Q1 2016 Earnings Call

Company Participants

- Kjetil Ramberg Krøkje
- Lars Aasulv Løddesøl
- Odd Arild Grefstad

Other Participants

- Blair Stewart
- Jonny Urwin
- Matti Ahokas
- Paul De'Ath
- Peter D. Eliot

MANAGEMENT DISCUSSION SECTION

Operator

Good afternoon, ladies and gentlemen. Welcome to the Storebrand conference analyst call. My name is Anna, and I will be your coordinator for today's conference. For the duration of the call, you will be on listening-only. However, at the end of the presentation, you have opportunity to ask questions.

I will now hand you over to Kjetil Krøkje to begin today's conference. Thank you.

Kjetil Ramberg Krøkje

Yes. Good afternoon, ladies and gentlemen. Welcome to Storebrand's First Quarter 2016 Conference Call. My name is Kjetil Ramberg Krøkje, and I'm Head of Investor Relations at Storebrand. Together with me today, I have Group CEO, Odd Arild Grefstad; CFO, Lars Løddesøl; Finance Director, Sigbjørn Birkeland; and Head of Economic Capital, Trond Finn Eriksen.

In the presentation today, Odd Arild will give an overview of the development in the quarter and Lars will give some more detail on some of the elements in the results. The slides will be similar to the analyst presentation released this morning and are available on our webpage. After the presentation, the operator will open up for questions. To be able to ask questions, you will need to dial into the conference call.

I will now leave the word to Storebrand's CEO, Odd Arild Grefstad, who will start the presentation on slide two.

Odd Arild Grefstad {BIO 5483351 <GO>}

Thank you, Kjetil. I will describe Storebrand's first quarter result as good in a turbulent market. The group result before amortization and write-downs was NOK 546 million for the quarter. It is affected in particular by good financial returns in the company portfolios, strong results within asset management and strong cost control. The growth within capital light savings is still strong and the unit linked premium growth is 29% since the same quarter last year. The growth within insurance is also good with 8% compared to first quarter last year.

The growth within retail bank has really picked up with 18% retail lending growth compared to first quarter 2015. And an estimated Solvency II ratio of the first quarter is 175%. I'll get back to this in more detail later.

Then let's move to slide number three. This is a well known slide, although still relevant. The value creation in Storebrand comes through growth in non-guaranteed savings and insurance and through handling the guaranteed balance which is in a long-term runoff.

In slide number four, we see that the dealing with the paid up policy portfolio is central as a part of the management or our guaranteed business. We have divided our guaranteed paid up policies in four sub portfolios. Three of these portfolios has 60% to 90% allocation to bonds at amortized costs.

In today's low interest rate environment, the held to maturity portfolio secures a long-term expected return above (03:23) the interest rate guarantee. In fact, the excess value of these bonds is now at NOK 12 billion which contributes to increased book (03:34) return in the years ahead.

And we are still able to add to this portfolio. And so far this year, we have built NOK 3 billion in new investments at 3.2% yield and 14 years average life. In total, this means that we have an investment portfolio that exceeds the interest guarantee in the years ahead.

If we then move to slide number five, the Solvency II position in Storebrand has been strengthened by 7 percentage points in – to 175% in the quarter. The reduced interest rates are to a largest extent reflected in increased transitionals. While the 7 percentage points increase is caused by results generation and improved asset allocation. The solvency margin excluding transitional rules is 117%, a 7-percentage point decrease from last quarter.

If we then move to slide number six, looking at this simplified view of the movement from fourth quarter to first quarter, we see that the results generation in first quarter has improved solvency with about 3 percentage points. In addition, we have reduced the equity and real estate exposure in the paid up policies.

In total, the derisk and asset allocation have improved the solvency position by 4 percentage points. Financial market movements have reduced the underlying solvency by about 14 percentage points, of which, 12 percentage points to 13 percentage points from lower interest rates and the rest from weak equity markets and other conditions.

If we then move to slide number seven, the growth within non-guaranteed savings and insurance continues. As mentioned, the unit linked premium growth was 29%. However, the growth in unit linked reserves was a more moderate 8% compared to first quarter last year. The reserve development was dampened by negative equity markets. In unit linked Norway, about 50% of the allocation is into equities while about 75% in unit linked Sweden.

