

## Q3 2017 Earnings Call

### Company Participants

- Jarmo Salonen, Head-Investor Relations & Group Communications
- Kari Henrik Stadigh, Group Chief Executive Officer and President
- Peter Kristian Johansson, Chief Financial Officer
- Ricard Wennerklint, Deputy Managing Director-P&C Insurance Holding Ltd

### Other Participants

- Blair Stewart, Analyst
- Ida Melvold Gjøsund, Analyst
- Matti Ahokas, Analyst
- Michael Huttner, Analyst
- Paul De'Ath, Analyst
- Per Grønborg, Analyst
- Steven Haywood, Analyst
- Thomas Seidl, Analyst
- Vinit Malhotra, Analyst
- Wajahat Rizvi, Analyst
- Youdish Chicooree, Analyst

## MANAGEMENT DISCUSSION SECTION

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

Ladies and gentlemen, welcome to this conference call on Sampo's Third Quarter 2017 Results. I'm Jarmo Salonen, Head of Investor Relations at Sampo. And with me here at this studio, I have our Group CEO and President; Kari Stadigh; Group CFO, Peter Johansson; and Deputy Head of P&C Business, Ricard Wennerklint.

We'll have the same procedures as normally. Kari will start with the summary of Q3 developments. And then we'll take your questions. Before handing over to Kari, let me remind you that you can follow this call on our website [sampo.com/results](http://sampo.com/results), and a recorded version of the call will later be available at the same address.

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

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

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Thank you, Jarmo. Welcome to the conference call on my behalf as well. It's really pleasing to report a strong third quarter where the insurance results compensated well for (01:02) in the Nordea results. Profit before taxes was up 6% to €475 million, not taking into account the positive one-off from the consolidation out of Denmark.

If P&C reported the best ever nine months combined ratio of 85.9%, this without the positive one-offs in earlier years. Based on this strong development, we have also announced the lowest ever guidance for the combined ratio, 85% to 87% for the full year. The underlying trends are also very strong. In the retail segment, the number of customers is growing in all markets as are the customer satisfaction KPIs. Given the strong numbers and the underlying trends, we have decided to distribute an all-time high internal dividend of SEK 6 billion in December from If P&C to Sampo plc.

It is also worth noting that our reserve strength has in general stayed at the same level or slightly improved. At the same time, as the efficiency measured in cost ratio continues to improve as planned. Our new subsidiary, Topdanmark also announced the best ever combined ratio for the first nine months at 81.9%. It is also worth noting the size of Top's life operations has their gross written premiums were highest ever at €850 million and the unit-linked volume exceeded that on Mandatum Life. Topdanmark also announced that they are looking for a new CEO.

Nordea's third quarter numbers were soft. However, the value creation path is very interesting. In the foreseeable future, Nordea's digital retail offering will be able to differentiate itself from an otherwise at present very homogeneous setup. This will also pave the way for the low 40s cost to income ratio as Nordea has communicated earlier. On the corporate side, the bench strength is key. And given the composition of their Nordic teams, the bank will continue to be the preferred choice in the Nordic corporate sector.

Wealth management is not growing at the same pace as it used to, but given its size the numbers are still impressive and the value creation model is intact. All in all, a very strong capital generation forming a basis for a gradual increase in dividend for Nordea as well.

Mandatum saw its gross written premiums exceed the volume of the corresponding quarter last year and it's paid an extra dividend of €150 million in September to Sampo P&C.

In my opening remarks, I wanted to mention the internal dividend streams as this gives more clarity to the fact that we remained a dividend stock with gradually increasing dividends to our shareholders also in the future.

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

Thank you, Kari. And ladies and gentlemen, we are now ready for the questions, please.

**Q&A**

Bloomberg Transcript

## Operator

Yes. And we'll take our first question from Matti Ahokas with Danske Bank.

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

Yes. Good afternoon. Two questions please. Firstly, regarding the internal dividends, which I think was very useful that you provided the information, also regarding If. But, obviously, we will not know the dividend proposal of Nordea yet, but should we expect that you will pass that through to Sampo shareholders in its entirety or not?

And the other question is regarding the premium growth in If, obviously, Sweden has been the main driver, but could you maybe elaborate a bit on was it the private or industrial segment or which part of the Swedish business you saw most growth during the first nine months? Thanks.

