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EDITED TRANSCRIPT

SAMPO.HE - Q3 2026 Sampo Oyj Earnings Call

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PRESENTATION

Mirko Hurmerinta - *Sampo Oyj - Interim Head of Investor Relations*

Good morning, everyone, and welcome to Sampo Group's conference call on the third quarter '26 results. My name is Mirko Hurmerinta, Investor Relations Manager at Sampo. I'm joined on the call today by Group CEO, Morten Thorsrud and Group CFO, Lars Kufall Beck. The call will include a short presentation by Morten and Lars, followed by Q&A. The recording of the call will later be available at samba.com.

With that, I hand over to you, Morten. Please go ahead.

Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

Thank you, Mirko, and warmly welcome to the Sampo Q3 conference call from my side as well. And perhaps thank you for taking time to participate in this meeting at a time when there is a lot of other interesting things happening in the world around us. But on sample then, the third quarter was once again a statement of our strong performance, driven by broad-based top-land growth, and strong margins across the group.

Our like-for-like GWP growth accelerated to 6%, up from 5% in the second quarter. The performance is strong in all the largest divisions, with 6% growth in Private Nordic, 7% in the UK and 7% in Commercial Nordics, where growth in SME stand out with a staggering 90% growth in the third quarter.

The growth is also increasingly volume-based, which is good to see now that inflation is tapping off a little bit. So we see a growth in number of customers and number of objects in all of these three divisions. Meanwhile, our insurance revenue increased by 9%, supported again by positive development in all our segments.

This time, perhaps also good to highlight industrial, where we benefit from a change in business mix following our de-risking actions in property, and lower reinsurance prices that are now more visible in the insurance revenue line. The improved traction seen in the second quarter and even more in the third quarter brings our year-to-date like-for-like GWP growth to 4% and insurance revenue growth to 8%.

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Combined with disciplined underwriting and another quarter of favorable severe weather and large claims development, our underwriting result increased by 9% on a currency-adjusted basis in the third quarter. Operating EPS increased with 8% year-to-date. Whilst a more moderate 2% in the third quarter isolated.

The latter was on one hand driven by higher underwriting results and a positive effect from our recent buyback programs, but on the other hand, largely offset by lower realized investment gains than in the prior comparison period. Following this strong nine months performance.

And on back of robust growth and also favorable claims development throughout the year, we have once again adjusted our outlook upwards for the full year. On the insurance revenue side, we increased it slightly up to now EUR9.75 billion to EUR9.85 billion. And on the unwriting side, we adjust the range from EUR1,550 to EUR1,625 million to now EUR1,600 to EUR1,650 million.

The new outlook indicates 7% to 9% top-line growth and 8% to 11% underwriting result growth year-on-year. Needless to say, I'm of course extremely happy with a very strong performance over the first nine months of this year. While again we had an excellent quarter and there will be a lot of things to highlight in each and every segment, I thought I should still reflect a little bit on the longer-term performance as we now are approaching the end of our current strategy period.

As you can see from this page, we have ticked every box so far, and I'm very confident that this will also be the case when we close our books for 2026. Since 2024, we have delivered 8% top-line growth and 11% underwriting result growth on average. If we use the midpoint of our 2026 outlook, we are set to deliver about 40% underwriting profit increase over this three-year period.

While the favorable claims environment in terms of benign outcome on severe weather and large claims had a positive contribution, the growth was primarily driven by our broad-based and durable top-line growth. At the same time, our underlying margins have remained strong and even improved a bit, thanks to our disciplined underwriting and consistent cost efficiency improvement.

This has been further fueled by the strong delivery of top Denmark synergies that have been realizing well ahead of our initial expectations at the time when we announced the acquisition. The headline figures have been driven by strong performance on our key operational ambitions. For example, in the UK, we've seen 20% underwriting result growth on average which has been well above our initial ambition of 10% to 15% growth.

Same thing with personal insurance, which has been enjoying double-digit like-for-like top-line growth. I'm really pleased to see at this time our retention has remained high and stable with impressive customer satisfaction score. And consequently, we have also been able to grow the number of customers as well as the insured objects in all key segments.

