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CORPORATE PARTICIPANTS

Ingrid Janbu Holthe *If P&C Insurance AS - Head of Business Area Private*

Knut-Arne Alsaker *Sampo Oyj - CFO & Member of Group Executive Committee*

Morten Thorsrud *If P&C Insurance AS - CEO*

Sami Taipalus *Sampo Oyj - Head of IR*

Tobias Adriaan van der Meer *Hastings Group Holdings Limited - CEO*

Torbjorn Magnusson *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

CONFERENCE CALL PARTICIPANTS

Alexander Evans *Citigroup Inc., Research Division - Research Analyst*

Faizan Ahmed Lakhani *HSBC, Research Division - Associate Director of Insurance Research*

Freya Kong *BofA Securities, Research Division - Research Analyst*

Håkon Astrup *DNB Markets, Research Division - Analyst*

Jan Erik Gjerland *ABG Sundal Collier Holding ASA, Research Division - Lead Analyst*

Johan Ström *Carnegie Investment Bank AB, Research Division - Head of Research & Research Analyst*

Tryfonas Spyrou *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Vinit Malhotra *Mediobanca - Banca di credito finanziario S.p.A., Research Division - Equity Analyst*

PRESENTATION

Sami Taipalus - *Sampo Oyj - Head of IR*

Good afternoon, everyone, and welcome to this Sampo Group Capital Markets Day in London. My name is Sami Taipalus, and I'm Head of Investor Relations at Sampo. The agenda today will revolve around Sampo's plans and financial targets for the next 3 years, 2024 to 2026. We will start with a presentation from Sampo Group's CEO, Torbjorn Magnusson, who will present on strategy and financial targets. The presentation will be followed by a shorter Q&A session with Torbjorn.

After that, we'll go into the operational presentations on Nordic P&C insurance and the U.K. which will be followed by a coffee break. After the coffee break, we will have the final presentation from Group CFO, Knut-Arne Alsaker; and we will end the day with a longer Q&A session with all the presenters. During the Q&A sessions, we will be taking questions from the audience as well as questions from online, where you will have a little box in the webcast, where you can ask questions. And then it only remains for me to say that the event today is live webcast and recorded, and the recording will later be available on sampo.com.

With that, I hand over to Torbjorn.

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

Good afternoon, and welcome, everyone. It's been 3 years since our previous Capital Markets Day, and it's time to give you an update, describe, where we're heading and, of course, new targets. In -- on this slide, I'm using the words uniquely attractive, which is a pretty strong expression. But I think that we have earned that in the previous planning period.

As we're now a pure-play insurer, with our roots and the dominant part of our business in the attractive Nordic region. And on top of that, we now have a specialist insurer in the growing digital segment of the U.K. market. Further, the Nordic market has remained as stable as ever. And the U.K. one is now in much better shape than 9 months ago, and I'll, of course, return to that.

In the previous period, we have continued to invest in digitalization and our leadership there. And we have also reaped some benefits of that and shown better growth than in a long time. So this is the starting point for the next 3 years. And our main target for that period will be to aim to deliver more than 7% operating EPS on an annual basis.

So on the surface, the structural changes have created a pure play insurer. In the Nordics and then we have added Hastings in the U.K. Under the hood though, there have been many more changes. We now have 3 divisions in the in the Nordic region, private, commercial and industrial. And we have an experienced management team, with their experience in non-life insurance, trying to guide these different divisions.

We try to make the most of technological advances, initiatives taken in 1 part of the group and spread them to the rest. The majority is mass markets as it should be. And the 1 side comment, I guess, to this structural slide is that we have been value conscious on top Denmark, and we will continue to be so. There just hasn't been any opportunities for that.

Let me also say on the past that the headline news have been structural, of course, but more quietly, our insurance operations have delivered really good results. We're here to talk about the future, but not the past so much. But we all remember the challenges from the pandemic, from the outbreaks of war from the inflation shock. And it makes me proud that we have been able to meet these challenges in the way that we have done.

Suffice it to say that we have performed well both in terms of volatility and in terms of results, and we have enjoyed more growth from the digital proficiency that we have. We have -- as I'm sure most of you are aware, an extremely long track record of strong and stable results. And this is despite so much changing around us in the past 15 years. So this slide shows some of the basis, I think, for how this has been possible, some of the things that haven't changed. We have 3 strategic pillars that I think have remained valid over the past 15 years, say, and that I am convinced will be valid also after this planning period of 3 years.

First 1 is customer centricity, that's something of a buzzword. I admit that. But it means something to us in that we have no interest in short-term customer gains without any sustainable advantage. We only try to get customers with an offering that is unique or good for them with -- in a sustainable way where we can keep the customers long term.

Second one is our long-term investment in operational excellence. Now, along If -- operational excellence can be many things. For us, it means, for instance, Pan-Nordic platforms for us, it means, for instance, being cost conscious with the company's money all around the group. This is not least important in the collaborations with the affinity partners that we have, and of course, with the price comparison websites in the U.K.

Underlying all of this -- all of these strategic pillars, everything we do nowadays is digitalization. And IT, I'm struggling to find a better word because I'm reaching for something really broad here. You could say I -- AI, if you're going to be modern, of course. I think we are 1 of the leaders of using AI in the insurance industry. You can say Big Data and our actuaries are swimming in that since a number of years. Digitalization normally means distribution or internal efficiency. All of that are things that we invest heavily in, and the investments have increased year-on-year for many years now.

Something that people avoid saying nowadays is the words production system, almost pretending that you don't have one, but it's, of course, 1 of the biggest costs for an insurance company now and in 3 years' time. We have a cross-border pan-Nordic production system, something makes us unique and is the biggest source of synergies for us. We don't believe that these investments will fade anytime soon.

So we expense all of it for FP&C, and we don't carry any capitalized amount for it. Which then brings me to the new financial targets. And so much has changed in our group structure that we actually had to think quite carefully about what would be appropriate targets for the new period. We had a target in the previous period that said mid-single-digit growth on the underwriting profits, and that was pretty close to EPS isn't it? Especially under the previous accounting regime.

And we now set a target for increasing the operating EPS, the EPS taking out mark-to-market volatility. Knut will come back to the definition. To raise that by more than 7% per annum in this period. So we raised the previous mid-single-digit to 7%, roughly. Then we also keep a combined ratio ceiling to keep the discipline in the organization and to keep the long-term margins on our business.

About 50% of the increase in the underwriting profits in the previous period came from growth, and I'm pretty sure it's not going to be less in the coming period. All in all, reaching these targets will generate more than EUR 4 billion in deployable capital, deployable, meaning able to distribute or used for bolt-ons.

These targets are not top down. They are generated in a bottom-up process and they are based on a number of ambitions in our operations in the divisions. And I'll come back to those ambitions briefly. Morten and Ingrid will detail them more a little bit later. But before I do that, let me just spend a minute on this slide briefly, which is a slide about what I call the scale situation.

Now I've actually seldom in my more than 30-year career, seen so few small challengers in the Nordic insurance markets. And on personal lines, that is not difficult to understand because building large web systems, production systems, and IT system is costly. And scale has become very, very important for mass market business. So our biggest synergy, as I said, is cross-border production systems. We are now a very sizable insurer in Northern Europe. Does that put a limit to what we can grow.

Well, fortunately, I don't think so. We have a number of areas where we can grow. We are actually not the biggest insurer in most of our markets. So there is no limit to that from that respect. Going through some of the ambitions then -- that we have for our divisions. The first target may be a little bit unusual, but that's retention. It's the retention numbers that we've had for the past few years have really supported our growth, and it's actually the highest retention numbers that I've seen in my long, long career in the insurance industry.

I think the most important reason or factor to achieve that is fair and stable pricing, showing integrity to our clients, only selling them things that they understand and need and not changing pricing in a jerkily way. There are many other reasons for this. You have to build a trusted brand. You have to give them the right service in a claim situation, et cetera, et cetera. But -- we -- as I said, these are the highest retention numbers that I've seen in our company and probably any insurance company in 30 years. So our aim is to keep this or get higher.

Despite the previous slide, we actually have to sell also. Volume-wise, not customer-wise, it's 1/3 of the business. And 1 feature of the Nordic market is that it's most of it is direct. And the price comparison websites, well, that's probably something in between. And Torbjorn will talk more about this in a few minutes. And again, if I were to say that digital sales would not increase, you would probably raise an eyebrow quite correctly, we expect to grow this by 20% in the coming period. And actually, I'm convinced that we will come beyond that also.

One more aspect on the long-term longevity, the long-termism for us in the business that I just want to touch on is the partnership that constitute some 1/3 of our private lines business or something like that. We approach any discussion with a potential partner with not commission levels, financials, but rather saying, let's try and find a proposition to the clients that is better what they can get to anywhere else.

If and only if we can find such a proposition to the clients, then we start talking about incentives, the commissions, the profit share, the whatever. Then after that, more often than not, there's a period of technology integration and digital integration on sales, but also on payments and claims. And sometimes, as in the car industry, to provide claim statistics to a car producer manufacturer. This has led to a number of extremely long-term relationships, partnerships -- the average here is more than 20 years.

Multiple agreements are more than 40 years long because it's difficult to copy. It's difficult to emulate. It's costly because we invest so much in the IT integration with them. So that to me is an interesting part of our business and not small. After that, moving on to the U.K. and Hastings. I think that to be fair, coming from a period of the pandemic, the so-called GIPP Reform, inflation [stock] cost of living crisis, as we call it here, it's unfair on the insurers that they should be able to meet the claims inflation perfectly every month during this period. It's been truly unusual.

And I think the market has struggled to be -- it's been rational, but it struggled to catch up with the changes. I'm very proud that Hastings has done much, much better than average in the market and maybe a bit supported by the fact that where they are now part of Sampo Group and that we always have the option to just step back for a month or 2 and digest what is happening in the market and take the right long-term decisions.

Now looking forward, the claims inflation has, let's say, moderated a little in the U.K. And we have an 8% market share in motors. That is very important to us. The frequencies and the weather this winter has been a bit more benign in the U.K. than the previous winter at least. And so that's been helpful for us and for others. And then just noting on the slide here that the PCWs have continued to gain market share, not least in home, where -- which is beneficial to us, of course, as this is 1 almost our only channel apart from direct.

So we will continue to look for growth opportunities for Hastings. We will continue to invest in the technological advances they have. And of course, always, as in Sampo Group maintain the underwriting discipline. As I said, we can always step back 1 step, if need be, if the market decides not to be rational, that's not what I'm seeing at the moment in the U.K., although I have -- I'm an optimist to the U.K. development at the moment. The result of this is an ambition, a target and expectation of 10% to 15% increase in the underwriting profits per year for this planning period for Hastings.

Now this is not only the only area where we have growth opportunities, even though it's an important one. I think 1 of the more impressive feats that we have carried out in the previous 3 years, is swapping growth in the motor area where our distribution is really strong in the Nordics for more growth in property and personal insurances, and that was quite a -- quite a big change.

Let's just mention briefly in the Personal Insurance is, i.e., sickness accident and health product, 1 year covers the public services receding in many countries or perceived to be receding. So there, we have had growth of more than 10% in the past couple of years. We have a new target of more than 7.5% per year in the next period.

Property, well, property, we were underrepresented. We are underrepresented a bit, especially in the Swedish market in private lines. So we've had market share growth for a couple of years. And then we have this (inaudible) -- more than 5% written premium growth as an ambition. That is because the housing markets in the Nordics are not exactly intense at the moment and GDP is not growing very quickly either.

So good growth opportunities also in the Nordics. We are the market leader in Nordic commercial business. We will stay in the Nordics. The Nordic region is an attractive 1 for commercial business. It's consolidated. As you well know, it's mainly direct distribution brokers in our portfolio have some 20% of the distribution. It's very highly cost efficient. So we're the biggest company here. Most of the companies are SMEs, and the obvious conclusion is offer them web distribution, web sales, which we do since the latter part of 2022.