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

Thank you, Matti. I'll take the first one. Whether we pass through dividends or not from our subsidiaries or associates, it is not really relevant because what we strive for is gradually increasing dividend for our shareholders. So, I more use these examples to demonstrate that we have ample resources to continue to gradually increase our own dividend.

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

As to the growth in Sweden, it was actually in all three business areas. Maybe I can highlight that it was primarily new and more customers rather than changes in prices or increased prices, but it was all business areas.

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

Just if I may have a follow-up also. Could you give us the same information regarding Norway? How was that split?

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

In Norway, there is growth in private and to some extent in commercial. The industrial part is such a small piece of the Norwegian business. But I actually don't recall what the development was on a year-on-year basis.

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

Great. Thanks a lot.

## Operator

And we'll take our next question from Paul De'Ath with RBC.

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Bloomberg Transcript

## Q - Paul De'Ath

Yeah. Hi, there. And couple of questions, please. And going back to the internal dividends points and firstly just on the life dividend, so the extra €150 million that's been paid up in September. And I guess, can you give us any indication of how to think about this going forward? Is this is a complete one-off? Is this something you would expect to do on a semi-regular basis? And presumably, as the capital rolls (08:01) off the life business, but just kind of to get an idea of what to expect going forward would be good?

And then secondly and also on dividends please, on the If P&C dividend, as you say this is the another record level. Should we pencil in this as the new kind of payout ratio for If going forward or how should we think about it? Is there any kind of one-off within the number? Thanks.

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

I think that the Mandatum dividend was a one-off, and we have a history of distributing the dividend in the spring. Of course, the only remaining question is, when Danske pays the €340 million for the portfolio in 2018, would that then require an additional one-off, but I think it's too early to speculate on that. But this as such was a one-off and then we go back to ordinary dividends in the spring.

On If P&C, I would say that given the strength of the result, this is a conservative level of dividend and there is no reason why you should read anything one-off in this.

## Q - Paul De'Ath

Okay, great.

## Operator

We'll take our next question from Steven Haywood with HSBC.

## Q - Steven Haywood {BIO 15743259 <GO>}

Good afternoon, everyone. On your recent investments, I see Denmark is obviously a key market for you now, and you invested in Saxo and in Nets. Can you give a bit more information about why Denmark is quite interesting to you, and why Saxo and Nets are interesting propositions? What do these offer in terms of future growth dividends and opportunities for Sampo?

And then, just on the P&C side, on the corporate business, now that Topdanmark has lost all of its corporate clients, has this then pick up any of Topdanmark's corporate clients over the last few years? Thank you.

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

I think that it's a coincidence that the two significant investments that we did in the third quarter were in Denmark. We normally describe ourselves for our international shareholders as a proxy for the Nordic financial market. I suppose that given our financial

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strength and that we are known to be quick and no hassle decision makers, all deals are shown to us. For many years, we haven't done really that much because there has been so much uncertainty in the regulatory framework, which has affected our risk appetite and also has affected the valuation of the targets. These two came simultaneously more as a coincidence. Of course, all Nordic capitals have significant know-how basis in the financial sector, and Copenhagen has especially a very significant talent pool. So, it's natural that there are good investment opportunities.

Nets is an industry that we know really well. And there, we are a passive investor together with the private equity fund; the private equity fund is in the lead. We expect that to return a return which is in line with what private equity industry in general returns to their shareholders. So, it's around 20% IRR, which is the target of the private equity industry in general. I don't want to mention about this case specifically.

Saxo is a little bit different, because Saxo is one of the few fin-tech unicorns in the Nordic sector that have a global reach. And we were impressed by the trading platform and the technology behind that. We were impressed by the quality of the software and of course the people. We see that there is a very strong trend supporting our investment in Saxo, because it's clear that it's not worthwhile for many financial institutions to develop or own proprietary software for trading. And we see that the company has a significant possibility to do much more white labeling.

So, as an owner, we want to support them to improve their global reach and become clearly a software based fin-tech company, it's an excellent platform for that. As such, I think that Saxo is going to develop well in the coming years. And we have based our investment case on that. Our return on equity target for these type of investments is above 17.5%. And our base case is, is well above that. There is also, of course, small optionality in Saxo, and that is something that comes with a new main owner, Geely. Geely bought, as you are all aware of, 51.5% of the company and we are honored to participate in this endeavor with Geely.