That said, none of this was achieved due to any exceptional circumstances, M&As or other one-off effects. This is rather a result of consistent investments in our operational capabilities, cost efficiency and customer propositions over a much longer period. And importantly, this would not have been possible without our dedicated and talented employees across the group and also the strong support from our partners.

All in all, I see us being well positioned to continue building on this strong foundation and further leveraging our scale and operational pole positions in a vast number of areas to deliver superior value to our customers, and as a consequence, also substantial value to our shareholders.

Then switching focus a little bit and talking more about some exciting balance sheet items, where I will hand over to Lars.

Lars Beck - *Sampo Oyj - Chief Financial Officer, Member of the Group Executive Committee*

Thank you so much, Morten. The third quarter of 2026 was another volatile quarter in the capital markets and this time more on the fixed income side. While our investment portfolio continued to deliver very solid interest and dividend income, the sharp increase we saw in interest rate during the quarter led to sizable mark-to-market losses this time around.

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However, remember that these are short-term effects and higher interest rates enable us to reinvest at higher yields, supporting investment returns in the long-term. In fact, our average deal rate on new fixed income investments during the quarter was 4.2%, slightly above our running yield at the end of Q3.

During the quarter, we also continued to reduce our ownership on NOBA by successfully selling just short of 15 million shares, generating EUR111 million in growth proceeds. Overall, both of our legacy assets, NOBA and Nexi, had a positive contribution to our net investment income, which was nice to see.

Moving to the sovereignty development, which was quite straightforward also this quarter, strong operational performance and some extra on top of that from the market effects and the sale of NOBA shares. This was partly offset by the other items bar in the chart. This includes a number of various different factors.

One of these is the underwriting seasonality as expected, which tends to be positive in the first quarter of the year and then unwinding into negative effect towards the end of the year. Also, the VAT part of the IT-related intangibles impairment that we announced in September had a small negative effect as well as the coupon payment on our hybrid debts.

Then we also added some further prudency to our reserves, partly reflecting the prevailing uncertainty regarding claims inflation outlook due to the higher oil prices. And that, in turn, increases our insurance risk SCR. Overall, though, I am very happy with the 175% solvency coverage that includes the full 90% distribution accrual, particularly given that the symmetric adjustment is still quite high.

And as a reference, with 0% symmetric adjustment and all is equal, our solvency would have been 179% for the quarter. For those of you who made it to page 21 of our Q3 report, you will have noticed that we will make some changes to our operating result and operating EPS key figures in 2027.

Firstly, to avoid any confusion with the new IFR's 18 line item operating profit, we have decided to rename these key figures to core result and core EPS, effective from the beginning of 2027. At the same time, besides the naming, a few other changes will be made to the calculation of the new core result.

Interest expenses on RT1 notes will be included in the key figure as they have cash effect. And then to have an even more consistent treatment of mark-to-market effects, certain derivatives will be excluded. And finally, the fixed tax rate that we use for this metric have for simplification reasons been increased from 21% to 22% to better reflect the actual effective tax rate we see.

As you can see from the right-hand table, the impact of these changes is non-material. And I'm sure that some of you have already figured out that announcing these changes now might indicate that we will also continue to have an EPS metric as a financial target in the next upcoming strategy period.

And by doing it this way, we don't have to spend time at the upcoming investor update explaining and introducing the core EPS concept. That was all from my side this time around and back to you, Morten.

Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

Before moving to Q&A, I would like to take a few minutes just to revisit some of the market dynamics of the Nordic PNC insurance market since there has been, once again, some concerns regarding what AI may or may not change in the future. And frankly, some of the arguments that we've seen have felt a bit strange given the market that we operate within.

Starting with the fact that yes, AI will most likely have an impact on distribution in the future as consumer behavior continues to evolve. Although this is nothing new to us, as we have been part of shaping this development for more than two decades with our consistent investments in product innovation, process optimization, and in particular, digital distribution to drive better customer outcomes.