The challenging market commission also have affected the reserve development within asset management in the quarter. However, the underlying growth rate is still good. As I mentioned earlier, the growth rate within insurance is good. However, it is somewhat normal rate than in earlier quarters. The reason for this include the fact that we are replacing expensive external distribution with more cost effective internal distribution. Internal distribution also allows for more cross sales. This shift in the distribution mix is expected to dampen the insurance growth in the next quarters.

Last but not least, it is very satisfying to see that we are succeeding within retail banking. Retail banking is instrumental to our success in the private market strategy, not least because of the cross-selling we experience based on our banking relationship.

If we then move to slide number eight, we see that the development within Storebrand asset management is very strong. And in this quarter, we have booked a result of NOK 130 million. We have built an effective and scalable asset management business. And in the last few years, we have succeeded combining a strong top line growth with reduced costs. This has led to a doubling of the result from asset management since 2012. Sustainability is at the core of our asset management and we see now that our position as one of the world's leading sustainable asset managers contributes to our commercial success.

Slide number nine. The sum of all these is that we continue to shift from guaranteed products to non-guaranteed savings. The income from our guaranteed business is declining. Public EV (08:12) and corporate banking is in runoff, and migration from the fund benefit to lower margin paid up policies reduces fee and administration income.

However, thanks to the strong growth within savings segment, we are able to grow total fee and administration income. The shift in our business is illustrated well by the graph on the right-hand side where we see that the reduction in guaranteed income is more than compensated for by the growing income in savings.

Then I leave the word to Lars Løddesøl.

Lars Aasulv Løddesøl

Hello, everybody, and good afternoon. Then I would like you to bring your attention to page 10 with key figures. Last quarter, I spent a considerable amount of time explaining a lot of extraordinary items. This quarter, there are very few. The one special item that we would like to highlight is the NOK 73 million shown on the upper left-hand side which is the profit that we got from the sale of Storebrand Baltic as we discussed also in the previous quarter.

That leaves an underlying result, the result before profit sharing and loan losses of NOK 605 million which is a good (09:35) earnings. The net profit sharing and loan losses of minus NOK 133 million is negatively impacted by negative profit fit in the Swedish guaranteed operation as a consequence of the falling interest rate level. Earnings per share were NOK 0.93 in the quarter after tax. Solidity capital is maintained at the high level, and customer buffers are – continues to be satisfactory although customer buffers in the Swedish operation has been negatively impacted by the falling interest rates.

Moving over to slide number 11. Fee and administration income is slightly up from last year. If we normalize or if we consider currency movements as well as discontinued business, the underlying development is 1.8%, up from last year, which means that we managed to replace the revenues that we lose from the guaranteed back book with a stronger growth in the front book as Odd Arild just talked about.

The risk result life and pension is at NOK 24 million improved by a one-off reinsurance contract gain of NOK 20 million. This result line will gradually go away as a new disability pension in the public system in Norway will decrease the coverage that we've previously recorded under this line. So this will go towards zero and will be removed in due course, or the result line will be removed in due course. Insurance premiums and claims for own account shows a slight improvement of NOK 4 million from last year. Operational cost seems flat, but the Swedish krona has strengthened since last year. There is an underlying improvement of NOK 27 million from the first quarter last year. This is somewhat better improvement that we expect for the rest of the year. So we will have some double cost relating to the covenants and contract that we entered into in the last quarter which will give us double cost through the course of 2016 and significant savings in 2017 and 2018.

The financial result is positively impacted by a good return on company portfolios in Norway and Sweden, and that partly offsets bad returns in the second half of last year where we had widening of spreads, credit spreads. These have contracted in this quarter and given us a gain somewhat higher than we expect going forward. This number also includes the gain of NOK 73 million from the sale of Storebrand Baltic as I mentioned on the previous slide.

And the net profit sharing and loan losses, as I mentioned, the main part of the minus NOK 133 million comes from the guaranteed business in Sweden. And it is caused (12:55) by the falling interest rates during the course of the quarter. However, we have also, during the course of the quarter, reduced the – or practically eliminated the duration mismatch in this portfolio. And we expect less sensitivity and less volatility in this number going forward.

Moving over to page 14. Page 14, on the lower right-hand side, show how we grow the retail bank and how we managed to place a lot of those new loans on the life balance sheet. This gives us – this gives strong capital efficient investments in the life company. And the lending rate is beneficial for our banking clients and fuels the growth in lending in the bank. So this is a good way to use the strength of the synergies that we have within the group.