There is a great potential for the trading platform in Asia, and we are really curious to see how Geely can support Saxo in their Asian operations. We haven't calculated this into our investment case. So, the Chinese market or things like that that would be an extra plus. But fin-tech wise, we are impressed by what they do and we are a happy owner, once the deal closes.

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

On the Denmark question. They're active in the retail segment on a small and medium commercial, not really in large corporate. So, they have not really affected large corporate market in Denmark. And Jarmo gave me the number for industrial Norway; we've actually had a small growth also for our industrial business or large corporate business in Norway.

#### **Q - Steven Haywood** {BIO 15743259 <GO>}

Okay. Thanks very much. I appreciate the in-depth comments on Saxo and Nets as well. Thank you.

## Operator

And we'll take our next question from Vinit Malhotra with Mediobanca.

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

Yes. Hi. Good afternoon. Just one thing remaining for me, sorry. On the bond side, I've seen - I mean there is a U.S. fixed income impairment. And given that Sampo is usually not in these high-risk zones, could you just comment a bit about whether it's a concern, whether it's something that is completely one-off or probably comment a bit about that? Thank you.

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

Yeah. We have a one-off write-off in the fixed income portfolio in If, roughly SEK 400 million. And it's from the oil and offshore industry. Our high yield portfolio has had a very good yield in 2016 and 2017. So, this is an old historic case which we wrote off now. No change in the risk profile of the fixed income portfolio in If as such.

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

And mark-to-market that's all the time being on the negative side in the AFS portfolio. So, mark-to-market, it didn't change much.

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

Exactly.

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

Okay. Thank you very much.

## Operator

And we'll take our next question from Blair Stewart with Merrill Lynch.

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

Good afternoon. I have a couple of questions. Firstly, I know you don't really like talking about underlying combined ratios, but here we go anyway. If you strip out the reserve releases completely and also adjust for the large losses, I think there was a 1.5-percentage-point improvement for the nine months versus the nine months last year. I just wonder, is there something structural there? Is it perhaps just an element of good luck with low frequency, or I wonder if you could just comment on that aspect?

Secondly, I'd be interested in your view as a significant owner in Nordea. What your own thoughts were on the somewhat disappointing Q3 and the outlook for you as an owner? And finally, if I can, just wondered on your updated thinking on that leverage capacity at Sampo. Thank you.

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

Okay. Let's start with the combined ratio. No, I haven't changed. Underlying, it's a difficult subject. 1.5% (sic) [1.5-percentage-point] (18:08) improvement sounds a bit on the high side to me. If I compare nine month to nine month, we have seen very good weather this year, no real events. We have seen positive development in smaller claims, frequency claims. So, far enough, that is an improvement this year compared to last year. We see better business momentum. We see higher growth now compared to last year. So, yeah, there is an improvement. I wouldn't put it at 1.5-percentage-point; that sounds high to me. Yeah.

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

So those elements have good luck in there with regards to frequency, I guess, would be the answer (18:50).

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

Also good luck is a difficult concept. But that is fair enough. Let's call it good luck.

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

Thank you.

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

Okay. On Nordea, I think that the main thing for me was that the communication was unclear. I think that somehow Nordea succeeded in confusing two things in their communication. The first thing was that earlier Nordea had communicated that their costs in 2018 are going to be on the same level as 2016. And then when they came out with their new restructuring program, I think some people in the market interpreted that they are not delivering on the first promise, so now they have some kind of smokescreen here in front of us.

From an owner's perspective, I think that we are quite firm that we want them to deliver on their first promise definitely. So, we want to see that the underlying costs in 2018 are on the same level as 2016. Then there is completely a different issue, which is what they are going to do long-term when the investments are bearing fruits and they are able to change their offering to a more digital offering, when they are able to decrease the sizes of their branches or change the composition within their branches. And then they say that we are going to decrease 6,000 persons, out of which 2,000 are consultants. And we are going to bring the 2021 costs to the same level. It's, once again, the same number €4.8 billion.

And I think that from an owner's perspective, we are now investing €1 billion in a very scalable business where a huge bank is transforming to a much more digital offering. So, of course, we want to see a payback on this investment. And one form of the payback is that the structure of the employees will change and the number of people involved will change because so many things are going to get more automatized. And therefore, I

think that both programs should deliver. And we are, of course, as owners, fully committed to transform the bank in such a way that these cost measures are met.