It is very much appreciated. It's -- in percentage terms, it's growing really quickly, but of course, it's growing from 0. Just as for private lines 10 years ago or 10, 15 years ago, and we are in the process now modifying and adjusting our website for this. And it's exciting times, and I think that -- the figures you see here are ones that assume that the market will gradually adapt to this change that we're offering 6% more growth per year on the written premiums.

If it goes more quickly in the market, we will grow more quickly and vice versa, of course. Industrial Lines. That's a very different story. We will have an aggressive target for Industrial Lines. The key here is to be close to the clients and to accept that there's an ebb and flow of international capital. And that's quite a slow ebb and flow because it takes time to build up your knowledge your relationships to people, clients, brokers in the market, but we will have no growth target, as I said, and well, we will be very disciplined in Industrial Lines.

Another evidence of that is that industrial lines is not only about pricing. It is also about managing your exposures, as you can see from the right-hand side of this slide. We have had a few years now with higher-than-expected large losses. When we look at it in detail, what we see is random deviations from the expected. So that's what we believe it is. But believing is really not enough for us. So we have cut back a little bit on our largest exposures at this year-end to make sure that we don't have an issue.

This, I'm sure, for most of you is my least surprising slide. We have 14 years of reducing the cost ratio, 20 basis points per year. I can see no reason to change this for the foreseeable future. We continue to incentivize people to look ahead, not only present year but the year after. We use the IT synergies. We still have many more IT synergies to work at.

And we think long term, there's no need to change the target of 20 basis points per year improvement. This, I think, is a team, a well-known faces to many of you. We've had no resignations in the upper 2 echelons of the company in the past 3 years. The only ones that left were the ones that left in the demerger of Mandatum. And the -- well, a couple of new faces added that's all internal with the exception of Toby from Hastings, of course.

We all have different backgrounds. We all have different training. And -- but in spite of that, we all share a view about how you run an insurance company. And this, I would say, is a very efficient management team, when it comes to decisions and moving forward. We intend to keep incentivizing people with a high proportion of variable pay. When I start -- when I joined Sampo 20 years ago, that was in vogue and that was something everybody did, 10 years ago, it was out of vogue and you shouldn't do it. It was a terrible thing. And now I think it's probably on its way back in vogue, isn't it.

So we have launched a new long-term incentive program again today, which looks a little bit -- it's a little bit updated compared to the previous one, but it's very much geared to the development of the share price and the EPS or underwriting profit increase here in the targets today. It's a phantom share program. And we will have all the time in the world to focus on the business as we now have no non-life business to take care of.

I'll skip this one, I think. Another area where we believe that discipline is of value is capital management. Our M&A appetite is very, very limited. Hastings was a truly unique event over our more than 20-year history. And in this past plan period, we have only bought out the remaining 30% of Hastings. Any bolt-on acquisition that we could consider would always have to compete with the risk/return reward that we get from organic growth in this situation. And remember, with the margins that we have, organic growth is quite difficult to beat and should be the main strategy for the coming period.

On the other hand, on the right-hand side here, we are very happy to return money to shareholders. As you have seen in the past 3 years. We have used EUR 7 billion or we have distributed EUR 7 billion to shareholders and kept as it were, one to buy out the remainder -- the remaining 30% of Hastings. Which brings me a little bit ahead of time, Sami, to my final slide.

Sampo has, for the past 20 years, used every possible means of creating shareholder value, the P&C operations have always been a steady, stable and significant part of that. And in the past 3 years, we have been able to increase the speed in the P&C operations and in the group and it makes sense for us now to focus on organic growth. So our plans are based on the things that we know best, and that gives me a lot of confidence for the next 3 years. And I truly look forward to meeting you all on a number of occasions over those 3 years. Thank you very much.

QUESTIONS AND ANSWERS

Sami Taipalus - *Sampo Oyj - Head of IR*

All right. We're going to go into our first Q&A session then. And in this Q&A session, it's going to be a shorter one with just Torbjorn on the presentation he just gave now, strategy on financial targets. There will be a second Q&A session later, where you can ask operational questions and stuff about capital management and so on.

We're going to take questions both from the room and potentially from the lines as well. I will be handing out the questions. There's a microphone on each of your tables. So when you get a question, you just pick that 1 up. And if you can waive the microphone a little bit, so the sound guys see, who's asking questions, and they can switch the right microphone on. All right. Why don't we start? Why don't we start with Tryf.

Tryfonas Spyrou - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Just a question on M&A. And can you maybe touch on what is your appetite in terms of personal lines, commercial SME or industrial lines when it comes to M&A. I know you mentioned both any sort of color as to the appetite?

And then second one, related to that is on what is your sort of criteria of looking at M&A? Is it EPS growth and the target should be accretive for the overall group EPS growth? Is it return on equity or on funds, so any criteria you're looking for...

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

So could you repeat the second question? I actually couldn't hear.

Tryfonas Spyrou - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

So on the criteria looking for M&A. Is it an EPS growth and that target should be accretive for the overall EPS growth -- is it return on funds? Or are we sort of binding constraint or anything?

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

So we're a broad insurance company, P&C insurer. We do all lines. So in theory, we could look at anything. But then when you start looking at the low-risk alternatives, i.e., the geographies, where we are present and the segment where we're present in the U.K., there isn't actually many companies to even look at when you start that exercise.

So if you look at our history, go back, we have done a few acquisitions to the tune of -- couple of tens of millions of euros we bought out -- we bought [3X] operation in Finland. We bought a roadside assistance company, the other year. So there are very, very few things that we would even look at and then most of those company will not have the right management, culture, systems, whatever for it to make sense, which is why I'm saying this -- our appetite is really very limited.

But at the -- I mean, there could be instances in history when this would be a limitation. But with all the growth opportunities we have at the moment and the margins we have for those opportunities I don't really see that as an important question for us.

Sami Taipalus - *Sampo Oyj - Head of IR*

Next question, why don't take (inaudible).

Jan Erik Gjerland - *ABG Sundal Collier Holding ASA, Research Division - Lead Analyst*

One question on growth. It seems that you are more focused on organic growth, this strategy period than the last strategy period. Are you concerned that you as a market leader focusing more on organic growth that, that could lead to a tougher competitive environment going forward?

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

I've worked in this industry for more than 30 years, as long as I'm here and as long as the management team more importantly is here, there's no way that we will change our hallmark trademark, most important feature underwriting for something else. Whatever happens, we will continue to have the combined ratios in the incentives to have the intensity in the follow-ups to have the profit share for all employees based on the combined ratio, including every, every, every one. If we don't have the underwriting the pricing in place, nothing else matters.

So no, we won't forget that. However, 1 thing has changed. We started investing in digitalization and digital distribution and service 12, 13 years ago now. And obviously, the market caught up -- the market behavior of customers caught up. And that's been the basis, if you look at our growth in the past couple of years, -- it's not like it's astonishing, but it's more than in the past. And that comes from that feature. So we will exploit the new potential or the new ability and skills that we have and I expect that to pay off in growth without forgetting about underwriting at all. That was a long speech. Wasn't it?

Jan Erik Gjerland - *ABG Sundal Collier Holding ASA, Research Division - Lead Analyst*

Coming back to the capital distribution, you have been taking out EUR 7 billion on the slide here. Could you elaborate a little bit more about how you're thinking about this strategy period take out of capital versus the above EUR 4 billion you talked about.

When should we sort of expect things to evolve? Is it during the AGM or the Q1 or during the autumn -- is it the internal model? What is sort of a trigger for you then? Is it the sort of thinking about it's a new AGM coming up, that's important for you when it comes to capital distribution. Is it internal model? Is it that important stuff like that?

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

Let me stop you there because you've; a, given much of the answer and; b, Knut will, of course, give you all the details of the answer. But yes, we agree that buyback is an important part of this.

Yes, we think that buybacks should be not tiny -- and yes, we have an AGM and hopefully, very, very shortly thereafter or even before, I don't know, a decision from the Swedish authorities on our partial internal model. So I think you gave most of the answers, didn't you.

Sami Taipalus - *Sampo Oyj - Head of IR*

Faizan, and let's get on the capital management questions. Let's come back to them, when is Knut Arne's presentation. I think...

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

Done that now, won't we? Does he have to?

Sami Taipalus - *Sampo Oyj - Head of IR*

Does he have to present even.

Faizan Ahmed Lakhani - *HSBC, Research Division - Associate Director of Insurance Research*

Faizan from HSBC. So just trying to understand the 7% or greater than 7% EPS growth. Your top line and you provide a helpful breakout, but it seems like sort of 5%, 6% will come from top-line growth in the Nordic region combined ratio guidance has improved, but you already were well below that over the last strategy period.

So could you help us bridge how you get to higher than 7% EPS growth? Is that buybacks or cap return? Or is it coming primarily from sort of Hastings being the other parts. So if you could help break that out?

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

It's coming from Hastings, but we also have -- my expectation is that it will also come from buybacks, yes.

Yes. Yes. I mean you saw the 10% to 15% growth in Hastings that we have as the ambition there. And that in itself, of course, lifts this 1% to 2% and then on top of that with some buybacks, the 7% shouldn't be perceived as an aggressive target based on those things.

Sami Taipalus - *Sampo Oyj - Head of IR*

Any more questions in the room? Or should we take 1 from online. There's a question about the industrial business. And some of your peers have talked about the industrial business having lower profitability and higher capital requirements than what the -- I guess, the retail and SME businesses do -- so how do you think about that strategically? And how do you think about remaining in the industrial business?

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

Well, we come from a different starting point than most of the others. We have 1/3 say, of the Nordic market. We have, by far, the biggest unit of specialist underwriter, specialist risk managers, specialist claims handlers for the Nordic region, for the Nordic industries, be that metal, pulp and paper or other industries.

So we don't have a small industrial operation that is supported by the rest of the group. We have a -- an important industrial business that has, over time, performed well. And if I were to [design] to leave the large corporate business, I'm not sure that we'll do it this year. Would have been better 5 years ago, when rates were poor.

Now we've had rate increases and tightening of terms and conditions for 3 years in a row. So I'm very confident about the performance going forward from our large corporate business.

Freya Kong - *BofA Securities, Research Division - Research Analyst*

I just wanted to get your thoughts on longer term how you see potential technological disruption to the distribution or ensuring of customers and how you and your partners think about it or a monitoring it? I'm thinking changing ownership models potentially more fleet sales and potential shifting of insurance from B2C to B2B?

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

Yes. First of all, there is a gradual change to the motor industry that has been going on for some time. And you can call that disruption. I think that it's less of a disruption for the insurers maybe than the OEMs in that we have a large proportion of the vehicles insured as fleets already by company cars, which is a big thing in the Nordics by finance companies that hold fleets for people to rent the car, so there are years when, say, 30% to 40% of our new sales are for fleets or groups of cars already and not owned by an individual.

So I'm not saying that there's not changed, but the change is gradual slow and we're quite well prepared as the closest partner to the car industry in the Nordics at least -- at least, yes.

Unidentified Analyst

For the 5% to 6% growth within the Nordics -- how does this compare to the overall market growth? Does it take into sort of any assumptions on market share gains or are you pretty much maintaining share here?

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

I'm expecting market share gains in personal assurances. I'm expecting market share gains in private property. What happens in motor is out of my hands, actually. But people go back to buying the same number of cars that they did 2017, '18, '19 you will see market share gains in that area as well. We don't have market share targets that's something that would be unfortunate I think. And we -- but we expect to see some growth in those areas, yes. Alex?

Alexander Evans - *Citigroup Inc., Research Division - Research Analyst*

I just wanted to clarify on the Nordic growth. The new car sales have been, I think, over a 1 point drag on growth what assumptions are you making over for that greater than 7%? Is it that new car sales stay flat? Or are we assuming that they go back to relatively normal levels?