Then I would like you to turn to page 18. And on the lower left-hand side of the page 18, we have the buffer capital. And you will see the flip side of the falling interest rates is the fact that the excess value of bonds at amortized cost increased in value. So the falling interest rates weakened somehow or somewhat the solvency ratio and – but it also gives very good reserve strengthening in excess bond – value of bonds at amortized cost which again gives us a stronger buffer to pull from if rates continue to stay at these lower levels.

Furthermore, I would like to draw your attention to the unallocated results. We have created almost $1 billion in unallocated results. That will be used to continue to close the remaining gap of – in longevity reserve strengthening as well as strengthening of the capital – sorry, of the customer buffers at the end of the year when this is fully allocated down on the individual contracts.

And that concludes my brief walking through some of the main numbers.

Kjetil Ramberg Krøkje

Thank you, Lars and Odd Arild. The operator will now open up for Q&A.

Q&A

Operator

Thank you. The first questions come from Matti Ahokas from Danske Bank. Please go ahead. Your line is now open.

Q - Matti Ahokas {BIO 2037723 <GO>}

Yes. Good afternoon. It's Matti here from Danske Bank. Two questions please. Firstly, in the press conference earlier today, I think, Odd Arild, you were talking about the dividend and especially that the solvency margin had increased obviously because of the increasing interest rates in the second quarter already. Just for clarity's sake, could you repeat what you said regarding the potential dividend payout for 2016? I guess you mentioned something about that.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yes. We have talked with that (16:26). On that question, I just said that during the second quarter and the movements we have seen in the market, we should expect that our solvency ratio without transitional is back same level that we had at the end of last year. That's around 124 percentage points. And based on that, based on the strong numbers altogether, of course, I just alluded to what the board said in the first quarter, in fourth quarter, and of course, this gives a good view on the year and our expectation is, as the board said, to pay a dividend for 2016 and 2017.

Q - Matti Ahokas {BIO 2037723 <GO>}

Great. That's very clear. The second question is regarding the unit linked business. See, there was a very strong inflow on the retail side in Norway but also the margins were also very strong in Norway on the unit linked overall. Were there any one-offs or kind of unusual impact in the first quarter unit linked Norway figures?

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Let me try, Matti. On the fee margins, we usually book a fee for some paper-based handling in the first and third quarter. So we usually have a little bit higher margins in the first and third quarters. The inflows in unit linked is just the sale both to our – or cross-sells to our pension customers for the most part.

Q - Matti Ahokas {BIO 2037723 <GO>}

Okay. Great. Thanks a lot.

Operator

The next questions come from Peter Eliot from Kepler Cheuvreux. Please go ahead. Your line is now open.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Thank you very much. I had a couple of questions focusing on the paid up policy development actually. You've been guiding, I think, to sort of NOK 8 billion a year in terms of transfers into paid up, but the run rate was sort of ahead of that in Q1. And I think you said on slide five, looks like you're expecting north of NOK 7 billion across the rest of the year. I'm just wondering if whether your view on that has changed. And in particular, your view of sort of where the balance might sort of top out, starts to plateau because I think we're sort of approaching the level that you've guided to in the past.

And perhaps on that, just in terms of the transfers that you have made, could you perhaps comment – I'm guessing the capital requirement of those is substantially lower than the paid up policies that were already in force. I'm wondering if you could just comment on that. And also whether there was any sort of residual requirements? I'm guessing (19:30) in the line, but just whether we should expect any sort of a topping out of longevity reserves. I mean I know you've done everything that you sort of thought you need at the end of the year, but I wasn't clear whether if some policies transferred across were on an individual level based on these topping out whether there was anything that might not – still need to be done there.

Thank you.

A - Lars Aasulv Løddesøl

Yes. On the – thank you, Peter. This is Lars. On the development of paid up, in the first quarter last year, we had NOK 5.3 billion converting. The first quarter this year, we had NOK 3.9 million. So the trend is definitely going down. And the first quarter is always the bigger quarter in terms of what happens because some of these hard closes typically happens at year end.