Then another thing, which I think that that is interesting that there is no Elon Musk in Nordea, because no one wants really to lean forward and promise something they are not able to deliver. If Elon Musk was running this bank, he would already have told how the bank will deliver completely different client experiences in 2021. But even if I'm not Elon Musk, as an owner, I think it's clear that with this investment, Nordea will take a quantum leap compared to the Nordic banking scene.

If you today visit a Nordic bank, the offering is pretty much the same in all banks. If Nordea makes this transformational change, it will be easier and more convenient and more mobile to interact with Nordea than with other banks. And that's the goal what they want to reach. And, of course, Kaspars has many times said that his ambition is to take the cost income ratio in the private sector to the low 40s. So, all in all, if this is delivered then as a rule of thumb I would say that the bank should make €1 billion more in profit.

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

Great. Very interesting. Thank you, Kari. I guess the answer on debt leverage is that it depends.

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

Yeah. Debt leverage, I think that, yes, we have still room. Peter can, modeling wise, give you an answer. I use a number which is between €1 billion to €2 billion if necessary.

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

Yeah. I think that's a good ballpark, because we still have plenty of hybrid capacity available in the group.

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

But then of course, in order to do that, we have to find something really attractive. And you have been, Blair, following us such a long time that you don't always find something. So, we are patient hunters and disciplined.

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

Indeed. Indeed. Thank you.

**Operator**

And we'll take our next question from Wajahat Rizvi with Deutsche Bank.

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

Good afternoon, everyone. Wajahat Rizvi from Deutsche Bank. Two questions for me please. Firstly, some of your mutual peers in Sweden and Finland are offering, we've seen,



bundle products and going down the route of vertical integration like building their own hospitals and things like that. On that basis, can you comment on the competitive dynamics from this longer term?

Secondly, the solvency ratio was a little shy of our expectations. I understand some of this is from Topdanmark's consolidation. Can you please provide some color here please?  
Thank you.

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

I think, the first question, we could try together with Ricard to comment on it. I take a more general view, and we are insurance and banking nerds. We know nothing about hospitals. So, I'm not very keen on seeing this group expand into areas where we cannot be best-in-class. Our philosophy is to be involved in the Nordic financial sector, where we have a market leading position, where we can have clearly bigger scale benefit than our colleagues and where we can have higher retail content, plus a high degree of automation and have a digital offering. We are probably one of the biggest buyers of these services. So, I think that it's going to be very interesting to be in procuring these services in the future. And I think that that will maximize the shareholder value for our shareholders. But please, Ricard.

**A - Ricard Wennerklint**

Maybe to add to that, we have had mutual or semi-mutual competitors in all of our markets for as long as we've been around. And I think with the market as they develop with more digitization, more automatization, more regulatory demands that's actually to our advantage as a large non-mutual. So, I don't really see the competitive theme changing. And when it comes to competitors or to customer demands, I don't see mutuals being in a better place than what we are.

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

On your solvency question, I don't know which company you referred to, but Mandatum basically even if we took the €150 million out from Mandatum, it still has roughly twice the regulatory capital, so significant buffers. If we made the dividend decision of SEK 6 billion, so that has already been deducted from the solvency numbers. And on group level, when we consolidate Topdanmark, we take it with the standard formula. And that, in practice, means in the conglomerate model that there is a small drop in the solvency ratio.

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

Sure. Thank you. Also, just on Top, if you don't mind me for follow-up. So, they do have approved partial internal model, are you not allowed to include that in your numbers on internal model?

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

For the time being, when we calculate the group solvency, we have to use the standard model both from If, even If has approved. Partially internal model for Sweden and now we did the same with Topdanmark, but I think that we will start discussions with the regulator

that this is somehow unfair. So, I don't promise you anything because the regulators are never easy on these things. So, I think that the right thing would be that we could also use their partial internal models when we calculate the conglomerate solvency.

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

Thanks. Thank you.

## Operator

Our next question comes from Youdish Chicooree with Autonomous Research.

**Q - Youdish Chicooree** {BIO 17430923 <GO>}

Good afternoon, everyone. I've got two questions, please. The first one is in relation to the investments you made in Saxo Bank and Nets. I mean, these investments were primarily funded by excess liquidity in Sampo plc. I was wondering if the right opportunity comes along and the IRs are as attractive as you mentioned, would you consider modifying your asset allocation in If P&C and Mandatum, and do the investments from these units?