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

We've used our usual conservative selves to make that estimate. And we don't expect the car sales to be the lowest ever, but no way -- no way there's an assumption that they will go back to where they were, as I mentioned, 2017, '18, '19.

Sami Taipalus - *Sampo Oyj - Head of IR*

Good -- any further questions? Or are we happy?

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

That's a big demand.

PRESENTATION

Sami Taipalus - *Sampo Oyj - Head of IR*

Right. Well, let's move on with the agenda day. Then the next presenters will be CEO of If, Morten Thorsrud the Head of Private Ingrid Janbu Holthe.

Morten Thorsrud - *If P&C Insurance AS - CEO*

Very well. Then it's Ingrid and my pleasure to talk more about Nordics. I'll start out talking a little bit about sort of recent performance, talk a little bit about the market situation, talk a little bit about our competitive strength in the Nordics -- and then Ingrid will dive a little bit more into the operational ambition that Torbjorn already briefly has outlined.

But let's start by recapping a little bit the recent performance of Sampo's business in the Nordics. So if you look at the targets that were set out at the Capital Markets Day in 2021, you will see that we managed to basically outperform all of these targets that were set for the Nordic business of Sampo. Starting with the combined ratio. We have delivered in this period for all 3 years and actually for each and every single quarter, the combined ratio well below the target that was set in 2021.

Then looking at the cost ratio. We have continued the trajectory of about 20 basis points, cost ratio improvements year-on-year. Actually something that we have done over now 14 consecutive quarters. And as you saw from Torbjorn slide earlier today, a full 10 percentage points actually reduction, since If was established.

So again, in these last 3 years, we have delivered a bit more than the 20 basis points cost ratio reduction on average per year. And then finally, to the insurance service result or previously underwriting results. We have delivered a growth -- a double-digit growth, which again is well above the target that was set back in 2021. Then talking a little bit about the current situation in the Nordic market. Now at the start of 2024, we have a very positive view on the market situation in the Nordics.

Over the last few years, we've seen increased inflation. That has now sort of during 2023, stabilized even in some areas, we've seen reduction of inflation, in particular in property. Once the (inaudible), it has more sort of stabilized now. And we do have more visibility on the claims inflation going forward as we have quite long agreements with many of our partners on the repair side.

And then also in the Nordics, wage increases for a number of the markets have already been set for 2024. Then looking at claims frequencies -- as we remember back in 2020 and 2021, we benefited from, of course, low frequencies on the motor side compared to sort of more historical levels.

Now we have seen a return back to close to the previous sort of pre-COVID levels. And you see from the graph on the top right-hand side here that this development has been very sort of steady towards sort of the all sort of situation, so to speak. This is exactly what we have anticipated and therefore, exactly what we have also had as assumptions, when doing pricing in Nordics.

Then in the last few years, the reinsurance market has also been hardening a little bit, which is actually something that benefit us, since we are the largest insurer in the Nordic and Baltic region and therefore, can take more of the risk directly on our own balance sheet. That, of course, means that we are less dependent on reinsurance compared to many of the smaller or more local peers.

Then finally, Torbjorn must already touched on a little bit on the new car sales. New car sales in the Nordics have been really low. 2023, it was stabilizing at least, but they are still on a low level. So any growth from this level going forward, but of course, give us a nice tailwind on the growth rates. Then a picture on sort of the market dynamics in the Nordics after 2023.

And the intention here is not really to talk about competitors' performance, but rather underline the fact that we have been able to price for the inflation that we've seen over the last few years. And when you look at that, it's a number of factors that is important to bear in mind, when pricing is sort of for the development.

First of all, of course, the inflation [as such], the claims inflation as such . Then secondly, the return to sort of the more pre-COVID levels in terms of claims frequencies that we also have been very good at predicting, I think, that development. And then finally, always have more kind of claim-specific trends. For instance, the trend of new cars being far more expensive repairing than older cars.

And of course, you also need to make sure that you include that in the pricing. And I think this picture sort of show that we have been good really implementing the price increases that has been needed due to these different trends. And I think also from the picture, you can see that we perhaps have been better than many other players in the market. And of course, that leaves us in quite a benign situation, where it's fair to believe that a number of players, we need to do quite heavy price actions in the period to come. And of course, that would benefit us already sort of having been able to price kind of ahead of the curve.

Then to the cost rate and cost side of things. Efficiency, cost efficiency has always been an extremely important part of sort of the equity story of Sampo in the Nordics. We have a strong performance and a good trajectory A lot of this is coming from changes in the operating model, in particular, sort of becoming more digital. And of course, given that we expect that operations will become even more digital in the years to come, we do see a good potential also for further reductions in the years ahead.

We still sort of focused a lot on the cost ratio as such. I think we are 1 of the few players that sort of insist focusing on the cost ratio. But we think that, that is a better metric to focus on than, for instance, expense ratio because the cost ratio includes all cost items, right? It includes administration costs, IT costs, sales and distribution costs and also claims handling costs.

So I think for analysts, investors, I think by us focusing on the cost ratio, give you more transparency on the real cost development. And that's why kind of we focus on the cost ratio. That means that in our cost ratio, we include all cost elements also education and development costs, which under IFRS 17, we could have chosen to put sort of outside of the combined ratio outside of the cost ratio and sort of have below the insurance service results.

But our cost ratio include all cost items. As I said, we have good prospects for further digitalization of our business. And -- it is, of course, then quite natural that we have an operational target of continuing the trajectory of 20 basis points cost ratio reductions year-on-year. Then some few more words about sort of our operating model and competitive advantages in the Nordics. If is benefiting from an integrated operating model in the Nordics, where we are taking out scale and skill synergies in a number of areas.

This was the whole idea behind establishing a Nordic Baltic player. And we've been able to take out a lot of synergies so far. However, with digitization, we are entering into a new era, where we are expecting even more synergies by us kind of developing even more Nordic and Baltic solutions that we can benefit from across.

In our operations in private we are benefiting from a very efficient direct distribution model, where we are really a front from runner, when it comes to digitalization and, in particular, digital sales. As you probably know, the -- have a customer relationships with -- where the customers typically can buy many products and with very high retention rates. And as Torbjorn already mentioned, the retention rates that we do see now is really on a very high level in a historic context.

On top of that, we benefit from a very strong position in the automotive industry or mobility market, where we are then benefiting from high new car insurance sales and hopefully, sort of we will see a market there sort of growing a little bit, but let's see sort of how the car industry develops in the Nordics in the years to come.

In commercial, we are benefiting from a fully Nordic base system, enabling us to do Nordic pricing, Nordic risk selection and a system that is then a huge advantage for us when the commercial market now is becoming more digital. Also in the commercial market, we are predominantly distributing direct. Also here, we have very broad relationships with the customers. They buy a lot of products with us. And also here, we benefit from very high retention rates.

In the large corporate market, we are benefiting from truly being the market leader. We have far more knowledge, capabilities, data than anybody else in the market. We have a big risk engineering department that really sort of focused on understanding the risks that we insure. And I think all of these enable us to be best-in-class, when it comes to underwriting and risk selection in the large corporate markets.

And then finally, in the Baltics. We benefit from a very modern operational platform that actually gave us about 5 to 10 percentage points cost ratio advantage compared to peers, which means that we can run a highly profitable business in the Baltics with also very good growth rates. So that's a little bit sort of the setup in the Nordic our competitive advantage in the Nordic and the market situation.

And then I'll leave the word to Ingrid to talk more about our operational ambitions in the Nordic region.

Ingrid Janbu Holthe - *If P&C Insurance AS - Head of Business Area Private*

Thank you. As seen on the previous slide, brand and marketing is, of course, key in a digital model and If benefit from a very strong brand in the Nordic market. Here seen by the spontaneous brand awareness across 3 other of our markets. And this, of course, also leads to customers coming unknown initiative to our websites.

Last year, we had 42 million visits to our if.xx sites across the Nordic. That was an 11% increase compared to the year before. And over 50% of that traffic is direct. That means that customers come then directly. And that is key in order to also have good distribution economics in a digital model. And we see an increasing share, both in digital sales and how that leads to more efficient model.

Last year, 20% of our sales, this is in If Private, in premiums were to digital channels, 27% of our sales in objects were to digital sales channels. And if we look at the customers coming directly to us on initiative, 50% or actually 54% of those customers come to digital sales channels.

It's already our largest new customer acquisition channel, close to 150,000 new customers joined us last year coming through our web shops. And we also see an increasing trend of upsales to existing customer base to our logged in solutions. So last year, 40% of our digital sales were customers, who came from kind of our MyPage that's our logged in environment for our existing customers.

So all in all, of course, this is supporting good distribution economic development here illustrated by an indexation of sales premium versus acquisition costs and the trend over the past 5 years. So last year, we had EUR 130 million in digital sales in private and the target for 2026 is to have that above EUR 160 million.

Of course, we're not only working on improving the digital sales processes. We're working across all customer service operations, claims, it's kind of self-service task editing insurances information requests. And this is also contributing to the long-term retention. So in 2023, we saw a 20% increase in self-service task conducted by customers. And actually, 80% of our customer contacts by private customers now starts online.

We also see that we have higher customer satisfaction for customers, who use digital as the main channel. And we know from our data that there's a strong correlation between customer satisfaction and retention. That's also kind of 1 of the reasons -- the main reasons we have seen very high retention levels over the past year and also have then the target for 89% or higher retention for private customers over the next period.

Then taking a bit closer look at the different lines of business, Torbjorn talked about the private property portfolio. It has a strong business momentum, that we also expect to continue. It's a portfolio of roughly EUR 900 million, and we have experienced a growth around 5% over the past 3 years.

So now we see that 50% of our customers in private have either a household or a homeowner product. In particular, the homeowner product is really important because of the long lifetime duration of those customerships. So it also creates a large and loyal customer base to do cross-selling upon. And our strong position in property is built on several factors. One is the broad product offering that we have available in all channels, super smooth and easy sales processes for these products, also relevant partnerships in the property transaction moments and also pricing capabilities that support growth.

So even if you don't have any target on market share, it's also nice to see that we have had a strong development also in terms of market share in the private property portfolio. If we look across the Nordic over the past years. Also included an example of how we work on simplifying. This is an example from the householder sales process in Norway, where we incorporate external data both to kind of simplify the sales process and improve the tariff and the risk selection. And by doing this change, we saw a 60% year-over-year increase in digital sales for that product for the months following a change.

So in Norway, you can buy household insurance by just submitting 2 things, and that's your social security number and your address and then you will get the product recommendation and account. So also for the next target period, we have an ambition of 5% or higher growth for the private property portfolio on average per year.

And then moving over to motor. The story is very much the same. We have still a very strong position among our automotive partners. We are very well positioned for the rebound of the new car sales whenever that will happen and the digitalization of the industry because the industry as such is going through quite a big also digitalization journey.

Our strong position here is very much funded on our strong position in Sweden. So Sweden accounts for a bit more than 40% of all new cars sold in the Nordic market. And here, we have a very strong position in the car damage warranty market, where we have close to 70% of market share of the Swedish car damage warranty market. And a lot of those customers, this is the 3-year -- weren't included as when you buy a new car, of course, a lot of those customers also choose to convert it into an insurance and If, after 3 years, but also have the TPL insurance and other insurance is [in it] during this period.

Going over to our personal portfolio. This is a portfolio where it's a market that's growing. It's also where we see large cross-selling opportunities. Totally in If, if we exclude the workers' compensation is a portfolio of EUR 755 million. Last year, we experienced an 11% growth compared to the year before and the cross-selling opportunity is illustrated by the fact that 60% of our private customers still don't have a personal insurance with If and 50% of our B2B customers don't have their employees insured in If. But the growth we have seen and are expected to see going forward would also be very much supported by our digital capabilities. Now close to 1/4 of the objects, personal insurance objects sold -- are sold in digital channels. And of course, that was last year, and it's a contrast to 10% in 2015. So this has been key and will be key to secure the growth going forward.

