

Q3 2020 Earnings Call

Company Participants

- Jarmo Salonen, Head of Investor Relations
- Knut Arne Alsaker, Chief Financial Officer
- Morten Thorsrud, President and Chief Executive Officer - If P&C Insurance Holding Ltd
- Torbjorn Magnusson, President and Group Chief Executive Officer

Other Participants

- Blair Stewart, Analyst
- Jan Erik Gjerland, Analyst
- Jonathan Denham, Analyst
- Michael Huttner, Analyst
- Phil Ross, Analyst
- Steven Haywood, Analyst

Presentation

Jarmo Salonen {BIO 1860650 <GO>}

Welcome to this call on Sampo Group's Third Quarter 2020 Results.

I'm Jarmo Salonen, Head of Investor Relations at Sampo. And with me at this call, I have our Group CEO and President, Torbjorn Magnusson; Group CFO, Knut Arne Alsaker; CEO of If, Morten Thorsrud; and Chief Strategist, Ricard Wennerklint.

We'll have a short presentation by Torbjorn, Knut Arne and Morten to begin with. But before handing over to Torbjorn, let me just remind you that you can follow this call on [Sampo.com/results](https://sampo.com/results) and a recorded version will later be available at the same address.

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

Torbjorn Magnusson {BIO 1863476 <GO>}

Good afternoon, everyone. Sampo Group reports strong results for third quarter of 2020. The largest profit contributor, If P&C, continued to deliver excellent underwriting combined with healthy top line growth. It's pleasing to see the payoff from our long-term investments in web and multi-channel, and equally gratifying to see that the Nordic market is as rational as ever implementing rate increases where necessary. The 82.4 combined ratio is also rather stronger than the first impression as it contains more large claims than normal, a discount rate change in Finland, and working in the other direction,

FINAL

Bloomberg Transcript

FINAL

a 2% COVID-19 reductions in claims. And the total effect of all of this is that a normalized combined ratio would be some 2% better than the last year.

The offer to acquire Hastings Group that were made together with RMI in August is proceeding according to plan. The offer was approved by the requisite majorities. So, Hastings shareholders in September and all approvals regulatory and antitrust ones have now been received. We look forward to welcoming Hastings to our group after the court hearing which is expected to be held on the 13th of November. Including Hastings, as you can see from the bottom left side of this slide, P&C insurance now makes up roughly two-thirds of the profit of the group against only some 40% of the capital. Another measure is the high quality earnings in the underwriting profits, which we have grown quite significantly from 2015 to 2019 and 2020 and which is now more than 40% of Sampo's net income. The numbers on this slide are not an exact science, but the idea is important to us. Topdanmark then, Topdanmark share price fell back to levels a little below where it spent most of the summer. The Company reported stable current year results, gave their usual outlook for the coming year, and I'm very confident that they will continue to focus on underwriting profits as their main target.

Turning then to Nordea encouragingly. The Company produced a solid set of numbers and increased both efficiency and market shares. The bank exceeded investor expectations on virtually all lines and remains committed to their 2022 financial targets. Everyone in the new management team is now finally in place and I'm personally very impressed already at the team's determination to increase both customer work and reduce unnecessary costs at the same time. As is visible from the numbers, this is now four quarters of good progress and I'm as committed as ever to contributing to the Company's development as Chairman of the Board.

Nordea has a strong balance sheet. Also means that it's well positioned to pay out dividends and the bank intends to pay a dividend for the financial year 2019, given the necessary regulatory approvals. In addition, finally then to Nordea's dividend statement, I note that If P&C this week has decided to distribute EUR600 million in December of this year. Topdanmark has also repeated its early commitment to paying the remainder of the 2019 dividend. And finally, Mandatum having canceled its dividend in the spring is now at a solvency ratio of 206% which in total gives me confidence that Sampo has no cash flow issues with a dividend in the spring in accordance with our dividend policy. Knut?