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We will of course talk more about AI at our investor update, so now I will rather focus on the things that make the Nordic P&C insurance market different from many other markets and on the things that will not change due to AI. Unlike many other markets, in the Nordics, P&C insurance is increasingly a service product, not a commodity where price is all that matters.

That said, Nordic customers are highly conscious of the value they receive for the money. No one is willing to overpay for value they don't get. For our customers, the value comes in form of easy to use services, good digital setup, user friendly mobile apps, wide coverage, and simply the fact that when, not if. Something happens, but rather again when something happens, they can trust that we are there to help a lot.

I'm saying and stressing then, not if, because claims do happen regularly in the Nordic region. They often feel small but frequent. Our customers have a claim more frequently than every second year on average, meaning again, of course, that it will be a lot of customers. That have more frequent claims than this, of course.

And that's totally fine, as our business model and customer promise in the Nordics is that if helps a lot. Further, part of the service aspect is that customers usually bundle their insurances under the same provider. It's good to have one insurer, it's good to have one service provider. On average, our household's customers have more than four policies with IF.

Last time I checked my IF mobile app, my household had more than 10 policies, which is actually not uncommon. This is, of course, something that support long-lasting customer relationships and high retention. But succeeding in this market requires creating value, of course, for the customers. In the end, that is all that matters.

One key figure I'm very proud of is the one on the right-hand side on this page, showing how likely our customers are to recommend us after they have a claim. Turns out those are the most satisfied customers that we have. Staying on the claims side, it's important to note that while large parts of the customer journeys will become increasingly digital, the claims resolution will remain fundamentally physical.

Cars need to be repaired, leaking pipes need to be fixed and broken ankles need to be treated. As I already alluded to, Nordic PNC Insurance is a service business and customers appreciate the convenience. This means for most part, this is not a cash settlement business. In fact, over 70% of motor claims.

Our repair services procured on behalf of our customers where we already have negotiated the price and the terms and where we pay the repair shop. We handled the hassle so that the customers don't have to. Hence, efficient claims handling from start to finish with superior customer service requires scale, advanced operational capabilities and an expensive partner network.

To sum up, I'm very confident that with our customer centricity built into our DNA and our sustained focus on innovation, we are more than well positioned to continue our superior service and create value for our customers amid evolving technology trends.

So finally, a quick reminder on the upcoming investor update on the November 17 in London, where we will provide more insight into our operational priorities and financial ambitions for the next strategic period. Looking forward to meeting all of you at that event or also on roadshows that we will have after the investor update.

And with that, I hand it over to you, Mirko.

Mirko Hurmerinta - *Sampo Oyj - Interim Head of Investor Relations*

Thank you, Morten and Lars. Operator, we are now ready for questions.

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QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Youdish Chicooree, Autonomous Research.

Youdish Chicooree - *Autonomous Research - Analyst*

Good morning, everyone. My first question is on the Nordic industrial segment. I was wondering whether you can -- whether there was a reversal of growth in the was thanks to some one-off contracts. Are there the growth is durable, especially you go into the 1/1 renewals next year?

And then secondly, on the -- on your private U.K. division, you described the market as the pricing environment are soft, but you still growing policy by a decent number, like 4% in (inaudible) in one quarter and 2% in home.

So I was wondering whether you can share with us the kind of price increases you are implementing at the moment in Motor & Home? And then maybe broadly comment on the market, whether there's been an improvement maybe in the past months. Thank you.

Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

Good. I'll try to cover these two. Nordic Industrial small positive GWP growth in the fourth -- third quarter should bear in mind that this is a quite low sort of ready or small quarter in terms of renewals in industrial. So any small movements would give kind of an impact there. So wouldn't read too much into that.

However, what we try to highlight a stress a little bit is rather the growth in insurance revenues, so on the net side where we, of course, partly see benefit from a softening reinsurance market, so more attractive to us in that respect. And also the fact that the de risking was larger on a gross side than on the net side and also that industrial is growing in other lines of businesses than property.

So liability, cargo, employee benefits. But the small top line growth in the third quarter isolated, I would not read too much into it. It's a fairly limited renewal quarter anyway. On private U.K., I would say that the market is gradually improving. We see prices coming up on renewals and then we see still, of course, quite a bit of competition on new sales.