So over the target period, we expect over 7.5% in annual gross written premium growth for the personal insurance portfolio in If. In parallel to private, of course, the SME market is at a different maturity stage, but we are investing into improving our online sales journeys and also service processes for the commercial SME segment.

So now 30% of the commercial SME customers started journey online. That's a much lower figure than the 80% I mentioned on private. But it is in a different maturity stage. But already in If 24% of our sales to the SME customers are going through digital channels. So of course, it maybe the key going forward that we continue to grow in this area also to support the growth in the SME segment.

So last year was a portfolio of EUR 470 million, and we expect over 6% annual growth in gross written premiums for the SME segment. And this is expected to be supported by the expected growth in the digital sales, where we expect over EUR 45 million in digital sales for the commercial in 2026. I'll not go through the industrial market in detail. That was also covered by Torbjorn earlier here. Over to claims, of course, there is session not only in the online reporting, but also in the automation of the claims will be key.

So in 2020, we had 50% of our claims in the total If level that we reported digitally. And last year, we had 61%. And most of this is driven by underlying growth in digitalization and reporting across the lines of business of claims. And of course, this leads not only to improve customer satisfaction and it also gives us better claims cost control and also makes it easier to identify fraudulent behavior.

And over the target period, we -- or 2026, we expect this to be over 70% that report the claims online. And of course, in order to realize all these ambitions, we need to continue to invest into digitalization and technology to maintain the leadership position to further broaden digital solutions across the market to also increase efficiency and customer satisfaction. Also investment into enablers have been key and will be key that's enablers within technology and also data.

So before I hand the word over to Morten to summarize our operational ambitions. We will introduce a short video that were recorded during our own If Analyst Networking Summit last fall. We will showcase some examples of how we're working on increasing the value creation in our business operations through usage of advanced analytics and data.

(presentation)

Morten Thorsrud - *If P&C Insurance AS - CEO*

Good. Yes. So that summarizes a little bit sort of the presentation of the Nordic part of Sampo. And here are then sort of the operational ambitions for the Nordics. So as we mentioned, retention ratio targets, 89% or above. Then we have a number of growth targets for the personal risk insurance product portfolio, more than 7.5% for private property more than 5% and then for SME, more than 6%.

Then also some digitalization targets, where we expect to continue to grow online distribution, private surpassing then EUR 160 million by 2026 being the target and commercial, basically, more or less doubling the online distribution and where we expect then at least EUR 45 million as online distribution in 2026. And then also claims intake kind of continuing basically the trajectory that we've seen, expecting to pass 70% online intakes on claims. And of course, all of this will support the underlying kind of cost ratio target that we continue having and maybe continue to sort of expect around 20 basis points yearly reduction in cost ratio.

So that sums up the story of the Nordics.

Sami Taipalus - *Sampo Oyj - Head of IR*

Thank you very much, Morten and Ingrid. Our next presenter is the CEO of Hastings', Toby Van Der Meer.

Tobias Adriaan van der Meer - *Hastings Group Holdings Limited - CEO*

Good afternoon, everybody. So I will speak a bit about the opportunity we see for further profitable growth in the U.K.

So a bit about the background of Hastings. You'll, I think, all know that the U.K. market is 1 that has been disrupted by digital and price comparison websites in particular, for 10 or 15 years or more. And in that environment, Hastings, which has been built for the digital age has continued to thrive and grow.

Over 90% of all of our sales come from price comparison websites, and although the market has moved in that direction. That's been the case for us for many years. building out steadily the capabilities required to do well through that channel. And you can see we have done well. So customer numbers up from 0.8 million to 3.5 million nearly at the end of 2023 and we've done so profitably by outperforming the market in most years.

Now the capabilities we've built, which, of course, include digital capabilities, not only for price comparison websites, but also things like the mobile app coupled with our focus on pricing, fraud and analytics, which I'll talk more about in a second. Technology, which as Torbjorn has said, is really important to have right in this market. and I think focus. So a team that's been together for a long time that specializes in price comparison distribution that is passionate about pricing and has worked together for a long time. We think those are the sorts of things that make a difference. And when we look around the market, then a significant share of it is still held by those big traditional players who we would say, on average, don't have those sorts of capabilities.

And that's why we think there is a significant opportunity for Hastings to continue to grow. We've, of course, in the more recent period also benefited from the work with Sampo and If. You saw some examples on the video on pricing and analytics, also the financial support from Sampo to give us, in particular, the opportunity to reduce our debt and have more flexibility in taking a greater share of reinsurance economics has been very helpful and underpins our confidence about future profitable growth.

Now the U.K. market is quite choppy and has been, in particular, over the last 12 months, so I thought I'd give you a quick flavor for what has been happening more recently doesn't really impact our 3- to 5-year plans in any material way, but of course, it does impact 2024 near-term dynamics. So to start with 2023 highlights and how we finished the year, strong growth in premiums and customers.

So customer numbers up 8% to just under 3.5 million, supported, in particular, by growth in product areas that are newer to Hastings, so home insurance, multicar, telematics, driving the majority of that growth. In our core motor business, more modest growth because we've been focused on taking pricing action in light of claims inflation. And you can see that reflected in the GWP growth, which, of course, has been very strong and increased during the year.

The operating ratio was a bit above our 88% target because particularly in the first half of the year, we did see frequency and severity inflation on claims that was higher than expected, both on an underlying basis and then exacerbated by weather events. But we took significant pricing action and that operating ratio has been improving during 2023 and therefore, supporting us finishing the year with pretty solid underlying results.

The underwriting result here is all of our operational KPIs coming together. So it does include all of our retail income and all of our costs just excludes investment income and nonoperational depreciation and amortization, but that up 2% and the PBT, which obviously includes everything up 24%.

In the more recent period then, we are still seeing a benefit from the earn-through impact of all the rating action taken. And after 8 weeks, it's a bit too early to call out all the trends for the rest of 2024. But in here and now, I would say it looks likely that earned premium inflation is outstripping claims inflation.

Now that confidence in our own pricing being about right, we've had for a number of months now, we would say that in the more recent period, it looks like some of our competitors may also have reached that position because after a very significant price increases last year, we've seen a moderation of that in the more recent period.

Again, a bit early to call that a trend. It's only a few weeks, but it does look like there's been a bit of a change. Now that, I would say, so far, still looks rational because claims frequencies have been good so far and claims inflation on the severity side also looks like it's moderating from the just over 10% levels we saw during 2023.

So we're going into 2024, I would say, or into the rest of 2024 with a bit more of a tailwind than where we were sitting in this position at the start of 2023. That's obviously very helpful. So let me zoom out and talk a bit about the future rather than the here and now. So EUR 53 million U.K. car and home insurance policies available EUR 22 billion or so of premium.

And who would have thought that price comparison websites would continue to grow at quite this rate. But unbelievably, almost all sales across the country for motor insurance now done through that channel and people a few years ago said that probably home insurance could never reach the highs of motor insurance because it was sold through banks and alongside mortgages and more complicated through brokers, but that product just looks like it's developing in exactly the same way. With 75% of all home insurance sales across the country now being done digitally through those price comparison channels as well.

And although we've come a long way over the last 10 years, we're still relatively small. We're not a big player in motor insurance yet lots of room for growth there, and we're even smaller in motor insurance, even more opportunity there. Now as we look ahead, we think that the market will continue to help us. So more consumer switching, we're seeing particularly high levels of consumer switching now, as you can imagine, given the rating environment, continued high levels of adoption for price comparison websites will mean that lots of customers switch and will hopefully come to Hastings disproportionately.

And then we see separately to that, an opportunity to grow our market share of price comparison websites further by mainly investing in pricing and data capabilities. But also benefiting from the backdrop of a business model that is a bit different to others. And I'll focus here, in particular on the impact of GIPP, although the other bullet points on the page, also to a number of things that we believe are different in Hastings to many of our competitors.

But GIPP, which, of course, requires new business and renewal prices to be the same. The FCA regulations that kicked in, in 2022. That is still playing out. And the reason it's still playing out is that those competitors that have historically relied on overpriced back books and supporting their economics from that have been put into a very difficult position, where they either had to reduce their renewal prices to bring them in line with new business prices and, therefore, face a huge profit hit or increase their new business prices and, therefore, become uncompetitive. And that dynamic is far from played out with a number of our competitors, we know struggling to figure out how they make their economics work in the new world, given that they don't have the sophistication that I'll talk about in a second to write business profitably in year 1 on price comparison websites.

And I'll talk more in a second about technology pace of change. But from a consumer perspective, this may look like an industry where things change very gradually or not at all, the same product through the same distribution channel is the market features that have been there for a long time now. Underneath the surface lots is changing. Claims dynamics were changing, fraud is changing. The price comparison websites are changing, regulations are changing and if you don't have the right technology to adapt to all of that, then life becomes very difficult.

A significant part of the market is still held by big traditional players. Big banks, big insurance companies are trite slowly despite macro trends that might face them and so the advent of price comparison website is still now 10 or 15 years on still hitting the big traditional players. They are losing share gradually, steadily over time, as you can see on the chart and those players with more traditional capabilities, our traditional insurance companies or brokers still hold over 50% of all policies in the market now.

But of course, their share of new business because they don't have the right capabilities for price comparison websites is much smaller. And you can see that playing out on the right-hand side of the chart, where we are not a top 3 player in motor in terms of number of policies held across the country. But we are a top 3 in terms of our new business share.

And I hope you agree that if we can maintain our position as 1 of the top 3 most switched to, then we should, over time, I would hope to become 1 of the top 3 biggest. So that's a position that we are proud to have achieved during 2023 and think we can build on as we look ahead. And that long-term opportunity is here the choppiness of 2023, I think, should not hide the longer-term picture that we and others who are good at this sort of digital distribution.

We're not the only 1 in the market by the way. There's a small number of players who are good at this. They have consistently grown not only their policy count and premiums disproportionately, but they have also done so with disparate and financial economics in this case, looking at our operating ratio compared to the market over that longer-term period. So good to show, it's a competitive maybe commoditized marketplace digital distribution in the U.K., but if you are good at it, then you can grow and do so very profitably. And that's what we're setting out to continue as we look ahead.

Torbjorn has already mentioned our ambition to deliver 10% to 15% growth in the underwriting results as we look ahead. Again, that includes all of our KPIs, including all costs and retail income other than investment income. And that's underpinned firstly, by an ability to continue to grow our motor policy count and premiums, balancing that continually with the opportunities we see to improve the loss ratio for that -- for motor book.

And then over the last 3 to 5 years, we've been investing very heavily in home, multi-car and telematics. They've not contributed to profitability in any meaningful way because we've been scaling them, but we're very pleased with the results from all 3 of those areas and see big opportunities for the -- for them to become a more meaningful contributor to the bottom line as we look ahead.

Operating efficiency, an opportunity as we scale to make sure that the cost base grows significantly slower than GWP and policy count, maybe even reductions in cost possible, the benefits of all the automation technology, digitalization, we're doing, make us confident that will be a contributing part to the overall growth in the underwriting results. And that I've already mentioned, we've taken the opportunity with Sampo support to take a greater part of the value chain in the markets we operate in, not reinsure as much and we've been doing that for the last couple of years. We'll continue to assess that on an annual basis.

But even the changes we've already made should contribute to performance improvements in the underwriting results over the next 3 to 5 years. And a bit like the If story, all of this is underpinned by continued almost boring investment. We spent roughly the same each year roughly GBP 50 million or so on technology. And we've got our core platform in place and have had that in place for a number of years.

So this is not going to the unsexy -- that spend is not going to the unsexy core platform work -- that's already great. This is being investment in digital and data and pricing, all the things that underpin our ability and confidence about the future. Let me give you some examples to make that come to life because I know this is sometimes difficult to scratch beneath the surface at what we do that is different.