Knut Arne Alsaker {BIO 18730318 <GO>}

Thank you, Torbjorn and good afternoon, everybody. A few words about the balance sheet as of the end of third quarter. We want to operate a prudent but disciplined capital management regime without large buffers. This means that we aim to maintain solvency and debt leverage at robust levels, with buffers above regulatory and rating agency limits that reflects our risk profile. However, we do not plan to build in large buffers beyond what we need to manage our risks, nor will we create a big war chest for M&A. What we have reported today based on Q3 numbers is a Solvency 2 coverage ratio of 214% which is in itself, a record high level. But as we have described in our reports, we respect -- with respect to impact of the Hastings consolidation, this ratio will drop to 185% based on Q3 numbers, given that this transaction is closed later this month. What we show you on this

Bloomberg Transcript

FINAL

slide is a pro forma number also including an accrued dividend at a level equal to what we paid out earlier this year, as a distribution of profit for 2019. This should not be interpreted as an accrual of this pro forma -- it should only be interpreted as accrual for this pro forma calculation purpose should not be interpreted as a dividend decision for 2020. 173% is a robust level and indicates that our solvency strength is currently not a limiting factor in our ability to pay a dividend for 2020 in line with our dividend policy, which as you know, is at least 70% of earnings. However, our solvency coverage should be seen in the context of the market risk exposure we have particularly through our ownership in Nordea. Hence, we need to maintain some prudence in our solvency ratio.

Our debt leverage remains within rating agency limits but is higher than historical levels. We have no plans to increase our gross debts nor our debt leverage from the current levels. To the contrary, we will work to bring down debt leverage on what we have today over the next couple of years. As already mentioned, our solvency strength is currently not the limiting factor in our ability to pay an attractive dividend of at least 70% of EPS this year. With the dividend of If -- from If of EUR600 million which Torbjorn also referred to a minute ago and which we announced today. Sampo's insurance operations is on a good track to deliver dividends to our holding company of at least EUR1.5 per Sampo share, which was the dividend we paid in June.

If's solvency also remains post the dividend announced today at a robust level. Mandatum's solvency has clearly improved since the Company's dividend for last year was canceled. And we also expect to receive a dividend from Topdanmark in the beginning of next year. In other words, we are in a position where we think that we can pay a reasonable dividend, for this year, even if Nordea does not contribute. Although we obviously hope that it will. Paying an attractive and predictable dividend remains a key focus for us. We believe the best way to deliver this is by further improving the quality of our balance sheet and by basing our dividend on paying out at least 70% of group earnings which we aim to make even more predictable going forward.

Over to you, Morten.

Morten Thorsrud {BIO 16111627 <GO>}

(Technical Difficulty) and then, has a combined ratio of the 82.9% reported for the third quarter isolated. However, when adjusting for the effect of reduced discount rate in Finland, the third quarter combined ratio isolated would end up at a record low 78.3%. As Torbjorn already mentioned, the year-to-date combined ratio is 82.4% and again when adjusting for the discount rate changes in Finland, these figures -- figure would end up at 80.5%. So very strong insurance performance indeed.

The profitability in If is clearly improved during the year as a result of our continuous work on pricing sophistication and risk selection. At the same time, large claims outcome is about planned level, whilst there is a net positive COVID-19 effect, which is about 2% on year-to-date and 3% is our best estimate for the third quarter isolated. We show a strong growth of 5.2% both year-to-date and for the third quarter isolated in a market where we did have some headwind from low new car sales and negative volume effect from

FINAL

reduced business activity in certain industries as a result of the ongoing COVID-19 situation.

We continued to increase the number of customers and had their stable retention rates throughout all segments. And I think despite now being in the middle of a crisis, we really experience a record high customer activity level, in particular in the private segment during the third quarter. For instance, Nordic new car sales in the third quarter isolated was actually back at 2019 level. We saw record high used car sales levels. We also saw a peak in the sale of number of both insurances, pet insurances, risk life insurances. So a very high activity level among the Nordic households. If continued to be well positioned as the largest P&C insurance player in the growing P&C market that is becoming more digital. The growth that we see in year-to-date has been supported by a very strong performance in digital channels. And already by the third quarter, we have sold more than SEK1 billion in new sales purely through the web shops in our private business area. So, the Nordic P&C market is clearly becoming more digital in this environment.

Our cost ratio ended up at a record low 20.7%. And we benefit now from both the high and top line growth and continued efficiency improvements in the operations, as well as low cost spending in certain areas as a result of the COVID-19 situation. We have revised our outlook to an 82% to 84% combined ratio for the full year, reflecting a strong performance for the first nine months and a continued strong underlying earnings momentum. Then, I thought I should give also just a quick update on the current operational situation in light of the recent development on COVID-19. During the third quarter, we started slowly to move people back to the offices. And in many geographies, we had about half of the workforce back in the office at the peak during third quarter.