We still expect and we like to see that the market continue to improve going forward. But of course, we are starting to come out of the situation where we have significant headwind from sort of year-on-year pricing levels. We are growing absolutely in the market.

This is partly and perhaps even mainly a result of investments that we've done in more data, better pricing sophistication that have enabled us to, in a way, increase our underwriting scope and be more competitive in certain pockets of the market. We still right to meet the 88% to 90% operating ratio. So our growth is very much dependent on not only the pricing in the market but also sort of how sophisticated and good our pricing models are. So yes.

Youdish Chicooree - *Autonomous Research - Analyst*

And could you share the price increases you're implementing? If possible, please.

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Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

We're not commenting on the price increases such. But of course, we are clearly pricing now for the inflation that we expect to see going forward. We don't publish any specific on that.

Operator

Ulrik Zurcher, Nordea.

Ulrich Zerker - *Nordea - Analyst*

And I apologize. It's a bit boring this time. But I was just focusing down on the cost ratio in the Nordics. It looks maybe like you're heading more for 30 bps, 20 bps improvement and 40 bps improvement is that correct? Or -- and then I also like just on the cost side, I'm wondering, are there any sort of new investment needs or cost inflation items that we should be aware of in '27? Or do you still think you can improve a bit on the cost ratio next year?

Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

The underlying improvement is definitely there. And of course, still being largely fueled by the synergies from the Topdanmark integration. There is a little bit of accounting effects back and forth, slightly different accounting practices in the previous Topdanmark accounts compared to sort of how we do the accounting in samples. So some kind of fluctuations like that.

But clearly, underlying performance is in line with the 40 basis points. Then, of course, we're also, at the same time, doing investments in particular, sort of strengthening also the distribution set-up. But I think, again, largely, we focus on the underlying cost ratio improvement that is there and where we also expect it to come in 2027.

Ulrich Zerker - *Nordea - Analyst*

Yes, that makes sense -- sorry, I just forgot something here. No, that's it for me. Thank you.

Operator

Vash Gosalia, Goldman Sachs.

Vash Gosalia - *Goldman Sachs Group Inc - Analyst*

I have two potentially three. One is just quickly on your discount that seems to be a bit large for this quarter. Could you just help us understand what's really driving that? And what should we expect going forward? Second one, is just on the SME growth rate in the Commercial segment.

Now while you have reported 9% in this quarter, but it seems to be a bit volatile across the quarters because you had something like 7% 1Q, 5% 2Q and 9% 3Q, but you keep on flagging that this particular part of the business is more aligned or more into the private segment? So can you help us understand the volatility there?

And third one, just can you help us understand the change or the impact on your combined ratios from mix shift between product lines and geography.

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Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

I'll leave the discount rate first to Lars, and then I'll try to address the other ones?

Lars Beck - *Sampo Oyj - Chief Financial Officer, Member of the Group Executive Committee*

Yeah, absolutely. Yeah, you're absolutely right, Vash, that the discounting effect in the Nordic risk ratio that was 4% in Q3, that is somewhat high, and it's also higher than the run rate level we would have all else equal expected. Approximately half of the 1% increase that we saw from Q2, that was driven by the actual change in interest rates while the other half is pretty much explained by reserve movements.

One of the things we have done in Q3 is that we continue, of course, to closely follow up and monitor the development on workers' comp in Denmark following the Supreme Court ruling that we saw. And what we have been doing in this quarter is to reassess the events not in data reserve when it comes to which accident years we actually believe that will be mostly impacted by this.

So we haven't changed the size of it, but we have changed the distribution across accident years during the quarter. And that does have an impact in terms of giving us a somewhat higher discounting effect in the quarter than what we would, all else equal, have expected.

Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

Then on the SME growth, first of all, of course, you know this, but this is gross written premiums. And of course, gross written premiums is always more volatile than insurance revenue as it's sort of just exactly what we write in this quarter. So if you have a little bit strong quarter compared with a little bit weak quarter sort of the year before, for instance, you will get some volatility.