Let me start with pricing, probably the most important thing for us to get right. our ability to attract good drivers, avoid bad drivers, avoid fraud is absolutely critical to our ability to continue to grow and thrive on comparison websites. Now we have already, for many years, integrated many data sets in order to support our pricing capabilities. We were 1 of the first to be live with private credit data. As an example of that. We were 1 of the first to integrate and use a vehicle data and household data. And that we've been doing for a long time now.

What we've been doing over the last 3 to 5 years is using very different technology and accelerating the pace of change of the acquisition of new data because as many of you will probably be aware of, there's been an explosion in the technology that is available both to host data and to model it. And there's been an explosion in the amount of data available. There are start-ups and big companies and data providers that are significantly investing in the amount of data that insurance companies can get access to.

Now finding all of that is not difficult. All insurance companies know about those data sources and know about that technology, implementing it is very difficult. So imagine a world where we get hundreds of thousands of quotes every week. And in an old world pricing we would calculate prices offline and then have rate tables that quotes would flow through, if that makes sense, bistatic rate tables.

In the new world, with the technology that we've been building up over the last 2 or 3 years, we now have the ability to deploy live models and live data sets. For every quote that comes in from a price comparison website, it gets run through hundreds of data sources in real time. We have about a 5-second window to respond to the price comparison websites with that price.

And in that, we are using live models, including not just linear models, but nonlinear and machine learning models, live in pricing to optimize the price we present versus our competitors. And what I think is the most exciting part of that is that the investments we've been making over the last 3 years. The majority of those new models and data sources went live in H2 2023.

A big chunk of the remainder of them are going live during 2024. And early signs are very positive that those new models are providing incremental productivity versus our old pricing capabilities. And so again, the confidence that I have from that underlying data that is hard to share with you, but it certainly gives me the confidence in talking about our profitable growth ambitions as we look ahead and the pricing team is now 150 people versus 50. That may not seem that much compared to some other organizations. But remember, this is U.K. only, motor insurance only on price comparison websites only.

I would have planned that much human capital against just that 1 capability, and that I would say, disproportionate and different to almost everybody else in the market. Antifraud I suppose follows a similar theme. You're probably aware that there is lots of different types of fraud in the U.K. On those customers may be playing around with their risk details on a quote, criminal gangs, lawyers and claims management companies that put fraudulent and exaggerated claims in, Whiplash reform introduced by the government. It was intended to put all of that to bed, but it didn't.

Estimates are still at over GBP 1 billion of fraud across the industry. Of course, you don't know what that real number is because you don't know what you don't catch, but estimates are well over GBP 1 billion. And this is an area, where we've been investing disproportionately. As you can see, although fraudsters were a bit less active during COVID, we have seen a consistent underlying increase despite Whiplash Reform and we have had a record year during 2023 with over EUR 70 million of repudiated claims. And I should emphasize there, this is not our own policyholders.

Our payout rate for our own policyholders is very high. This is third parties involved in an accident, when our policyholders at fault, who claim against Hastings. And that's the sort of area where our criminal gangs and claims management companies kick in, and we are very good at fighting that.

Now let me give you a couple of examples to make that come to life. So a EUR 11,000 personal injury claim and a 68,000 credit higher claim. Now in both -- so these were both identified during 2023. Now in both of these cases, these were real accidents with our policyholders involved, who agreed that there was an accident with that third-party and who agreed on the case on the left that the individual -- other individuals involved in the accident might have had some bodily injury. And on the right-hand side, agreed that the vehicle might not be drivable after the accident. And what's particularly interesting on this 1 is that the bodily injury claim.

So we knew there was an accident, and we agreed there was an accident. We knew there was possible bodily injury involved and we got a doctor's report, saying there was neck, back and shoulder injury, which for those of you not familiar with the technical details, means it falls outside of the scope of Whiplash and therefore, it's still eligible for much higher levels of compensation.

Now in that situation, with a real doctors report that corroborates the injury, most insurance companies, I hope you will agree, would probably pay out. Why wouldn't you in that situation? And on the right-hand side, the credit hire claim fairly similar, genuine accident, and we got presented with a bill from a credit hire firm and a repair firm that said there was damage to the vehicle. It was no longer drivable they had to be put in a courtesy car and could Hastings, please pay for that courtesy car.

Now our fraud team is well over 100 people, and it's dedicated to investigating these sorts of cases. And there is a very sophisticated part of that, which is we've built up a set of data sources, some internal sum through start-ups and other providers, where we basically investigate and triage and prioritize investigations on third parties.

We analyze whether -- which third parties might be high risk and which accidents might be high risk and which ones aren't, that gets prioritized. By the way, there is very complex analytics involved in that. So that, for example, if a mobile phone number was involved 3 years ago, by a witness in an accident that we later found out was fraudulent.

And that same mobile phone number is involved in a claim now. We've set up our data capabilities to spot those sort of nonlinear opportunities and be able to throw that up as a suspicious case, it's difficult to do and do well unless you invested in the platforms and capabilities that support of this.

And then it gets a bit boring because then we have field investigators, who go out and look for evidence that either confirms or denies whether these claimants are genuine and in the case on the left-hand side, we were able to obtain social media evidence that they were in the gym celebrating the number of shoulder reps they had completed during the period, when they were supposed to be out of work because of the damage to their neck, back and shoulders.

And on the right-hand side, we found evidence of the vehicle that was supposed to be undrivable, driving around. So high-powered analytics all the way through to field investigations coming together, old world and new world blended. The mobile app is an area, where we've been investing very heavily for a number of years now. Many of our competitors still don't have a mobile app. I know that seems hard to believe, but in insurance that genuinely is still true. Our mobile app has been live for many years now. We have -- it's the most used mobile app in GI, in General Insurance. It's highly rated. Customers are using it.

We've now launched a digital-only product when return for a small price decrease customers agree to do everything with us digitally through the mobile app. That's being scaled up over 700,000 customers already on that digital-only proposition. So that's where we're moving from digitalizing part of Hastings to digitalizing the whole of Hastings, but doing so incrementally, and we are already live with all of that capability for most processes with customer service having been live for a few years.

Now we're 1 of the first companies to digitalize renewals, so customers can see the renewal price and last year's pricing change and pay for their renewal or through the mobile app and we've been rolling out over recent months for digital claims capabilities. And you can see on the right-hand side, again, customers were a bit less active during COVID, but all of these digital capabilities have meant that we've been able to continue with a significantly reduced number of customer services goals enabled by this digital capability.

I said we've been investing in some product areas that have been not significant contributors to the bottom line yet, but are going well. One example of that is our telematics product. So old world Telematics was for young drivers only involved a big black box being installed in somebody's car, usually engineered into the engine and was very costly and so plateaued.

There's a next generation wave of telematics capabilities that are much lower cost, much more accessible to the mass market involve a very small tag being put in people's windscreen or sometimes not even that. I fully enabled through the mobile phone. And that is a product proposition that we've been live with for 3 years now, over 200,000 policies on that already.

And you probably won't be surprised to hear that driving data is very predictive of accident risk more predictive than all of our traditional models. And so I don't know whether this is the biggest telematics program in the country. I think it probably is now. It's certainly still the fastest-growing and again, an example of an area, where we've been investing consistently for 3 years, you wouldn't have seen that in the profit or operating ratio numbers that we produced so far, you should expect to see more of it as we look ahead.

And the same thing is true in home insurance. Now over 0.5 million policies up 31%. This even more so than Motor. Because the market dominated by big traditional insurance companies, who have not invested in the capabilities needed to do well on price comparison websites.

So the player is big in home insurance are much more like what motor insurance was like 10 years ago, and therefore, I would say, an even bigger opportunity for disruption through these capabilities that we've been developing. And again, home insurance not contributed meaningfully to profitability, but we expect it to do so over time. So hopefully, that helps with a few examples of why we are confident, both given market structures, by the market size and the long-term effects of price comparison, digitalization and (inaudible) still playing to our strengths rather than those of the big traditional insurance companies and brokers.

And therefore, all of that underpins our enjoyment of working with the Sampo team as we look ahead to deliver a 10% to 15% growth in the underwriting result.

I'll be available for questions shortly alongside the rest of the team. Thank you.

Sami Taipalus - *Sampo Oyj - Head of IR*

All right. Thank you very much, Toby. Now some of the efficiency that's inherently part of our model has been on display in this presentation. So we're running about 15 minutes ahead of schedule. We're going to reinvest that 15 minutes into starting a bit earlier after the break. So if you could all come back into the room at 3:00, please instead of 3:15 and we will restart with Knut Arne's presentation at that point. But now there's coffee and some other treats outside. Thank you.

(Break)

Sami Taipalus - *Sampo Oyj - Head of IR*

All right. Let's restart the presentations. So if I could ask people to get back to their seats and listen in again. Our next presenter is Sampo Group CFO, Knut-Arne Alsaker, who will present on finance and capital management.

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

All right. Good afternoon. My name is Knut-Arne Alsaker, I'm the group CFO. As Sami mentioned, and I'm happy to see so many familiar faces here at Rosewood this afternoon and also glad that you are listening to my presentation online. We now leave a busy strategic period behind us. 3 years during which we have transformed Sampo into a pure-play P&C group.

One of the benefits of what we've done is that our earnings quality has increased. We now drive a larger share of earnings from underwriting profit. Another is that we have built a very strong balance sheet through reducing market risk. And we will, of course, take with us these benefits and confidence in our earnings capabilities and balance sheet strength into the next strategic period. And looking ahead to the next 3 years, we have some clear key priorities that we will focus on, and I will talk about during my presentation.

One is that we will continue to grow earnings at attractive margins. This is our biggest value creation lever. Another is that our balance sheet can be further optimized. Changes will be more incremental than what we executed on during the transformation over the last 3 years, but there is still more to do. And the third is that we will continue to be disciplined in managing shareholders' money. We believe that good capital management is a key part of value creation in P&C insurance.

We have been successful in growing underwriting profit, and Torbjorn talked about this earlier as well. It has grown nearly 50% no, I got -- sorry about that. There must have been 2 clicks. Well, you see I'm not the IT manager in Sampo for obvious reasons. I can only see 1 of the slides here. Thank you. All right. My apologies. We have been successful in growing underwriting profits. It's grown nearly 50% during '21 to '23.

More than half of this increase came from organic premium growth. The base for this growth is the high retention. We have maintained in our largest business areas on the back of attractive customer propositions and service. And my colleagues here talked about this earlier. We've also increased digital sales and expanded non-motor products like personal insurance, property and SME.

And the U.K. has made a very strong contribution too, with GDP growth of almost 60%. And importantly, we are achieving all of this growth at attractive margins and attractive returns on capital. And looking through the next year -- 3 years, as Torbjorn mentioned, organic growth will continue to be the driver for higher underwriting profits given that margins are now even better than 3 years ago, when we had the last Capital Markets Day.

And as always, our underwriting profit growth will be supported by our relentless focus on pricing discipline and cost efficiency. And now I'm going to try this again. Thank you. Being Sampo, underwriting margins are always our key priority. Indeed, we have today announced a new target and improved our -- to improve our operate -- combined ratio target to below 85% from the previous below 86%. And to set this target, we've taken into account the improvements in margins we have made during the last 3 years as well as changes in the shape of our business.

We've been able to increase margins in certain areas by addressing pockets of weaker profitability by increasing prices ahead of claims inflation, and by improving cost efficiency. In total, this has improved the group combined ratio over the last 3 years with approximately 2%. And at the same time, we've also been successful in growing the business in the U.K. And let me emphasize an important point here in terms of growth in the U.K. The high price elasticity in the U.K. market means that we target a lower underwriting margin compared to the Nordic in the U.K. to maximize the underwriting profit we get from our U.K. business.