However, now with the second wave setting in, we are now moving people back again, more to home offices and currently about 80% of our workforce work out of home offices. Still, customer service levels remains high also through the third quarter. We see a high level of customer contacts, strong net promoter score, and really a high customer loyalty in all customer segments. As already mentioned, there is a strong shift now towards digital channels, both for insurance sales, services where we see 15% increased logins in my pages and online reporting of claims, we also see a similar 15% increase in number of claims reported online. The capital market has been benign in the third quarter. We have had strong earnings power which results in a strong result and an improved solvency ratio to 176% after deducting for the planned dividend of some EUR600 million or SEK6.3 billion. Finally, in the third quarter, we saw some normalization of claims weaknesses. And this, of course, adds to the complexity of really separating the COVID-19 effect from underlying improvements. But again, our best estimate is that, we have a positive impact of about 3% in the third quarter isolated and about 2% then year-to-date.

So, with that, I hand back to Torbjorn.

Torbjorn Magnusson {BIO 1863476 <GO>}

Thanks, Morten. Just two final words. We have made steady progress this year, both operationally and strategically, despite the turbulent times. And we plan to give a full presentation of our strategy at our next planned Capital Markets Day to be held on the

24th of February next year. And I hope that the COVID-19 situation has eased enough by then for us all to meet in person in London. Jarmo?

Jarmo Salonen {BIO 1860650 <GO>}

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

Questions And Answers

Operator

(Operator Instructions) Our first question is from Jonathan Denham of Morgan Stanley. Please go ahead. Your line is now open.

Q - Jonathan Denham {BIO 19972914 <GO>}

Good afternoon. Thank you very much for taking my questions. Firstly, you've been quite aggressive in industrial as peers have been pulling back. And even if I strip out the large claims being worse than expected year-to-date, the combined ratio in industrial still just above 100%. Just wondering what's causing this and is it more than just simply a large loss issue?

And secondly, your comments on dividends suggest that you can just about reach the 70% payout ratio entirely from insurance dividends. If the ECB review next month does results in Nordea being able to pay a dividend. How should we think about Sampo's payout ratio this year? Would it be higher than if you just had dividends for insurance entities? Or would you be looking to increase the cash at the payout fee level? Thanks.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

On the dividend issue, I think we shouldn't speculate, but rather wait for the ECB development of COVID-19. Industrial, Morten?

A - Morten Thorsrud {BIO 16111627 <GO>}

So can really be attributed to the large claims only, we see a good development on frequency claims. I think it's good to bear in mind that both the large claims, of course, impact industrial and also the change in discount rate, is to a large extent also something that hits industrial assets, typically affects workers' comp reserves in Finland. So, we do see a good frequency development in industrial and then more the volatility that you once in a while have on the large claims side. I think it's also fair to comment that a very large proportion of the growth is actually rate increases. So, we see a hardening market in the industrial market which we, of course, will then benefit from going forward.

Q - Jonathan Denham {BIO 19972914 <GO>}

Thank you.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

(Technical Difficulty) If there was a question, I don't think we have heard it.

A - Jarmo Salonen {BIO 1860650 <GO>}

Operator, can we have the last question repeated, please?

Q - Jonathan Denham {BIO 19972914 <GO>}

(Technical Difficulty)

A - Jarmo Salonen {BIO 1860650 <GO>}

Sorry, was there another question from John Denham? John, your line is open. Did you have another question?

Q - Jonathan Denham {BIO 19972914 <GO>}

No, there was nothing for me. I think it was a question from someone else in the line.

Operator

Right. Okay. Thank you.

Our next question is from Michael Huttner from Berenberg. Please go ahead. Your line is open.