Then when it comes to the SME market, you've seen a strong development there over time. I think quite many quarters, we've been around 6%, 7%. And the outlier was probably in the start of the year where it was a little bit softer. So yes, 9% is perhaps a little bit on the high side. But again, we see really strong traction in this market. To the combined ratio mix, obviously, the biggest impact for us is Nordic versus U.K.

In the Nordics, we have a combined ratio sort of in the low 80s, whilst in the U.K., we focus on the operating range 88% to 90%. So of course, that is having an impact, but that you know. Apart from that, we have the same targets within the Nordics between the different segments and different markets.

So there, you shouldn't really see any large combined ratio effect from growing more in one segment and other. We have the same targets for all the segments in the Nordics.

Operator

Nimrat Kaur, Bank of America.

Nimrat Kaur - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

If I can get back to (inaudible) question on the cost ratio. In the private Nordics, we saw nearly 50 bps of worsening in the cost ratio despite you're saying the synergies from the top Denmark acquisition. So if you can give a little bit more color on like what's going on there and what we should consider going forward?

And then the second one on the reserve strengthening you mentioned for that has a small negative impact. What does that relate to? And how should we think about it going forward for that as well?

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Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

Yeah. I'll try to address the cost ratio again. If you look at the development on private and commercial, you will see that private is jumping up commercially is going down. And I think on the cost ratio, we need to look at the totality. There is some changes to allocations.

There are some changes to portfolios, again, as a result of the Topdanmark integration. So that is not a real underlying development, but just how portfolios are being kind of moved from 1 business area to another or how cost is being booked with one business area versus another and how that has been changing.

So unfortunately, until sort of -- until the Topdanmark business is kind of firmly into also the comparison figures then there is still a little bit of volatility on the segments on this. Again, I would more look at the totality and the underlying development. Then solving on, Lars?

Lars Beck - *Sampo Oyj - Chief Financial Officer, Member of the Group Executive Committee*

Yeah. Thanks a lot for the question. I mean Sampo has always had a very prudent approach to reserving. And I think a testament to that was also clearly how we dealt with the work comp ruling earlier this year.

But given the current uncertainty regarding claims inflation or inflation in general, due to the higher oil prices and the conflict we see in the Strait of Hormuz, and the fact that we also had another quarter of so-called good luck with lack of severe weather and large claims, we did take the opportunity to add some prudency -- further prudency to our reserves.

I think as we do that, we do not change our risk margin. That stays stable at the 85th percentile. So what we do is we actually add reserves to the book. And that means that from a pure modeling point of view, as reserves go up showed us the reserve risk in our partial internal model. And hence, all else equal, that does increase our solvency capital requirement to -- related to reserving. So it's a model question rather than anything else.

Nimrat Kaur - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Understood. Thank you. And if you mentioned claims inflation and everything, do you give any view, what's your view on the Nordics claims inflation in 2027, more the past wages property, et cetera?

Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

No. I think apart from what we already said that inflation is slowly coming down. It's still a little bit elevated. We, of course, have a tight eye on the inflation and inflation development. But we don't give a precise guidance. And it's varying a little bit, of course, from country to country in the Nordic region. Still highest inflation obviously in Norway driven more by just wage increases domestically.

Operator

Hans Rettedal Christiansen, Danske Bank Markets.

Hans Rettedal Christiansen - *Danske Bank Markets - Analyst*

Firstly, you mentioned the sort of improved momentum in Q3 on insurance revenue private lines. And then you also say that it's increasingly volume-based. So I was wondering, just in terms of how you're pricing, is it more aggressive than before given that you're able to take volume?

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And then secondly, also on Norway, specifically, how you're seeing sort of price competition there given that we're coming from exceptionally high levels of price growth?

Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

Yeah, let's start with that one. Absolutely no change to our pricing sort of philosophy and behavior. We focus on pricing risk correct and we focus on having stable prices to our customers. That's the way that we also will have, of course, good retention. So no changes in that respect.