And secondly was just on your dividend guidance. You talked about gradual growth in dividend, but I was wondering just to help us frame our expectation. Do you, when thinking about that, include the dividend you're going to expect from Topdanmark early next year?

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

We don't really think of from where the dividend is coming, and I don't really want to bore you with saying that our dividend should be aesthetically beautiful curve, but when you tempt me to do it. So I think that our dividend history is such that we just want it to grow gradually and it should be pleasing to the eye. So, regardless from where the internal dividend streams comes, and I think that we are well positioned to gradually increase the dividend in the coming years.

I didn't really get your point on the investments in Saxo and Nets. Peter, can you help me out here?

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

If we would find something else to invest in, so, it would be a long road where we would have to change the investment allocation in If and Mandatum. So, if we find something else to invest in, it will still be business as usual in Mandatum and If, because we have so much scattered...

**Q - Youdish Chicooree** {BIO 17430923 <GO>}

Okay. No, because at the moment, your allocation to alternatives, like BTE or real estate or any other asset class is quite low in your insurance business. So, I was wondering with

your risk appetite improving, whether you are more comfortable to take more risk in those businesses.

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

In If we have always been more conservative on investments, because that we want to say save the cash flow coming in from If. So, normally we have taken more risk in Mandatum, which investment risk, because it's a non-rated entity. So, we don't - that's the reason why we use more Mandatum's balance sheet.

**Q - Youdish Chicooree** {BIO 17430923 <GO>}

Okay, understood. Thank you very much.

**Operator**

We'll take our next question from Michael Huttner with JPMorgan.

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

Thank you. Thank you very much. Just a question. Just going back to the combined ratio, maybe you've answered it before and I apologize if you have. The thing I noticed is that Sweden got so much better Q3 versus Q2, so 83% versus 90%. I just wonder if you could just help us out and explain what you see is a right sustainable figure of those two.

And then the other question on solvency, so, asking what my predecessor asked, but in slightly different way. You've done those two deals which reduced solvency a little bit, there's a bit of extra capital required at the level of Sampo plc. How much more would you have room for, I mean, how many more deals like this can we expect in the short or medium term?

And then finally on Nordea, the discussion was so good, but it was framed, as I understood it, mostly in earnings. And at the Investor Day, your Investor Day, you focused or, so what was said that the dividend of Nordea could grow not just by €0.01 or €0.02 a year but by more. Is it focused on earnings now meaning that you're slightly not focusing so much on the cash? Thank you.

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

I'll start with the combined ratio for Sweden. It's true, Q3 was a strong quarter. You shouldn't read too much into it, it's volatility in large claims, some prior year gains. So, well, and again no events during the third quarter.

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

Okay. On the solvency side, I think that we partly answered this question already earlier. From the parent from Sampo plc, we still have room to make investments up to \$1 billion to \$2 billion if necessary. So, that's the framework where we have room to maneuver. But it's highly dependent on whether we find anything that meets our risk reward and return criteria.

On Nordea, I can assure you that we are as concentrated on cash as ever. However, I don't think that I should communicate anything else than Nordea has communicated on the dividend. And Nordea has communicated that their ambition is to have a gradually increasing dividend going forward. We should leave the dividend guidance of Nordea's dividend to them.

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

Excellent. Okay. Nothing. Thank you.

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

And the solvency (33:35), both Nets and Saxo together, the total capital effect on the holding company level on Basel III rules is less than €100 million.

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

And this is for an investment total for about €300 million for the two together?

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

The investment is €500 million or €495 million...

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

€500 million?

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

Yeah.

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

€495 million, beg your pardon.

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

So less €100 million is capital consumed.

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

Thank you very much.

**Operator**

We'll take our next question from Thomas Seidl with Bernstein.

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

Yeah. Thanks. Good afternoon. Three questions quick ones. First, the cost ratio in P&C keeps on improving. And in light of your comments, Kari, on the bank side, can

technology bring the cost ratio of If below 20% in the mid-term is my first question.

Secondly, in the past you have mentioned life is not a particular business you like now. With Topdanmark, you get a life portfolio which has more spread business than Mandatum. So, I wonder what your view is on Topdanmark's life portfolio. Is it something you would like to develop or is something you want to trim back to the business you like, which is mainly unit-linked.

And the third question is on If, if I do remember correctly you said Norway, competitive pressure coming down, and now you say growth is 1.7% on constant FX. Does this mean, we should expect more growth of this or is 1.1% to 2% the maximum you get out of Norway?