Q - Michael Huttner {BIO 21454754 <GO>}

Fantastic. Thank you very much. Actually, only one question, which is the cash payment from If? So if I look at -- I'm not sure my numbers are correct, but 2016, EUR586 million; 2017, EUR620 million; 2018, EUR675 million; 2019, EUR710 million; and 2020, EUR600 million. And I'm kind of thinking, why? Why is it down given that we've had such an unbroken trend of rising dividends from If? And maybe you can give us a feel for what it says about how you see If or how you see group cash? I'm really puzzled by that figure. Thank you.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Thanks for the question, Michael. We don't necessarily have any target to have from one specific subsidiary an ever increasing internal dividend as such. We manage If's balance sheet on an individual basis and group liquidity on a holistic basis. If's -- I would say, though, that If's dividend is a little bit on the conservative side because we felt it made sense to leave If with a strong solvency, which is what we did, which means that we took up a little bit below 90% of last year's earnings, while we last year reduced the solvency a little bit more than reported earnings for the year before. So, that's the answer to the first one.

FINAL

Bloomberg Transcript

On the second question, in terms of cash flow from the insurance operations, if I heard you correctly, obviously, If just talked about, the solvency in Mandatum is strong at the end of the third quarter with 206%. There is nothing currently that doesn't make me think that we can take up a good dividend from Mandatum as well. And also with Topdanmark's results and solvency. And of course, the fact that they only also have paid 50% of last year's dividends so far in '20, we expect to have a good cash flow also from Topdanmark in the beginning of next year.

Q - Michael Huttner {BIO 21454754 <GO>}

So I can understand, when you pay the dividend, so your 2021 -- sorry, sorry about that. Your 2021 cash payable -- so 2020 dividend, is it funded out of the -- which part of money is it funded out of? Is it -- should I think of the If payment you've just made plus the Mandatum and Top that is going to come in Q1, is that how you look at it?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Well, obviously, If's dividend as such will be paid in December. Mandatum normally, which it will this year, next year as well, everything else equal, pay in the beginning of the year, and so does Top. So we -- we've...

A - Morten Thorsrud {BIO 16111627 <GO>}

Then obviously, we're hoping for an ECB, a positive ECB decision before that as well.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

From Nordea, yes.

A - Morten Thorsrud {BIO 16111627 <GO>}

Yes.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

So I was more referring to the insurance dividends, which I understood was your correction -- was your question. But that's right. Of course, Nordea usually pay its dividend at the beginning of the year as well. So, we don't look upon it in any special way. There is no specific need in the holding company in December, which makes us take up this dividend from If, at this point in time. The dividend payment for If has for some years been at the end of the year instead of the beginning of the year. But there is nothing special in terms of holding company's needs this year, which means that it sort of will consume parts of the EUR600 million for any particular purpose, other than being a part of the dividend for next year.

Q - Michael Huttner {BIO 21454754 <GO>}

Super. Thank you.

Operator

Our next question is from Blair Stewart of Bank of America. Please go ahead. Your line is open.

Q - Blair Stewart {BIO 4191309 <GO>}

Thank you very much, and good afternoon everyone. I've got a couple of questions. Can I just clarify the pro forma solvency figure if we pro forma it for the completion of Hastings and also accruing a dividend at EUR1.5? Was that the 173% figure that was quoted in your comments? And I have some follow-up questions, but maybe just take that one first?

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

Thanks, Blair. Good to clarify those numbers. What we have in the report with the pro forma of Hastings is 185%. That's up 10% from what we indicated as a pro forma solvency level, in Q2. It has nothing to do with Hastings, it's improvement in the solvency ratio of the rest of the Sampo Group. The 173% is in addition to pro forma Hastings, we also accrue a dividend. As you know, sort of under Solvency 2, you don't accrue dividend in terms of your regulatory reporting on a quarterly basis. So, we have just done that for this illustrative purposes by basically accruing last year's dividend, which is how banks reports, for example, on a quarterly basis to accrue a quarterly dividend based on last year payments.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay. Great. Thank you. So the 173% is pro forma for Hastings and the accrued dividend at the nine-month stage. So that takes my the second question -- takes me onto the second question then. Given that you've said that you don't want to hoard capital or build war chests, should we then assume that should Sampo receive a dividend from Nordea this year or indeed next that, that would then be available for payout via a dividend to Sampo shareholders?

And my final question is, we're another quarter on after the initial announcement of Hastings. I just wonder, is there anything you can say that you've seen in the last quarter with regards to the performance or otherwise of the Hastings business over that period of time? Any new news? Thank you.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Let me start with the Hastings. There is very little we can say other than that, of course, a pure play car insurer in the UK. We would assume that they find life a little bit easier, for sad reasons, but still than normal. That's that. And then, if we speculate in Nordea being allowed to pay a dividend, that would certainly be nice. And what should be done with that? That would, of course, depend on the exact reasons why they were able to pay it, what we expect the future to be and what our situation is then. So, if I can -- if I may abstain from speculating further.