In terms of market dynamics and Norway, as you mentioned, there's been high price increases now for quite many years in the Norwegian market. We see that we have extremely high new sales in the Norwegian market. But we also see that of the first-year customer, the churn is somewhat higher. So again, retention is very good with our existing customer base.

But the customers you've been in the market on a first-year basis, churn is higher. So of course, after three years of almost like double-digit price increases, a certain part of the market is churning more. I think that is largely playing even to our strength as we have a very efficient and digital distribution model.

Hans Rettedal Christiansen - *Danske Bank Markets - Analyst*

Thank you for that. And then I guess my second question is because you elaborated a bit on AI towards the end. And thanks for the number of sort of the degree of bundling that you have with policies or more, I guess is, it's an answer you're probably not going to give me, but I was wondering, in sort of the bundling equation.

Can you talk a little bit about the degree of kind of that customers get when they bundle, and especially from -- with regards to kind of AI bots and how that can be difficult to replicate?

Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

It was a little bit hard to hear exact question. You asked about what do they get when they bundle as that question?

Hans Rettedal Christiansen - *Danske Bank Markets - Analyst*

Yeah, exactly because I mean, bundling is a sign of being happy with your products, but it can also be a sign of you giving discounts on the degree of bundling.

Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

Yes=ah. And of course, we do that, that is more or less a market practice in the Nordic region that is beneficial for us if customers have multiple products with us. And part of that benefit we share with the customers through a discount. So typically, customers have a certain discount if they have multiple products. So that's, yes, normal way of operating in this market and something that we have in all of the four markets.

Hans Rettedal Christiansen - *Danske Bank Markets - Analyst*

And just the market dynamics work sort of in discounting. Is it based on the individual products? Or is it it's to find that kind of --

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Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

It's typically the more products that you have, the more of the sort of larger products that you have. So if you have sort of both car and home sort of you get a certain discount if you have more products, both car home and even the personal risk product sort of you get slightly more discount. And all competitors more or less operate with this type of collector discount in all the four markets, more or less.

So this is a natural way of operating it in the Nordics which, of course, again, means that the customer looks at the total bill, the total insurance cost and not only on each and every separate policy or object.

Operator

Carl Lofthagan, Berenberg.

Carl Lofthagen - *Joh Berenberg Gossler & Co KG - Analyst*

And hopefully, you can hear me okay. I have two on the U.K. The first is on the subsidence and some of the fire damage you flagged in the third quarter. I'm just wondering how much of these subsidence claims, you're still, I guess, expecting to come in? Or do you feel like you now have a pretty good view of what the impact has been from the dry weather we've seen this summer?

And then the second is just back to the private U.K. growth that you're seeing in the motor book. Wondering how much of that is coming from your telematics app-based product as I understand, there's been a strong growth driver for Hastings. And then I guess if you can share how much of the U.K. motor book today is or has a telematics product. That would be helpful. Thank you.

Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

Yeah, subsidence in the U.K., as we all know, it's been an extremely hot summer in the U.K. And we saw some negative effects of that, of course, on the risk ratio. First of all, as you mentioned on the subsidence side. And of course, what we have now in the books is our best estimate for what we will -- what we expect will be the outcome of this, both in terms of reported and also potentially claims that have not yet been reported.

So again, our reserve at Q3 includes our -- the expected full effect of this or our best estimate. Then on top of that, it's also been a little bit elevated, motor frequencies in the U.K. in July and August. It seems to be a lot of driving during summertime in the U.K., probably again related to weather. Frequencies went down to more normal levels in September. So I think it's more of a one-off.

Then to the growth in the U.K. Our growth is clearly more in what we could call core motor than in the telematics book. And again, the growth is coming from us investing more in data, more in pricing capabilities, making us then more competitive in certain pockets of the market, certain sort of specific segments.

For instance, newer cars is there where we have improved our competitiveness quite a lot by having more data and better pricing models. When it comes to the size of the telematics book, it's a little bit above 600,000 customers now in the U.K. again, largest telematic book in the U.K. market.

Operator

Henrik Leedhog, Mediobanca.