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

May I start with the cost ratio? I just say that we don't give long-term guidances on cost ratio. We have said that our job is to make the company more efficient year-after-year. And therefore, we knock off one decile or something every year. And I think we continue with that even if the world is becoming fully digital or if you disagree or agree.

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

I agree.

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

You agree. Then on the life, we are not really super life enthusiastic. I think that the unit-linked business is a fee business and that we, of course, like because it's a high ROE business, where we have been quite skeptical is the with-profit business. However, the way Topdanmark is running their life business, I think, is super professional and conservative. So, as an owner, we support the management decisions that they have taken in regard to their life business.

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

On the Norwegian market, it's true. Currently, we see the Norwegian market as better than in some time. Having said that, Q4 (36:48) cost growth is difficult. It's a combination, of course, of what claims inflation we will see, competitor actions and possibilities in the market. So, I will not give a forecast on growth, but what we saw in Q3, the market was more stable and more calm than in some time.

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

Okay. Thank you very much.

**Operator**

And we'll take a follow-up from Blair Stewart with Merrill Lynch.

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

Yeah, just a quick one. Any update on the timing of the completion of the life bid (37:28) disposal sometime next year?

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

Yeah, sometimes next year most likely. Towards the end of the year, of course.

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

The end of the year. Okay. Thank you.

**Operator**

And we'll take the question from Ida Gjøsund with Carnegie.

**Q - Ida Melvold Gjøsund**

Hi. Good afternoon. I have two questions, please. Both to you, Ricard, on If P&C. Firstly, on the combined ratio in industrial, there is a worsening of 17 percentage points year-over-year. What are the drivers of this? And also, some of your competitors have started price increases in this business area, especially in Norway. Do you find this necessary as well in If P&C?

And secondly, on large claims, they are €31 million higher than expected this quarter. Are there any particular events or product that drives this up this quarter? Thank you.

**A - Ricard Wennerklint**

Let's say, combined ratio industrial, as always, affected by large claims. So, the volatility you've seen in industrial is coming from the large claims situation.

Second on price increases, Norway, as I understood your questions, yeah, in parts of the business we did premium increases in Q3, more tilted towards the commercial side of the business. Again, what we will see going forward is difficult to comment on, but I don't see any sort of dramatic need. I don't think our top line will start to increase as a result of premium increase to any large extent in Norway, but of course we have to monitor the situation.

Thirdly, large claims in both commercial and industrial, if I comment on the first nine-month, very traditional large claims meaning fires, property-related claims. So, nothing really out of the ordinary.

**Q - Ida Melvold Gjøsund**

Okay. Thank you. Just for a clarification. So, now price increases in industrial Norway currently at the moment?

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## A - Ricard Wennerklint

That market isn't really sort of homogenous enough to comment on as a market, but no I don't expect - if I comment the corporate market or the industrial market Nordically, I don't see currently any real push up in prices.

## Q - Ida Melvold Gjørund

Okay. Thank you very much.

## Operator

And we have a follow-up from Michael Huttner with JPMorgan.

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

Thank you. Thank you very much. And just like (40:38) from the Mandatum Life deal, you gave in August the sensitivity of the Mandatum solvency ratio to the deal, which is plus 15 or plus 20 points depending on where you take the, with or without transitional ratio. Could you say, how much, from the benefit, would be at the level of the group, please?

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

On the group level, it's not big, but it's a couple-of-hundred million euros extra for Mandatum Life. So, it's a big number for Mandatum, but on group level, we have a capital buffer of €4 billion. So, it doesn't move the needle so much.

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

Excellent. Okay. Great. Thank you.

## Operator

And we'll take our next question from Per Grønberg with SEB.

## Q - Per Grønberg

Yes. Thank you. Good afternoon. I came in a little bit late, so sorry if the question already has been asked. You now have two segments operating in the same market, any thought about consolidating your Danish P&C operations? There must be some synergies to have it.

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

No plans whatsoever. The synergies are smaller than the market thinks. Both companies are extremely well run. So, no plans.

## Q - Per Grønberg

Okay. Thank you, Kari.

## Operator

And we currently have no questions in the queue. I'd like to turn it back to today's speakers for any additional or closing remarks.

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

Thank you, operator. Ladies and gentlemen, thank you for your attention and have a very nice evening.

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