Q - Blair Stewart {BIO 4191309 <GO>}

But you have said that Sampo will not maintain capital over and above what you need to run the business, right?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Over time, that's correct.

Operator

Thank you. Our next question is from Steven Haywood of HSBC. Please go ahead. Your line is open.

Q - Steven Haywood {BIO 15743259 <GO>}

Thank you very much. Good afternoon everyone. Obviously, following up on the Solvency II own fund, aside from the EUR1 billion debt increase, the own fund increased by an additional EUR700 million. And can you tell me what was the big driver of that? Because the profit is obviously not pointed at that level for the quarter. That's the first question.

The second question is on your running yield on fixed income portfolio in the If P&C business is at 1.4%. Now, can you clarify if that fixed income portfolio covers the -- or include the covered bonds as well? And if it doesn't, can you tell me what the running yield is on the covered bonds part of your If P&C investment portfolio? And then, the last question from me is on reserve releases. And I'm just trying to understand that EUR136 million for the nine months. This is a net reserve release. Is it net of the EUR51 million change in the discount rate or is it completely separate item to think about? Thank you.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

On the drivers of own funds, obviously, profit is a part of it. In addition -- reported profit, in addition to that, we had positive market value changes in our investment portfolio, which goes into the total comprehensive income. And we also had the positive development in the Nordea share price, which doesn't impact neither the reported profits or the total comprehensive income. But it does impact our own funds, given the shift we did in our solvency calculation or the regulatory solvency calculations last year, going from a financial conglomerate to a Solvency II insurance group. So, profit market value changes in total comprehensive income and positive share price development of Nordea is the drivers of our own funds in Q3. When it comes to the running yield, not sure if there were two parts of your question, but the reason why If's running yields went down in the third quarter was that the cash portion of the investment portfolio increased. Then the running yield is including our covered bond portfolio as such. It's a part of the report that running yield. And your third question was whether -- where you can find the cost of the reserve strengthening in Finland. That is included in the net prior year result.

Q - Steven Haywood {BIO 15743259 <GO>}

Just following up on the last point there. So, the prior year gains you give for the third quarter of EUR33 million. If you gross that up, remove the Finnish discount rate change, you get to a very high EUR84 million. Can you talk about where these are coming from at all?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

That reserve release is mainly coming from Sweden. And as it has done also in previous quarter from releases of Swedish Motor TPL. Morten, I don't know if you want to add anything to that?

A - Morten Thorsrud {BIO 16111627 <GO>}

It's exactly the right comment. It continues to be mainly coming from Sweden and old vintages of multitier third-party liability claims, bodily injury. So, that's correct.

Q - Steven Haywood {BIO 15743259 <GO>}

Thank you very much.

Operator

Our next question is from Jan Erik Gjerland of ABG. Please go ahead. Your line is open.

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

Thank you good afternoon. I have three questions as well. The first one is related to premium growth. What kind of outlook would you think about when it comes to premium growth not only for the remainder of the year, but also into the 2021?

Earlier, you had said that you sort of calculate back to the 7.5% ROE which you require and end up with a sort of a wanted premium for the customers? How should we read into 2021 when it comes to growth? Would you go back to have a lower ROE and then grow your market share? Or would you sort of grab the opportunity you have in the insurance market on the Nordic to increase your ROE going forward and that also hiking your premiums more than claims inflation, just thinking very loudly.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

That's for Morten. But just initial remark is that, of course, say, two-thirds of the growth is rate increases. So, that's adjustments in areas where we feel it's needed. And we will always do that. There's no change, of course. Morten?

A - Morten Thorsrud {BIO 16111627 <GO>}

Yeah. Then, Jan Erik, I can say a little bit about the growth. As Torbjorn already pointed out, the growth that we see year-to-date is to a fair extent fueled by price increases, so roughly two-thirds being price increases and about one-third being more underlying growth in number of objects insured. When it comes to the outlook, of course, it's difficult really to speculate. I think it's quite uncertain times. However, what we have seen is quite a high activity level, particularly in the private segment. So, if you look at new cars sales in a number of the countries, you see a sharp increase suddenly in the third quarter. And some countries also have reported now new car sales in October being very strong. So, the households investment levels seems to be fairly high at this point in time. So, of course, that's a positive when it comes to the future outlook.