And since this level in underwriting margin is different than in the Nordics, growth in the U.K. contributes with a slightly higher, slightly increase to the group combined ratio. But this is not a negative, quite the opposite.

The growth we have in the U.K. is generated on attractive margins, and Hastings contribute significantly to the profit growth in Sampo going forward. Looking through the next 3 years, we're aiming to grow the business at margins that deliver attractive returns. And the combined ratio target we have set we've set to enable just this. It gives us some flexibility to optimize between growth and margins across business areas, but it still enforces a clear margin discipline across all parts of the group.

Under IFRS 17, we need to consider discount rates, when setting a combined ratio on target. We have assumed that discounting supports the combined ratio by 2 percentage points. This is about a percentage point or so lower than the level observed at year-end '23. In other words, our target is slightly conservative if you were to assume that effects from discount rate, which remain on average unchanged over the next 3 years.

Moving to another source of profits, investments. Over the last 2 years, we have reduced market risk through the structural changes we made to the group by exiting Nordea and emerging Mandatum. In addition to this, we've also adjusted our P&C insurance investment portfolio to reflect the increase in interest rates, namely by reducing credit risk and increasing duration. And as a result, our investment portfolio is now commensurate with out of a high-quality P&C insurer aiming to supplement its underwriting profit with investment income.

Fundamentally, we are a long-term investor aiming to generate attractive absolute returns. But our insurance liabilities naturally affect important restrictions to our asset allocation. Around 90% of our assets are in fixed income instruments, the vast majority in high-grade liquid bonds and showing a defensive core to our investment portfolio.

Since some of our liabilities have a very long duration, we have an allocation to equities too. We see no material opportunities to enhance capital efficiency further by reducing spread or credit risk and reducing equity allocation. We'd only have a very limited impact on our capital position.

Our track record gives us confidence to investments in P&C insurance. We have generated an investment return of about 290 basis points above risk-free rates since 2009, over the last 15 years. This is equivalent to approximately EUR 300 million per year. The increase in interest rates has played into our hands for a number of reasons.

First, our short duration has protected our capital base and made it possible for us to reinvest at higher rates quickly. Second, and as I already mentioned, we have increased fixed income duration and reduced high-yield exposure. At higher rates, it makes sense for us to take less risk.

And by increasing duration, we have, to a certain extent, locked in higher interest rates, making our running yield quite stable. And please note that the sensitivity you see here on the left-hand side, the curves indicating sensitivities on the left-hand graph already take into account the market expected decline in money market rates that feed through [reference]. The increase in duration also means that our P&L volatility to changes in rates is now effectively [0] under IFRS 17 and IFRS 9.

Putting all this together, we've set a target for operating EPS growth of above 7%. And how do we get there? We have assumed mid-single-digit underwriting profit growth in the Nordic just as for '21 to '23. And this reflects a stable operating environment and the growth opportunities that we see. In the U.K., we expect higher growth in the low double digits. This reflects our belief in Hastings ability to leverage its business model and grow at attractive margins.

At the same time, we are cognizant of the cyclicality of the U.K. market. And should the market soften, we as Sampo, we'll always focus on margin discipline and reduce our appetite to grow policy count. Investment income will supplement our underwriting profitability and add to the operating results in the form of the running yield we have in our fixed income portfolio, dividends and realized gains.

But investment income as such is not assumed to be the driver of the profit growth over the next 3 years. In addition to growing earnings, we also see a potential for EPS growth through capital management. But an is, if you like, the cherry on the top.

I will dive deeper into this shortly, but I'm primarily talking about buybacks and bolt-ons. And as you heard from Torbjorn, our M&A appetite remains very focused and unchanged from the last strategic period. Before we go into capital management, I want to briefly talk you through the operating profit metric as we have defined it. Put simply, it is the sum of the underwriting profits and the investment income, excluding mark-to-market volatility. And why do we focus on this metric and not just simple EPS.

First, it is closely aligned with how we run the business. We're trying to give the customer the right technical price, and we know that stable prices support the tension. The interest rate sensitivity brought on by IFRS 17, the new accounting principle into the so-called insurance service result did not make us change our pricing strategy. That being said, and as I mentioned earlier, our P&L sensitivity to changes in rates is now effectively 0.

Second, part of being a long-term investor is looking through short-term volatility. So we want to have a target that the line. And third, some P&L items under the accounting principles that we follow reflect just that accounting principle and not cash or capital. And 1 of these things is the approximately EUR 75 million of so-called non-operational amortization that goes through our P&L annually.

The majority of this is related to Hastings. And since this does not affect our dividend paying capacity, we added back to the operating result. And finally, a more stable profit metric is also aligned with how we think about shareholder remuneration, particularly the regular dividend. Before we dig into the details of Sampo's balance sheet, let's take a step back and look at what we have been busy doing over the last 3 years.

The simplification of sample through the demerger of Mandatum and the exit from Nordea has almost halved our solvency capital requirement, or SCR. The process freed up a large amount of capital, which we deployed into the acquisition of Hastings, buybacks and dividends, about EUR 8 billion in total.

Importantly, we have not used the capital for large-scale M&A nor have we used it to take more market risk elsewhere. And I think this slide illustrates very clearly how we think about capital. We use it to support the development of our P&C business or we return it to shareholders.

This slide summarizes our updated capital management framework. We will continue to run a strong, but efficient balance sheet to the benefit of our customers and our shareholders. We do see room for further capital optimization without at all jeopardizing our financial strength.

In total, we expect earnings and capital optimization actions to generate more than EUR 4 billion of deployable capital, which we will use with the same discipline during the last 3 years. In terms of balance sheet targets, we have moved to target a solvency ratio of 150% to 190% from 170% to 190%. While we have kept the below 30% debt leverage target unchanged.

So how did we arrive at these targets? The background to the solvency target is that we have reduced our SCR, as I just mentioned, significantly, and this is through reducing the market risk and with lower risk, we're able to operate with lower financial buffers.

As a result, we have lowered the midpoint of our solvency range by 10 percentage points. But why the widening of the range. Actually, in euro million terms, the range is unchanged. In other words, to maintain flexibility to deploy capital relative to our market cap. We have increased the range insolvency percentage points due to the lower SCR, but not in euro amounts. We've left the financial target -- financial leverage target unchanged. From a Solvency II perspective, we have fully utilized our Tier 2 capacity not least considering the indicated capital optimization that will further reduce the SCR.

We do have some Tier 1 capacity left. And as we might look at the mix of capital instruments over time, but see little motivation to materially add to total debt leverage. And as we reported a debt leverage shy of 28% as of year-end, including the proposed dividend for 2023. We do have some buffer to our target and do not consider leverage to be constrained to deploy excess capital going forward.

So about capital optimization actions. The strategic transformation over the last 2 years has materially enhanced our return on capital. And this reflects the capital nature of our P&C business. And although we have restructured our balance sheet significantly over the last 3 years, there is more to do. First, we have the targets or action announced today, reducing the midpoint of our solvency target range.

Second, we are in the application process for a so-called partial internal model with the Swedish FSA. The PIM will reflect the diversification in our P&C business better than the standard model. And these 2 things combined will add up to EUR 700 million in deployable capital. And finally, we still plan to sell our stakes in NOBA and Nexi, both held through private equity vehicles, which currently have a book value of EUR 500 million combined.

In total, these actions will generate EUR 1.2 billion of capital and applying last year's earnings to the remaining capital base with increased return on own funds by 5 percentage points. Putting everything together, we expect to generate more than EUR 4 billion of deployable capital over the next 3 years. The majority of this comes from our operating results, which we see growing according to the targets we announced today.

However, the planned capital optimization actions I just referenced also contribute significantly. First, we will deploy this into providing a highly reliable regular dividend. And our emphasis on the regular dividend is just on that reliability. We aim to keep it at least stable year-over-year. But the regular dividend is not everything. Profit above the regular dividend, combined with the capital management actions will generate excess capital.

And we always look for opportunities to deploy excess capital into our business. But if no such opportunities exist, the bolt-on transaction exists, which they really do. We will return it to shareholders and to consequently generate a total capital return, which will be a very high percentage of earnings during the period. We plan going forward to revisit our excess capital position every 12 months or so to allow ourself time to properly assess options. But our current excess capital position we refer to with our Q1 or H1 results, once the Board has refreshed buyback mandate from the AGM, and the PIM application process is completed.

To be able to deploy the capital we generate, we need to have sufficient liquidity. As a group, we have a comfortable liquidity position given the strong results. We have generated in recent years, the restructuring we have done and the liquid nature of our investment portfolio. As a P&C insurer operating with high margins, our business is cash generative.

Indeed, the majority of that EUR 4 billion of capital that we plan to generate emerges in liquid form either through earnings or disposals. That's why we call it deployable capital sensitive supported by liquidity. We will manage even more of the group's liquidity out of Sampo Plc going forward, which will add to the holding company's liquidity position over the next couple of months or so.

And this means that we expect to have around 1 point or will have around EUR 1.2 billion of liquidity in Sampo Plc after the payment of Sampo's dividend for 2023 and just to be clear, the holding company's liquidity position will be topped up again before the payment of Sampo's dividend for 2024.

Finally, I just want to circle back on our track record on capital management. I think our track record is very informative on how we plan to run things going forward as well. You can see that our regular dividend has been moving up very steadily, in line with the mid-single-digit underwriting profit growth target that we have had.

In terms of excess capital returns, we've done both buybacks and dividends. Partly, this reflects the fact that we've had very large quantities of excess capital, which might have been difficult to return in a timely manner only via buybacks, going forward, it is unlikely that we're going to have the same situation as we've had following the sale of Nordea shares, which we may buyback an easier option to return excess capital.

When I come to my last slide, I see which screen to look at. That is, well done. All right. To conclude, we target to generate -- to grow our operating EPS by more than 7% on average during '24 to '26. The EPS growth is supported by targeting a combined ratio of below 85%, given the discount rate assumptions I talked about during my presentation, with a target to generate more than EUR 4 billion of deployable capital.

Deployable capital will be generated both by delivering on the earnings targets and by capital management actions. Our growth ambitions will be supported by the same discipline that you are used to with respect to margin discipline in our underwriting. And the Sampo discipline will also continue, when it comes to capital management. Thank you for listening.

QUESTIONS AND ANSWERS

Sami Taipalus - *Sampo Oyj - Head of IR*

All right. Thank you, Knut-Arne. We are now going to move on to our second Q&A session.

Okay. Let's move on to the second Q&A session. Then same routine as last time. Please don't forget that you can also submit questions online via the webcast chat function. So please take the opportunity to do that if you want. In the room, same thing as last time, mics on the table. I'll point you out, remember to wave at the sound people, so they know who you are. And maybe also we can add that if you introduce yourself before the question as well. Good. Let's start with Freya this time.

Freya Kong - *BofA Securities, Research Division - Research Analyst*

Freya Kong from Bank of America. I wanted to ask about the level of liquidity that you want to hold at holdco. Is there a certain level in mind? Because it seems like you have quite a lot of deployable capital becoming available in H1 of EUR 0.7 billion versus EUR 1.2 billion liquidity position. Does liquidity become a constraint in terms of deploying this? Or how should I think about it?

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

Liquidity is not a constraint to deploy, therefore, more than EUR 4 billion in capital. Of course, if that more than EUR 4 billion became a very big number, and that was driven primarily by further reductions in the SCR, which doesn't generate profit or liquidity, liquidity could, of course, become a constraint, but not in terms of the targets we talked about today.

Freya Kong - *BofA Securities, Research Division - Research Analyst*

Okay. And I don't know if you can comment, but how much control or influence do you have with respect to the timing of the exits of the private equity stakes?

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

Not much during -- through the rearrangements that we have with the private equity firms leading these investments.

Sami Taipalus - *Sampo Oyj - Head of IR*

Let's take Faizan.

