business areas. Then of course, we monitor claims inflation on a daily basis. We do see a little pickup in claims inflation probably driven a little bit by weak currencies in Sweden and Norway. So that's something we look out for. But -- but it's kind of marginal sort of development.

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

In Finland you have sort of turned around a little bit on the book. But it's still sort of flat, if you look year-on-year. It's sort of increasing on the gross written premium a little bit. If that's the gross premium written, you should look into -- when I look at the very future growth there, I see that it's actually coming off on (inaudible).

A - Knut Arne Alsaker {BIO 18730318 <GO>}

We reported 1.4% growth year-to-date in Finland and 3.9% in Q3 isolated. And then you should bear in mind that in the first quarter, we had quite a weak development in Finland due to the fact that we lost a bit of workers' comp business. So, yeah -- so that's kind of --

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

Yeah, I was just looking at the earned versus the other one, but your written premiums is 3.5% as you say.

A - Knut Arne Alsaker {BIO 18730318 <GO>}

Yeah.

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

And finally, in Denmark, just to -- you have a sort of on the earned side, a blip in the (inaudible) last quarter. Was this anything particular that will not source in or your back on track again, is that the sort of things we could expect going forward? How was the commercial versus private in Denmark?

A - Knut Arne Alsaker {BIO 18730318 <GO>}

I think what you see now should represent sort of a fair picture of kind of where we perform year-to-date. Then we have couple of agreements that are booked early in the year that could adjust GDP a little bit, sort of more in one quarter than another. But we report 4.5% in Q3 and 4.4% year-to-date. So that's kind of representation of the growth in Denmark.

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

Okay, thanks a lot. Thank you all for your time, Kari and very good luck in for (inaudible) career and I just hope we can see each other on (inaudible).

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

Thanks.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you, Gjerland. Thank you.

Operator

And the next question comes from the line of Jon Denham from Morgan Stanley. Please go ahead.

Q - Jonathan Denham {BIO 19972914 <GO>}

Brilliant. Thank you for taking my question. Kari, you said that Nordea is going bankrupt, which left Solvency II ratio slightly above 120% at 3Q. Presumably, this is a same level if you paid out all remaining Nordea shares to Sampo shareholders. Would you be comfortable with your solvency ratio going to down to this level, and if not, can you rule out an exit from no debt in this fashion, were you to later choose to exit?

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

I think in, in terms of just relating to your question on the solvency, and then the future, we'll see what we do with Nordea, 122% would be below what I would feel comfortable with. And to speculate in dividending out Nordea shares for -- I haven't checked Nordea share price right now, but EUR5.2 billion, EUR5.3 billion, obviously not is not in line with the dividend communication we just recently made. So to steer the Group to a solvency level of 120% is not what we're planning to do.

Q - Jonathan Denham {BIO 19972914 <GO>}

Brilliant. Thank you.

Operator

(Operator instructions) We have a follow-up question from the line of Sami Taipalus from Goldman Sachs. Please go ahead.

Q - Sami Taipalus {BIO 17452234 <GO>}

Yeah, hi. Sorry to drag out the call. Just a quick follow-up. Just on Mandatum Life -- coming back to Mandatum Life, you seem to have done quite a lot of work on improving the solvency in that business, I guess to a level where you're comfortably above target levels, also on the basis without transitionals including the debt issuance you did in the quarter. Does it make sense to still keep such a large duration gap in that business because you're obviously -- potentially you would have done all this work, but you're still sitting on the possibility of undoing that true movement in interest rates, I guess, particularly given that this duration gap doesn't generate spread that you need to pay the dividend. So it would be great to just have a have a comment on that.

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

Thank you. I think it is sort of trading with the back view mirror. It would probably in the past have been good. We have a slightly different duration gap and we have the duration gap we have now. We managed with that duration gap now. We are happy with the equity exposure that we have in Mandatum. And also we have taken -- we have taken some action on the asset side, but that hasn't been the main driver for the fix in the Mandatum solvency. We've been able to increase the solvency ratio of Mandatum with all other measures in Q3. Then, let's see in the future what kind of assets makes -- Mandatum will have going forward. Also as with profit book, is of course, becoming smaller.

Q - Sami Taipalus {BIO 17452234 <GO>}

Okay, great. And then because of what I said earlier, obviously also all the best of luck to Kari in his retirement. Thank you very much.

Operator

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

A - Jarmo Salonen {BIO 1860650 <GO>}

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