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Vinit Malhotra - *Mediobanca - Analyst*

Hi. This is Vinit from Mediobanca. Just one question remaining on the private Nordics. And I'm just looking at Slide 7, the growth rate. One thing that stood out is obviously motor seems to have taken the acceleration in GWP in Q3 versus Q2.

The pickup in motor -- sorry, the pickup seems to have come more from portal insurance and also private property. And we're almost offsetting the motor reduction. Is there anything to add about these two lines because I know personal insurance was a focus in previous Analyst Day or investor update. So just curious on that.

And then the second question is on just revisiting the Nordic commercial, it's been two pretty strong quarters here after one, not a very strong one in 1Q. I'm just trying to -- just was there some one-off trends or we should expect some of these good numbers in Nordic commercial to continue

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Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

When it comes to growth in private in the Nordics I would say that the changes quarter-on-quarter is quite small and normal volatility. So yes, we continue to see super strong development on personal insurances, double digit. That has been a situation for quite a long time. This is an area where we benefit from a large customer base and excellent distribution setup -- private property with good growth.

And then on motor, also good overall small fluctuations from quarter-to-quarter. Then we have for a long time said that we hope that the new car sales, in particular in Sweden will turn and we start to see perhaps some light in the end of the tunnel there, but let's then see for future quarters.

Commercial, I would sort of separate between, of course, the more upper commercial and the SME. Upper commercial is, of course, a portfolio over you can see some volatility from losing individual clients or winning individual clients in a specific quarter. On the SME side, you should expect a more stable development.

And if you look at the growth over the last few quarters, you see that it's typically 6%, 7% now clearly a little bit on the stronger side with 9% in the third quarter, but the performance there has been quite consistent if you look sort of over the last few quarters.

Vinit Malhotra - *Mediobanca - Analyst*

Okay. Just if I can follow up on more on the Swedish car sales, new car sales. There has been some pretty good prints in Q3. And I was thinking that GWP at least will have some effect unless there is more to add there?

Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

If I remember correctly, was a good print in September which means that the GWP effect from that will come in October. And then, of course, you shouldn't focus too much on a development on one month or two months, of course. But if this now is changing, if we will see growth in that market going forward, then that will be beneficial.

But of course, we need more than one good month for it to really sort of materialize and become visible. But of course, everything else equal, what we saw in September should be good for our motor growth in Sweden in October.

Operator

Michele Ballatore, KBW.

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Michele Ballatore - *KBW - Analyst*

Yeah. So the first question, going back to growth in the Nordics. Of course, you mentioned retention is an important component. But to what extent the -- let's say, upselling of new products to existing customers or acquisition of new customers has been a driver. So if you can talk about this two aspect?

The second question is about the U.K. How do you see the cycle, the pricing cycle developing in the U.K. in general. And I have a third question about your investment. I mean I can see you have a running yield of 4%. If I remember (inaudible) this increasing a little bit. So if you can tell me what is your reinvestment yield at the moment?

Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

Good. I'll start with the two first ones, and then I'll leave the investment to you, Lars. On growth in the Nordics, retention is typically around 90%. So 89% sort of above 89% is what we report in private, which means that you need to essentially, net-net get 10% -- 10%, 11% new customers every year. And that's always the dynamic.

Of course, the higher retention that you have the less customers sort of you need in a way just to keep the portfolio balance. Right now, we are growing in terms of number of customers. So obviously, we are winning more customers than we're losing. So that is driving up growth as we speak.

Up sales is, of course, always an element of this. But that doesn't typically change fundamentally from a quarter-to-quarter. It's something you always work on. However, a large part of the growth that we see on the personal insurance side is essentially up sales on existing customers. And that is also part of the market that is growing.

The customers are clearly willing to spend more money on securing their own health, the health of their spouse, the kids and so forth. So Personal Insurance is a little bit more of an upsell product than the other ones. But again, no kind of new development or changes to this. This is the way that the market is operating in Nordic. So this is how it's always been .

To the U.K. cycle, think as we already mentioned or I already mentioned, it's clearly a positive development. We see clearly price increases on renewals. And then we still see a very competitive new sales market. Still we'd like to see prices coming further up in the U.K. market, but of course, it remains to be seen whether now this positive development continues.