Faizan Ahmed Lakhani - *HSBC, Research Division - Associate Director of Insurance Research*

Faizan from HSBC. First question, coming back to the capital. You mentioned that you have limited room on Tier 2, some on the Tier 1. At what point does that become a limiting factor? And how quickly can you change the structure of -- the capital structure?

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

The leverage as such is not a constraint for the capital targets we have talked about today. Again, obviously, if that more than EUR 4 billion became a very large number, we also need to use some of that very large number to reduce debt to be within the 30% debt leverage target.

In terms of the capital instrument, the mix of the capital instruments that's more long-term planning to have a reasonable mix of debt instruments on our balance sheet and a reasonable maturity profile. So that's more managing the debt stack as such and not to generate available capital or liquidity for doing buybacks or paying dividends.

Faizan Ahmed Lakhani - *HSBC, Research Division - Associate Director of Insurance Research*

Okay. Next question is on Hastings. You put up the slide where you showed EY's combined ratio versus yours. If I'm correct, that is, one, EY was motor specific, and secondly, that wouldn't include install income, reinsurance premium. So on a like-for-like basis, what is the actual genuine delta between yourself and the market? That would be helpful.

And, I guess, my second question sort of related to that is you provide this growth year-on-year on policy count and premium, but that's motor And household together. And I can see household is growing much stronger than motor, if you could sort of disaggregate what between Motor and Home has been over the past year?

Tobias Adriaan van der Meer - *Hastings Group Holdings Limited - CEO*

As you probably know, comparing operating ratios cleanly is very difficult. Different companies segment that differently and report it differently. EY has had one go at standardizing that. That's the best we could find.

You're right. It's not all directly comparable. And I don't have an answer for you to make it directly comparable. But what I would say is every bit of data we look at, whether it's loss ratio or operating ratio on a different basis. Us, and of course, 1 or 2 other players in the market do consistently outperform.

And we don't provide any detailed breakdown on the difference between Motor and Home growth. I think we see, I would say, more significant profit growth opportunities from Motor as we look ahead than from Home.

Home typically is lower premium, lower retail income, lower investment income. But nonetheless, still very attractive returns on capital from that segment as well. We'll continue to balance that depending on the market opportunities we see.

Sami Taipalus - *Sampo Oyj - Head of IR*

Why don't we take Alex over here next.

Alexander Evans - *Citigroup Inc., Research Division - Research Analyst*

Yes Alex Evans, Citi. Maybe just on capital return. I think you made a comment towards the start about not wanting to do small buybacks. If I look at consensus for 2024, that's at EUR 450 million, just wondering how that translates to small or not?

And secondly, just on Hastings, obviously, contributing a lot to group growth at 10% to 15%. What are the assumptions there on the pricing cycle going forward across that period? And how should we think about Hastings reserve flexibility to smooth that over what could be a softer cycle?

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

In terms of defining a small buyback, I don't have an exact number that is under (inaudible) for small. But obviously, to do buybacks every time we have some excess capital just to get to a [certain 170] number doesn't make sense. What we indicated today was that the reduction in the solvency range and the approval of a partial internal model will generate up to EUR 700 million of deployable capital. I wouldn't call EUR 700 million, a small buyback.

Alexander Evans - *Citigroup Inc., Research Division - Research Analyst*

However, Knut, the number of shares we could buy until the AGM in what, 5, 6 weeks' time, that would be small.

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

If we started today, that would be small. It's 30 trading days, so that would be with our volumes sort of EUR 100 million. That's small.

Tobias Adriaan van der Meer - *Hastings Group Holdings Limited - CEO*

And on the 10% to 15% growth in Hastings. It is on average over the next 3 years. So if market conditions are favorable in every year, then that will be an easier thing to achieve. We may not achieve it in every single year. And of course, we'll continue to make sure that we reserve cautiously but we won't actively use reserves to achieve those results in every year.

Sami Taipalus - *Sampo Oyj - Head of IR*

Let's take Vinit.

Vinit Malhotra - *Mediobanca - Banca di credito finanziario S.p.A., Research Division - Equity Analyst*

It's Vinit from Mediobanca, sorry. So 2 questions, please just ask. One is on Motor, where just from the outside, and this is a Nordic question more than U.K., but just from the outside, it's very remarkable how Sampo is immune to what everybody else is trying out loud about frequencies and claims.

And I'm just wondering that you have a slide here, Slide 34, showing how new car sales have been very low. And I'm just sort of testing the hypothesis that maybe you want them to remain low because those are the cars which are coming in with a lot of new gadgets and creating problems for insurance companies. So I'm just curious what you think about this frequency topic, about new car sales, about whether you imagine this will remain as it is and help you out in the next -- in this cycle.

Second question is probably CFO/reserving. The 2023 heavy weather was partly offset by the inflation reserves from '22 and now I'm curious as to whether there are some other pockets you could point us to, which could help out in the next cycle, next planning cycle, because presumably, that inflation reserve has been consumed already. Is it a discounting benefit?

You mentioned 1 point sort of leeway there? Or anything else you could point out that could help. Is it workers' comp, where there's some news flow about the whole Danish industry being at risk? Is there something else that you could talk about on reserves?

Morten Thorsrud - *If P&C Insurance AS - CEO*

I think perhaps Ingrid and then I will try to answer the Motor question and then leave sort of the second one to Knut-Arne. I think on Motor, as I think I mentioned in my presentation, there are sort of 3 factors that we need to get right. So first of all, the underlying inflation that has been, of course, elevated over the last few years, stabilizing a little bit now, but still being on a high level. So you need to get that right.

Then secondly, the frequency development, returning back sort of from sort of the very low levels that we saw during COVID. So need to get that right. And I think sort of you saw in our slide that for us, at least sort of that development has been as expected and actually very predictable.

And then finally, you need to make sure that you include in the new car insurance pricing just the fact that the car repair of new cars is significantly higher than car repair cost of, say, time old cars -- 5 years old car. So I mean, you need to get all of these 3 elements correctly. And I think we demonstrated that we've been very accurate in our predictions. So I think with that, we are very -- we'd be very happy with seeing strong growth even in the new car sales, but that's not up to us. I don't know if Ingrid has anything to comment?

Ingrid Janbu Holthe - *If P&C Insurance AS - Head of Business Area Private*

I mean if we wouldn't want that to grow, we would also kind of want to reduce our kind of market share exposure [lease] is not effected. As long as we kind of price that correctly, it's a growth opportunity for us, both kind of the volume growth and that we need to price for that, it's higher than average price for the average car stock. So that's. We would like new car sales to grow, that will be an upside for us.

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

And Knut-Arne is not an actuary, so I'll take the second question. And we -- most of this management team has been here since 2002 or something like that. And I think we've had prior year losses only when we've had longevity changes or big discount changes. Any other occasion we've found yet another pocket. So we'll see. We like to be strongly reserved.

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

And just to be clear on the operating target, there's no overreliance on reserve leases when we have set that target above 7%.

Sami Taipalus - *Sampo Oyj - Head of IR*

All right. Let's go to this table here. Let's start with Tryf.

Tryfonas Spyrou - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Just a question, Tryfonas Spyrou from Berenberg. On operating EPS growth, 7%, is it fair to say that this is sort of a flow given that, a, it doesn't include any improvements in the investment income, which obviously could come given the higher interest rates; and b, it doesn't include any changes from management actions, i.e., buybacks. So that has been another 2 points. So is 9% the more realistic level.

The second one is on the liquidity side. I think you had a EUR 700 million increase year-to-date. I was wondering that's a dividend coming from If. Or if not, maybe you can elaborate more on what that liquidity at the moment is.

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

On the -- above EPS 7% is obviously a floor since we're saying above 7%. In terms of buybacks, we gave an indication and the build of the EPS meaning saying 0% to 2%. So there's obviously an upside in terms of EPS growth if we reduce the share count that's indicated from that range, starting with 0.

The second question, I didn't -- was that to me or I didn't fully.

Tryfonas Spyrou - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

On the liquidity side, you showed a EUR 700 million increase, can you maybe say what that came from? Or I think on the slide, it says management action, so -- but if you can elaborate it whether that's the dividend coming from If or something else coming in there?

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

That's basically taking up some of the -- some capital from it and also to manage more of the liquidity out of Sampo plc going forward. If has obviously had a large part of its investment portfolio in liquid instruments, and those type of instruments make more sense to manage out the Sampo plc going forward. Also for the purpose, of course, to have liquidity available at the top company to deploy excess capital.

Sami Taipalus - *Sampo Oyj - Head of IR*

Hakon.

Håkon Astrup - *DNB Markets, Research Division - Analyst*

Hakon Astrup From DNB Markets. A question on solvency. You have increased the range. Capital nominal number or amount stable. But comparing Sampo now to what Sampo was in 2021. You are a more stable company now, less volatility, shouldn't that warrant say, smaller nominal amount as well.

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

Right? In some ways, it is in terms of the stresses that we have and that we run to set the midpoint on the solvency range. Some of the stresses we had primarily then, of course, on market risk, of course, is much less stressful than what we had. Then I think there is a limit to how low you should have a solvency ratio target and that 150%, I think, we're approaching that limit. You can't be 100% sure that you have full control on everything that you want to have full control on.

So you need to have a (inaudible) margin into that. Otherwise, we could have had a range which started slightly below 150% to be perfectly honest in terms of the sensitivities of our solvency calculation, which again means you shouldn't consider above 190% to be the only point where we define ourselves to have excess capital, which means that we could do -- start the buyback or pay a little extra dividend on top of the regular dividend. You saw us do that as recent as now in connection with the full year results where we add the EUR 0.20 to our dividend despite the fact that our solvency was below the top end of our target range.

Håkon Astrup - *DNB Markets, Research Division - Analyst*

And then one question on Nordic P&C. If I understand you correctly, the cross-border synergies and also the scale benefits have increased? And does that also apply to the possible M&A. So you can expect a larger synergies from possible M&A in the Nordics going forward?

Morten Thorsrud - *If P&C Insurance AS - CEO*

I think scale advantage in the Nordics is increasing with digitalization. I think that sort of important part of it. I mean what that implies in terms of market movement. I mean that's another thing. But we clearly see much more scale advantages by being kind of digital and using digital solutions across the Nordic countries and also across business segments, actually. So I think the digitalization, we are benefiting from a second round of sort of Nordic synergies, so to speak, in our business, at least in the Nordics and Baltics.

Håkon Astrup - *DNB Markets, Research Division - Analyst*

And then just looking at possible M&A, does that make you see larger possible synergies now than, for instance, 5 years ago in the Nordic market from possible M&A.

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

Where we know what you're referring to and -- there are not. There's nothing new to say and also over 5 years. This is one of the things that have changed gradually, but there are also other things that have changed, of course.

Sami Taipalus - *Sampo Oyj - Head of IR*

Jan Erik?

Jan Erik Gjerland - *ABG Sundal Collier Holding ASA, Research Division - Lead Analyst*

Jan Erik Gjerland from ABG Sundal Collier. I have a couple of questions. The first one is from the buyback side. talking about the potential of a buyback, you said it will be sort of significant and it should be taken as a one step, so to speak. So would you go to a annual buyback when you come with some statement, if you come with some statement or will come forward with a quarterly sort of opportunity? Or how would you run this, so to speak, if you can share some insight to your thinking about potential buybacks going forward?

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

Like I said, it makes sense for us to give the sort of size of the excess capital that we will generate going forward on top of the regular dividend, which, of course, will be an annual to consider deployment of excess capital every 12 months or so. Then having said that, we will also already come back in Q1 or H1 with considerations on the EUR 700 million. which is a combination of the target change we announced today.

The completion of the process to apply for a partial internal model. That, we will already come back to in connection with the Q1 H1 results depending on the timetable of the partial internal model.

Jan Erik Gjerland - *ABG Sundal Collier Holding ASA, Research Division - Lead Analyst*

Okay. Thank you. Then I have 1 for Hastings. And that is the telematic motor profitability seems to be quite good. How do you think about the growth going forward from each of these sort of business lines, if you think of the telematic and ordinary ones.