So we expect the number to readily go down. We have previously guided on approximately NOK 8 billion for the year as a whole, and we maintained that guiding. However, there is a certain uncertainty around that number relating to some large corporate contracts which may close this year. They may close next year. They may soft close, and they may hard close. So there will be a couple of billions that could go in each like either above or below the NOK 8 billion that we have guided.

In terms of capital requirements, for new paid up policies, you are right in assuming that they are generally at a lower level. They would fully result for long life, and they will typically be at the lower average guarantee.

And last, for longevity, as we have said, we'll take in the bulk of longevity reserve strengthening. And while there may be some smaller contribution of individual paid up policies with investment choice, this will be not material either in this quarter or in the quarters ahead of us. So – and with the strong unallocated result that I mentioned previously, we will have more than sufficient return at – as of this stage to fully cover the remaining longevity reserve strengthening while excess return in customer portfolios.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Thanks very much.

Operator

The next question is coming from Paul De'Ath from RBS (sic) [RBC] (22:01). Please go ahead. Your line is now open.

Q - Paul De'Ath

Yeah. Hi, there. Just a couple of questions from me please. Firstly, on the unit linked reserves of the – up on Q1 last year but they're slightly down on the full year 2015. And so, over the quarter, I think there was a significant other move in Sweden which accounts for most of the change. Just wondering if you could talk a little bit about what was driving that.

And then secondly was just on the solvency ratio. Do you have any thoughts or anything you want to share with us on the potential impact of a change in the level of the UFR (22:51) going forward? That would be great. Thanks.

A - Operator

Yeah. (22:57) I'll start with the unit linked reserves. The development in the unit linked reserves are highly dependent of course on the equity markets as 50% of the Norwegian book is in equities and about 25% of the Swedish book is in equities. So the bulk of the exchange from year end to now has come from negative equity markets which in the movement panels (23:28) you alluded to, a lot of that is in other due to some translation differences and other factors. But it's basically negative equity return. Yeah.

And if you look at the solvency ratio, first of all, of course, there is a proposal now out there around year four (23:47). We are also expecting to give our views into that proposal. One element, of course, is that we will see Norway, we have an expectation of inflation of 2.5% compared to the 2% used in the European Central Bank. And then also, of course, is very much impact on the actual interest rate levels. So, with this proliferation of the interest rate levels we have seen over this quarter and also so far this quarter, we are following this close and we expect to be able to give you much more insight in the solvency situation, and also, this sensitivity when we come back to you on our Capital Markets Day in May 13.

Q - Paul De'Ath

Okay. Thanks.

Operator

And the next questions come from Jonny Urwin from UBS. Please go ahead. Your line is now open.

Q - Jonny Urwin {BIO 17445508 <GO>}

Hi, there. Good afternoon. Thanks for (24:51-24:57)

Hello?

Operator

I am so sorry, Jonny. Could you please repeat that again? Your line was muted for a while there.

Q - Jonny Urwin {BIO 17445508 <GO>}

Okay, sure. Hi, guys. Thanks for taking my questions.

A - Lars Aasulv Løddesøl

Hi.

Q - Jonny Urwin {BIO 17445508 <GO>}

I'd just like to go to slide six. Thanks for the disclosure around the Solvency II capital generation in the quarter. It's interesting that you disclosed it as results which I assume is earnings and other. And that's the three points of accretion in the quarter. So I'd be interested to hear what is the other and what is the split? Obviously, just trying to think about one annual number might be for your solvency capital generation. I know you're probably going to touch on that on May 13, but it would just be very interesting to hear your thoughts around that.

Also, the second question is around the derisking actions that you've done on the capital requirements. So – I mean does that have any impact on the future profits or the future capital generation sort of capacity of the group? So I imagine if you're derisking now, then you're taking away some profits. I imagine it's not for free, but any comments around that would be much appreciated. Thanks.

A - Lars Aasulv Løddesøl

Thanks, Jonny. We could split it into somewhat more detail for you. Partly, there is a model improvement and I'll explain exactly what that is. When you have asset-backed securities, you can either model them just as an asset-backed security or you can actually model also the assets that actually backs the security, i.e., the security they have behind. That is a model improvement which improves the solvency ratio according to the rules set by the EIOPA and included in the solvency regulations.