FINAL

Bloomberg Transcript

On the negative side, of course, there is still a lot of uncertainty in particular sort of commercial and industrial, to what extent ongoing crisis will impact different industries and then sort of impact on premium's income. So, I think it's a bit more uncertainty and a bit harder to sort of predict really how will the growth going forward. I think when it comes to price increases, we still see that the market is disciplined. There are still some pockets where we need to see certain price increases. So, I think that's the comment on that.

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

Okay. Thank you. Then, secondly, on your Hastings acquisition, is it so that you should implement it after the court hearing? Or is it sort that you will do it from the January 1? Or how should we think about your implementation of the Hastings into your group? And how would you do it? Will you do it like Topdanmark or how should we look at it going forward? That will be perfect. Thank you.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Thanks, Jon Erik. That is a good question. Appreciate -- able to comment on that. We expect the closing later this month, let's say, in the middle of November. And given that we still have one and a half months left of '21, that means that we need to consolidate Hastings in 2020 as a subsidiary. So, you will have full consolidation of Hastings in the balance sheet as of 31st of December. And in the P&L, you will find Hastings included as a segment for 1.5 months, when we report the Q4 and full-year result.

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

Okay. Very clear. Then just finally, on the life side, you seems to have sort of taken down your risk, especially in the segregated accounts, quite nicely. How should we think about the buffers going forward in this kind of high levels of guarantees post-2022? How is the buffer situation looking after 2022?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

The discount rate in Mandatum -- the discount rate reserve in Mandatum as of the end of Q3 is around EUR180 million -- EUR170 million, Jarmo corrects me to EUR1 million. That's covering the 4.5% guarantee down to 3.5% for the lifetime of the contracts. And as you say, a lower discount rate up until 2022. There's a couple of things here. One is that we're making every year, which we'll also do in Q4 an assessment or the need for increasing the discount rate further. Then the pace of run-off has increased further, which is positive, because it means that when we come to the end of '22, which was your specific question, we will have a little bit lower sort of portfolio liabilities, that needs to be reserved for, than what we previously had assessed. But it is an assessment we do mainly once a year and we'll do so in Q4 as well.

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

And if I could just follow-up on the last one, these sort of buffers, will they be taken from your mark to value reserve? Or should we think about you taking them out of the P&L somewhere?

FINAL

A - Torbjorn Magnusson {BIO 1863476 <GO>}

If we reserve additionally for a discount rate and reserve in Mandatum, it will be out of the P&L. It would basically be an adjustment to the reported investment, AFS investment result. That's been the practice for some time, and we will follow that. Now, I didn't say that we will do an additional reserving, but if we do, that's how it will be accounted for.

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

Perfect. Thank you. That was all my questions. Thank you for your answers.

Operator

Our next question is from Michael Huttner of Berenberg. Please go ahead. Your line is open.

Q - Michael Huttner {BIO 21454754 <GO>}

Thank you. It was just a quick follow-up question on kind of deals. You know you have these strategic or non-strategic stakes, like financial stakes. And I think recently, there was an announcement -- I'm going to get this wrong, that Nets is merging with something. And in exchange, you're getting shares which are listed, but there is a lockup period. And I just wondered if you could give us a little bit more color on this, just to get a feel for -- if you should decide to sell, when you would be free to do so? And is there any additional kind of things we should be thinking about in our portfolio? Thank you.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

We don't comment on individual investments. It's not something, individual investment, we spend a lot of time on a daily basis. But we do, as you recognized, that it looks like the Nets investment for different reasons might turn out to be a really good one. And it's an investment, which as with all investments, we make sort of decisions when the time is right to sell. And that would go for Nets and that we go for all other investments in both the Sampo plc and the insurance operations as such. There is nothing new in Sampo plc's investment portfolio, sort of to talk about, at this point in time.

Q - Michael Huttner {BIO 21454754 <GO>}

Thank you very much.

Operator

Our next question is from Phil Ross of Mediobanca. Please go ahead. Your line is open.