So how should we think about profitability when it comes to the 2 lines? And how is the opportunity for growth in each of them? And how do you really price them differently because the telematic guys will probably run smoother and better and less fast probably and give you a -- they will receive a lower premium.

So how do you measure these things going forward? And how specialists have been on this in the last couple of years. So introducing this now very fast, I understand you.

Tobias Adriaan van der Meer - *Hastings Group Holdings Limited - CEO*

Yes. And this answer is not going to help, the real answer is we're going to see how it goes. The telematics program is now operating at scale, but is not mature enough to be able to project 3 years out what the balance of growth will be from that versus the core book.

We're confident delivering the 10% to 15% growth in the underwriting result overall. The makeup of that will be dictated by market circumstances, performance, loss ratio, all of the normal dynamics. And it's too early to draw firm conclusions about what that mix will be.

Jan Erik Gjerland - *ABG Sundal Collier Holding ASA, Research Division - Lead Analyst*

Okay. Thank you. Then I have 1 for Ingrid, and that is the sales process, you said that you had a lot of digital entering to your websites. So how that -- and how have you sort of taken that actions to grow that -- that does actually come into your site actually buy something at the end of the day?

Because that has always been a challenge for the website is that people haven't bought what they sort of were looking for. So how have you actually been able to step up the game when it comes to people actually buying things because 80% of the times when I go into a website, end of the day I don't buy anything. So how have you actually managed to step up the game and get people to buy something.

Ingrid Janbu Holthe - *If P&C Insurance AS - Head of Business Area Private*

Yes. No, I think it's -- one thing is to kind of generate the traffic, which I talked about, which is driven by the brand. But in terms of actually buying, it's a combination of brand trust, simplicity in the sales process and competitive price position. So it's a combination of growth in traffic and also improvement and hit ratio. Like the example I illustrated on the household product. That increase in sales is purely driven by improved hit ratios. Because it's just very easy.

It's your personal number and your address. It's not complex. You have to reduce the complexity. If you ask a lot of questions, you will lose customers. So it needs to be very simple. And that's a lot of that simplification is also driven by incorporating more external data factors in the buying process.

So kind of you simplify the sales process without losing the kind of the risk -- the underwriting. So that's the key driver of also increasing the conversion of the customers that come to our sites.

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

Can I add one thing? Yes. I mean, nonlife insurance is a little bit different in one respect. Most customers don't have the option of not buying. They have to buy it somewhere or they think they have they should buy home insurance or life insurance somewhere. And so the only other option is to go offline and do it elsewhere, but they have -- it's not like a pair of shoes. You don't buy anything. This is something you need to buy.

Jan Erik Gjerland - *ABG Sundal Collier Holding ASA, Research Division - Lead Analyst*

Okay. Then just finally on to Morten on the growth side. This is the first time I think I heard If talking about growth in some areas, even though you sort of have a growth in the last couple of years. So growing in market share is that important? Or it's growing in underwriting profitability the most important still?

Morten Thorsrud - *If P&C Insurance AS - CEO*

I think we already touched a little bit upon this that our focus is still sort of to maintain the profitability. So there's nothing new in the Sampo or If story from that perspective. I mean that continued to be the main focus sort of to remain profitable. Then of course, we have a lot of competitive advantages that we should be able to benefit from. I think that's what you see in the various sort of growth areas that we highlight today.

Sami Taipalus - *Sampo Oyj - Head of IR*

Johan?

Johan Ström - *Carnegie Investment Bank AB, Research Division - Head of Research & Research Analyst*

Johan Strom from Carnegie. Two questions. First on the liquidity management actions, the EUR 700 million. Is that all of the capacity? Or does it still sit something down in If.

And then secondly, during the Mandatum spin-off, you had a transfer of assets, It was Saxo Bank and Enento I think and EUR 280 million or so of debt follow that. Do you still stay on that loan? And what's the outstanding balance?

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

That is still EUR 280 million. There is no change in that. As you know, the Saxo part of the demerger hasn't even been completed yet. We're still waiting for some approvals from regulators. The contract is signed between Sampo and Mandatum, but the asset isn't sort of formally transferred yet. So no change in that. But that would, of course, add to our liquidity position going forward. It's not the part of the EUR 1.2 billion.

In terms of capacity for If, this is a significant amount of additional liquidity. What we will not do is to sort of take more of the sort of day-to-day asset management, which is doing perfectly well out of Sweden managed by (inaudible) Sampo plc and change in the asset management setup. This is purely liquidity management.

Sami Taipalus - *Sampo Oyj - Head of IR*

Freya?

Freya Kong - *BofA Securities, Research Division - Research Analyst*

Freya from Bank of America. Can I just come back to the Hastings growth target of 10% to 15%. Is that a range that you're down by? Because if I just look at the 2023 top line and the margin, simply getting to 88%, assuming flat top line, you've got 17% growth. So how do I think about that? Are you giving yourself a bit more flexibility on the margins?

And then secondly, on Nordic P&C, you showed a slide where you thought a lot of your peers were behind the curve in terms of pricing for claims inflation and there was a catch-up needed in the market. What would be your strategy in that context, just take the margins and benefit or push for growth.

Tobias Adriaan van der Meer - *Hastings Group Holdings Limited - CEO*

Yes, on the Hastings side, we don't mind overperforming against the 10% to 15% if the market creates the opportunities to do so. So it's not a hard constraint in that sense. It is a 3-year sort of on average targets. And therefore, yes, some of the near-term dynamics may be positive in supporting that sort of results. But over 3 years, lots of things can happen. And so that's what's underpinning our thinking and making the right average target over that 3-year period.

Morten Thorsrud - *If P&C Insurance AS - CEO*

And then on the Nordic, I think that page is simply showing the situation as it is at the end of 2023. We continue focusing on the same sort of profitability targets that we have in it. And then let's see sort of how competitors go about. But of course, if they need to increase prices more than we need to, of course, then that should benefit us in the marketplace. But of course, it remains to be seen how competitors are sort of addressing this.

Freya Kong - *BofA Securities, Research Division - Research Analyst*

Okay. And can I just ask on the cost efficiency. So you've committed to 20 bps of improvement every year. Is this just an output of your increasingly more digital business model? Or is it just natural operating leverage? And is it harder to find 20 basis points each year?

Morten Thorsrud - *If P&C Insurance AS - CEO*

Yes. The short answer is, yes, it's simply a result of more digitalization, and they still have a big potential, still kind of potential as you saw, for growing more online sales in private. The journey has just about started in commercial. We continue to increase online intake in claims, but we still have a very big potential in automation on claims. So all of this, of course, means that we have kind of good outlook in terms of efficiency improvements in quite many years to come.

Sami Taipalus - *Sampo Oyj - Head of IR*

Vinit?

Vinit Malhotra - *Mediobanca - Banca di credito finanziario S.p.A., Research Division - Equity Analyst*

Thanks for the follow-up. Vinit, Mediobanca. Sorry, this one is maybe for Torbjorn. The buyback discussion, I mean, I'm curious why are we even having discussion. I mean, you don't seem very keen to actually do it. I mean, your shareholders are happy with this stable dividend, regular nice yield. I mean the 5% yield in Sampo has been there for maybe 15 years, I don't know.

And so why don't you just kill this topic and just tell people, listen, we are growing, we are happy. You are happy with us. Why do we have to discuss this $300 million, $400 million and then not do it for 6 months and then worry about doing it? And then I mean the conversation just changes if you guide us differently, I think. So just curious as to why we have in this chat.

Torbjorn Magnusson - *Sampo Oyj - Group CEO & Chairman of Group Executive Committee*

We have a vote. I was only partly joking there because, obviously, you could say that if you're in an extremist is you could say buybacks is only theory and why discuss it at all? What, 3, 4 years ago, of note, we actually asked a number of our owners, how they saw this and we had a little bit of change in our ownership base and a number of our owners were keen on buybacks. We introduced them as a supplement to the regular dividend and that is still how we present it. And so it's a choice of our owners as we see it.

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

We set the regular dividend, as you know, north to 100% of profit, but to a somewhat lower number but still above EUR 70 million, which will just by sort of automation, generate excess capital over time, right, be a part of the excess capital. And that makes sense given the ownership base we have and that's some like dividend and some like buyback to be used for buybacks from time to time when there is a sizable enough amount to do a buyback with. Then of course, on your point in terms of our capital management framework to make sure we also take time to consider options, if there are opportunities to make a bolt-on acquisition is a part of our capital management framework.

And what we're trying to do with the 12 months period is to not give the impression that small extra capital contribution is the only and the key value creation lever for Sampo going forward. That's the operational performance and the growth targets that we will deliver on. But good capital management will add to the value creation we believe for our shareholders over the next 3 years.

Sami Taipalus - *Sampo Oyj - Head of IR*

We have an online question that's a bit linked to this from Antti Saari, which is how do you think about dividend growth from here? .

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

We -- first of all, we aim to keep our dividend at least stable. And then we have a dividend policy that says that we will have a regular dividend which is at least 70% of our operating result, which again means that the growth in our operating result over this period would be a reasonable assumptions also in terms of the growth of the regular dividend.

Sami Taipalus - *Sampo Oyj - Head of IR*

Faizan?

Faizan Ahmed Lakhani - *HSBC, Research Division - Associate Director of Insurance Research*

First question is just on the asset liability side. You talked about increasing duration on the fixed income, taking advantage of the higher rates. But there's still a significant mismatch between your liabilities and assets. So I think your liabilities of 5.4 years, assets sort of around the 2. Is there a further opportunity to optimize that? And could that mean higher regular income potentially?

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

There's very little capital benefit from trying to do that matching. And given our appetite to take equity risk, I mean, we need to put our money somewhere. And the capital release would be very far from sort of meeting the sort of additional money we still need to have with our solvency ratio target.

So there are very little benefit from an ALM perspective to do anything than what we have done to make sure that the sensitivities to changes to rate is approximately 0, which for us makes sense to reduce the volatility in the reported profit.

Faizan Ahmed Lakhani - *HSBC, Research Division - Associate Director of Insurance Research*

I guess, the counterargument is if you believe interest falling from here, you're immunized relatively for a longer period of time on the investment side, if you sort of stretch out duration right now?

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

We feel comfortable with sort of the rates we have locked in right now given the extension and duration that we have done. Whether or not we will increase duration more at some point in time could, of course, be the case, but it would not be because the mismatch, as you call it, is costing us a lot of additional capital in our SCR currently.

Faizan Ahmed Lakhani - *HSBC, Research Division - Associate Director of Insurance Research*

Sticking to solvency from a different angle. How should we think about SCR growth from here given the fact that your growth is going to come maybe more from diversified U.K., a little bit more rate. Is it fair to see SCR grows in line with premium or at a lower level?

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

That is in some ways a good assumption on a standard model, not necessarily so on an internal model. So I would say that it is marginal, but a little bit below, I would say, the premium growth would be a good proxy. But then, of course, as you know, the SCR is impacted by a number of different things on a quarterly basis. I'm not saying it's a proxy from the SCR growth going forward. And of course, the directional trouble for the SCR from what we reported as of year-end is downwards with the capital management actions we talked about today.

Faizan Ahmed Lakhani - *HSBC, Research Division - Associate Director of Insurance Research*

Okay. And sorry, just a final question on for Hastings. In terms of premium finance, what is the APR that you currently have? And how has that changed over the last year?

Knut-Arne Alsaker - *Sampo Oyj - CFO & Member of Group Executive Committee*

[29.9] hasn't changed.

Sami Taipalus - *Sampo Oyj - Head of IR*

All right. It looks like we've run out of questions then. Thank you very much, everyone, for attending today. We look forward to meeting you all face-to-face or on the road in the near future. This concludes the webcast for today. Thank you for attending.