There is certain elements of improved pricing involving these elements. And there is the – on the derisked and changed asset allocation, there is the fact that we continue to match liabilities and assets in sub portfolios to make them more manageable from a solvency perspective. And we also invest in new asset classes like asset-backed securities like the retail lending that I mentioned on the call earlier today. That improves the capital efficiency of the investments.

And last but the least, on the results and others, obviously, the additional returns that we have achieved during the quarter as well as the hard capital that we've been to (27:42). So we are not losing any significant part of future profit as a consequence of this. This is more and more tailored way to manage solvency both on the modeling and in the actual asset liability matching.

Q - Jonny Urwin {BIO 17445508 <GO>}

Okay. So that's a lot of the derisking actions then. But on – and I suppose the other in the results line. But what's the split between the earnings and those other actions because it sounds like a lot of that is one-off in nature but perhaps in terms of the initial benefit now, but just in terms of the ongoing flow of capital, what do you think comes from earnings?

A - Odd Arild Grefstad {BIO 5483351 <GO>}

I think what you see of course is that you have the real equity generation you have had in this quarter. And we also heard Lars say that it was around NOK 1 billion in allocated result. And a large part of that will be used to cover up for the small remaining part of the longevity restoration. And that in a solvency view is taken into account as a possible use of equity and by creating these kind of values that is helpful for market value creation actually. So all of these elements together is adding up to this 3%. Then – and it is higher than you should expect, of course, in a quarter-by-quarter result generation. And we are planning to give more insight again in the Capital Markets Day of expected value creation and solvency creation on an annual basis as such.

Q - Jonny Urwin {BIO 17445508 <GO>}

Okay. I mean I guess I was assuming sort of 5 points to 8 points of solvency capital generation. So I'm just wondering if that's too low (29:46).

A - Odd Arild Grefstad {BIO 5483351 <GO>}

I don't think. We're not going to give a number of solvency capital generation today, Jonny, but...

Q - Jonny Urwin {BIO 17445508 <GO>}

Okay.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

...I appreciate the question.

Q - Jonny Urwin {BIO 17445508 <GO>}

In May. I'll look forward to it. Thanks very much.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Thank you.

Operator

And the next question comes from Blair Stewart from Bank of America. Please go ahead. Your line is now open.

Q - Blair Stewart {BIO 4191309 <GO>}

Thank you very much. I've got a couple of questions left but one of them was asking about capital generation, so I'm not sure I'll bother asking it now. But I think it would be useful at the Capital Markets Day to see all the moving parts because clearly you've got your earnings coming through. You've got the unwinding of the transitionals every year which is going to be something like NOK 900 million a year which is a big number and you've got the increase in the paid up book which has a capital charge attached to it as well. So I would be very interested to see how that breaks down and certainly the 3 points that you've shown us is a high number relative to certainly what I have with regards to ongoing capital generation. But I'll leave that now. I don't expect you to comment further.

The other question I had was referring to the loss absorbing tax number which is NOK 4.6 billion. I just wonder if you can give a bit more color behind how that's derived and what period of recoverability you'd be assuming, et cetera, if there's any detail you can give there. Maybe that's another question for the 13th but I'd be interested to know.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

If I might try to answer that, Blair, I think you can have more details on that on the Capital Markets Day. But just to give you some color, (31:38) for our European life insurance. The average tax absorbing capacity for European groups was 19% on the solvency ratios.

What we have done is to see how the balance sheet will look after a number of stresses. And we have seen to what extent it's probable, that future taxable profits will be available against those losses. We have documented that quite thoroughly. On that behalf, we think we can in December taking other fields (32:25) tax loss absorbing capacity into the calculations.

Q - Blair Stewart {BIO 4191309 <GO>}

So sorry, did you say it was 19 points for the other companies that you studied?

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yeah. That was in the increased five (32:40) study published by (32:41) back in 2011, I guess.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay. Okay. And I think yours is about 16 points, isn't it?

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yeah. Something like that.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay. Maybe I can come back to one of the points that was made earlier with regards to the risk result. I think you said it was going to go to zero over time. I just wonder if you can help us figure out where in the segmented breakdown of profits that might appear and how long will it take for that number to go to zero? Thank you.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yeah. On the risk result line, the Norwegian risk results from the life and pension which is now in the guaranteed segment, that is expected to be very low going forward partly because the new disability legislation which moves a lot of this over to the insurance segment and partly because the remaining risk result will be used to build buffers which are much more efficient under Solvency II.