Q - Phil Ross {BIO 20618440 <GO>}

Hi, good afternoon. Just one point of clarification for me, please, on Knut's slide at the beginning talking about leverage. You said you had no plans to increase debt leverage or gross debt. And you've worked to bring down leverage over time, if I heard you correctly. And can you give us any more detail on whether you have a target ratio for leverage or

Bloomberg Transcript

sort of a timeframe in mind here? Or maybe what sort of leverage levels you might be comfortable with if you don't want to stipulate to particular target? Thank you.

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

Thanks. We'll plan to do a bit more update on that particular point at the Capital Markets Day in February. But I think you could have as an indication that we would look to bring down the leverage to levels it were prior to us raising the subordinated debt for the Hastings acquisition over time.

Q - Phil Ross {BIO 20618440 <GO>}

Okay. Thank you.

Operator

Our next question is from Steven Haywood of HSBC. Please go ahead. Your line is open.

Q - Steven Haywood {BIO 15743259 <GO>}

Thank you for taking another question from me. I noticed that you're talking about an aim to grow organically and target organic underwriting growth. Obviously, trying to increase underwriting P&C business going forward on an organic basis. Can you give us some idea of how you'll be doing this? What your strategy here is? Are you focusing on customer numbers? Are you focusing on rate increases? Are you focusing on regional expansion? Anything -- not taking away too much from your forthcoming Capital Markets Day, but anything you could give in this proposal to target organic underwriting growth, would be helpful.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Let me save the fascinating insights into P&C insurance details to the Capital Markets Day. But, Morten, feel free to add. But I want to give you a simple answer. Our target has always been and will always be underwriting profits, to increase the underwriting profits. That's number one, two, three for us. Then we look at growth in a different way than some other companies. We look at it the way that we invest in improved customer service, not least then omnichannel web services. If that produces better customer satisfaction, more customers, we're very happy, and that's of course the target for that. But the prime target is underwriting profits and will remain so.

Q - Steven Haywood {BIO 15743259 <GO>}

Thank you very much.

Operator

(Operator Instructions) Our next question is from Jan Erik Gjerland of ABG. Please go ahead. Your line is open. Your line is open, Jan.

FINAL

Bloomberg Transcript

FINAL

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

Hello, thank you for taking my questions, sorry for -- I was on mute. If I could shed some light into the market situation in different countries. If you could do some more specification on how you see the competitive environment in each market and who you see as the main competitor currently? And that will be very good to understand the P&C market further from here. Thank you.

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Morten? We have Morten in a different location that has worked well until now. Let's see if we can get hold of him.

A - Morten Thorsrud {BIO 16111627 <GO>}

Yeah. Now, is it better?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

Yes.

A - Morten Thorsrud {BIO 16111627 <GO>}

And I think the competition is largely unchanged. So, it's still sort of mainly the three, four main players that you will find in each and every market that we compete with. So, it's really no big change on the total perspective, sort of in the Nordic P&C insurance landscape.

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

Okay. So, because it looks like the -- as some of the sort of the price pressures are out of the market being forced on weak combined ratios to reprice as well, it looks like it's a good ability for you and say for other major players to sort of increase your thinking and increase your pricing. So, how do you see these kind of smaller players and price pressures being -- when could they return to the marketplace, so to speak, to be more irritating competitors going forward?

A - Torbjorn Magnusson {BIO 1863476 <GO>}

It will happen tomorrow, is it?

A - Morten Thorsrud {BIO 16111627 <GO>}

The market that continues, I would say, to be disciplined. So, we do see that sort of -- in the few areas where there is a need for price increases, we see that it's possible to get that through as sort of most players are disciplined in Nordic P&C insurance market. I think, yeah, they've seen a bit of consolidation lately, but not to a large extent. Perhaps a bit more in Norway than on the other countries. Of course (Technical Difficulty) that becomes more digital. Scale is quite important in order to afford investments needed, in order to have (inaudible) customer services.

Bloomberg Transcript

A - Torbjorn Magnusson {BIO 1863476 <GO>}

It was some time since the market was as rational or consolidated as it is now. And that is a development that is still going in that direction, not the opposite one.

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

Okay. Thank you for sharing some light to that.

Operator

There are no further questions at this time. Please go ahead, speakers.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you, operator. And thank you all for your attention. Bye-bye.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

FINAL

Bloomberg Transcript