But clearly, again, better situation in the U.K. market this quarter than the previous quarter, and that has been a little bit a story that we've been communicated for a number of quarters now. So going in the right direction at least. Investments and running yields, Lars?

Lars Beck - *Sampo Oyj - Chief Financial Officer, Member of the Group Executive Committee*

Yeah, sure. Thanks for the question. Just to state you obviously, nothing has changed in terms of our appetite our philosophy or our investment mix in our investment portfolio because I highlighted in the comments when we went through the slides, our deal rate year-to-date now stands at 4.2% which is slightly higher than the running yield of the book at end of Q3, which was 4.0%.

So there is clearly a an uptick and an increase in the yield on the investments that we have been making throughout the year. And I think just as a final comment, just in case anyone is interested here, I just want to confirm that we have actually no exposure to French government bonds in our portfolio.

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Michele Ballatore - *KBW - Analyst*

Okay. Sorry. Is 4% is the reinvestment yield, 4.2% is the running yield?

Lars Beck - *Sampo Oyj - Chief Financial Officer, Member of the Group Executive Committee*

No. The running yield at the end of Q3 stands at 4.2% and yes, good.

Operator

Nimrat Kaur, Bank of America.

Nimrat Kaur - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Just sorry, one last one for me. On your operating results to core results transformation, would the 90% payout ratio be then calculated on the core result? And then do you expect some volatility on this year-on-year given this exclusion of the certain derates. Any more color on this would be helpful.

Lars Beck - *Sampo Oyj - Chief Financial Officer, Member of the Group Executive Committee*

Yeah. I think if I take the last one first. No, we would actually be expecting less volatility on this year-on-year. If you recall our results this year, we had a, I would say, a somewhat high operating EPS growth, which we back then alluded to was actually primarily a result of the development on these derivatives. So hopefully, this should actually make it even more stable and less volatile.

And as we also tried to say in the slides, and as you can also see from the reconciliation we're doing between old operating EPS, operating result and the new core result, core EPS numbers that we have in the slide deck, there is absolutely no meaningful impact in the actual size of it.

So no, definitely do not expect that to have any impact either on distribution going forward. And remember that the new core EPS and core result will only come due in 2027. So for 2026, everything will be based on the existing operating result and operating EPS definition.

Operator

Vash Gosalia, Goldman Sachs.

Vash Gosalia - *Goldman Sachs Group Inc - Analyst*

Hi. Thank you for the opportunity, again. I just had a clarification question on the comment you made. So you mentioned that you are seeing renewal rates in the U.K. motor book going up, but the market continues to be soft and competitive in the new business market. I'm here probably lack of my understanding, but I thought that after the chip reforms, your renewal rate and new business rate has to move in line for your book.

So which means at a market level, that also has to be true because everyone needs to price new business and renewals at the same rate. So can you just help me understand the dynamic there as to why is it you see a deviation between your renewal rates and competition in the new business market?

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Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

That's a good reflection. The difference here is that there are some new products, new players and new products from existing players in the market. So on the same products, the same offering, of course, you have the same price on new sales and renewals.

But if companies come with new products, then, of course, the pricing is different. And you see a little bit of an inflow of new products in the U.K. market. So that's the challenge.

Vash Gosalia - *Goldman Sachs Group Inc - Analyst*

And just to clarify, these new products can have like change versus the old product? Or does there need to be a material difference between the old product and then sort of shift pricing?

Morten Thorsrud - *Sampo Oyj - Group Chief Executive Officer, Member of the Executive Committee*

Yeah, they need to be different at least. And then, of course, it's always it's always difficult to say exactly how different do they need to be, but they need to be different. I cannot be essentially the same product. It needs to be a different product.

Operator

There are no more questions at this time. So I hand the conference back to the speakers for any closing comments.

Mirko Hurmerinta - *Sampo Oyj - Interim Head of Investor Relations*

All right. Thank you very much. That concludes the call for today. Thank you for listening in and looking forward to seeing you at the investor update in London.

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