The risk results that then remain are the risk results from SPP and our subsidiary called BenCo which is in the other segment. So those risk results will remain but we will perhaps not report them on a separate line in the table.

Q - Blair Stewart {BIO 4191309 <GO>}

Understood.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

And in the Norwegian part of the business, it's not that the result disappears. It just shifts over to the insurance segment instead of having been on this risk result line.

Q - Blair Stewart {BIO 4191309 <GO>}

I see. I see. That's clear. Thank you very much.

Operator

And we do have another question from Peter Eliot from Kepler Cheuvreux. Please go ahead. Your line is now open.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Thank you. We're talking small numbers here a little bit. But I just want to perhaps clarify on the Solvency II ratio with transitional rules, the 7 percentage points of solvency generation across the quarter basically translated to full year into the increase in 168% to 175%. So net of financial markets and the transitional rules fully offset those. I guess that was a little bit of surprise given that part of the impact would have been from equity markets where the transitionals don't fully offset. And I guess there's a small amount of amortizing of the transitional rules.

So I was just wondering if you could comment perhaps on whether that's really been sort of completely steady or whether the numbers I'm talking about are just sort of too small to notice. And secondly on the derisking, I was just wondering if you could comment how much further – how much more scope do you see to take further actions there? Thank you.

A - Lars Aasulv Løddesøl

When it comes to the transitional, Peter, that goes – the transitional is mainly made up from the difference between the Solvency I values of the liabilities for our paid up policies and the Solvency II values. Our falling interest rates have quite sharply increased the Solvency II liabilities for the paid up policies which is still (36:24) the main reason why this has been increased during the quarter. Then it's very difficult to exactly pinpoint those – all the different moving parts. But what do you actually see this quarter is that the transitional measures more than compensate for the total effects.

A - Odd Arild Grefstad {BIO 5483351 <GO>}

I think you also have of course falling equity market, but there has also been a lower charge on equities based on the rules from EIOPA. Yeah. On the derisking, Peter, I guess we could always derisk more and get a higher solvency ratio today. But that is an ongoing risk reward assessment made by the investment team and the Solvency II team.

A - Lars Aasulv Løddesøl

What you see we have done this quarter is to still add on into the health maturity bond portfolio and we are able to buy bonds at high quality. That covers up very much for the period now for 2020 to 2030 and are still well above the guaranteed level this year (37:45). That of course is derisking the portfolios. It reduces the opportunities for profit sharing in the years to come. But it of course quite epic, they also (37:56) reduces the downside risk in the paid up policy portfolio. And you should expect us to look for these opportunities also going forward.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Okay. Thanks a lot.

Operator

And we did one straight away from Blair Stewart from Bank of America. Please go ahead. Your line is now open.

Q - Blair Stewart {BIO 4191309 <GO>}

Thank you. I'm just wondering what assets are you bringing on to the books with a – was it 14-, 15-year duration and a 3.2% yield?

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Blair, that is typically a single A rated bond. One example would be an international insurance company, there are also some international agencies that issue debt that we have bought in the quarter. So that is typically the kind of bonds we have been looking at this quarter.

A - Lars Aasulv Løddesøl

I don't remember that we (39:11) swap it back into Norwegian, so we have the Norwegian interest in the bottom.

Q - Blair Stewart {BIO 4191309 <GO>}

Yeah. So you're swapping that back into Norwegian?

A - Odd Arild Grefstad {BIO 5483351 <GO>}

Yeah.

Q - Blair Stewart {BIO 4191309 <GO>}

And does the 3.2% include the cost of the swaps?

A - Lars Aasulv Løddesøl

Yes.

Q - Blair Stewart {BIO 4191309 <GO>}

Very good. Thank you.

Operator

And there is no questions coming through. So I will hand the call back. Thank you.

A - Kjetil Ramberg Krøkje

Thanks. We would just like to remind you that we will be present in London tomorrow and hold presentations at the Four Seasons Offices at 14:00 UK time. I hope to see several of you there. And lastly, we are holding a Capital Markets Day on May 13 also in London. Please go to the IR website to register if you wish to attend.

So, with that, I'd say thank you to all of you for joining the call and have a nice afternoon.

Operator

Thank you for joining today's conference. You may now replace your handsets to end the call. Thank you.