Q1 2013 Earnings Call

Company Participants

- Lars Aa Loddesol, Group CFO
- Odd Arild Grefstad, CEO
- Trond Finn Eriksen, Head of IR

Other Participants

- Blair Stewart, Analyst
- David Andrich, Analyst
- Gianandrea Roberti, Analyst
- Matti Ahokas, Analyst
- Peter Eliot, Analyst

Presentation

Trond Finn Eriksen {BIO 17132188 <GO>}

Good afternoon. Welcome to Storebrand's First Quarter 2013 conference call. My name is Trond Eriksen, I'm Head of Investor Relations at Storebrand. Together with me I have Group CEO, Odd Arild Grefstad; Group CFO, Lars Loddesol; and Finance Director Sigbjorn Birkeland. As we have notified, the slide presentation will be running on the webcast available on storebrand.no/ir.

In the presentation today, Odd Arild will first give an overall view of the development in Q1. Lars will take us through the numbers, before Odd Arild will wrap it up. After the presentation, the operator will open up for questions.

To be able to ask questions, you will need to dial in to the conference call. I will leave the word to Storebrand CEO, Odd Arild Grefstad. We shall start the slides presentation on slide number 2.

Odd Arild Grefstad {BIO 5483351 <GO>}

Hi. Good afternoon, everyone. I'd like to start by looking at the highlights from the quarter on slide number 2.

For the past six months, we have talked a great deal about our measures to meet the new regulatory changes, a low interest rate environment and a pension market in transition. We have focused our measures around cost programs, increased price increases and conversion from guaranteed to non-guaranteed products.

In this quarter, we see a concrete proof that the measures have delivered effects, both on the result and on the balance sheet. Income has increased. We have delivered a nominal cost reduction from last quarter. And increased premiums on non-guaranteed products by 17% compared to First Quarter 2012.

If you look closer on the result, we see a Group result of NOK552 million. The income is strengthened by increased administration income, price increases on interest rate guarantee and growth within DC and unit linked products. And the cost program proceeds are on schedule.

Within operations, we have completed several actions in the quarter. Among others, we have sold the NOK1.2 billion guaranteed municipality portfolio in Sweden. In this quarter, we also have the new mortality tables from the Financial Supervisory Authority in Norway, in March.

We have estimated a total reservation requirement of NOK11.5 billion, of which NOK4.3 billion already was reserved in 2011 and 2012. The reservation has to be completed within six years, including this present year.

Looking at the balance sheet, we see a strong growth in assets under management; NOK12 billion in the quarter. And that is despite a NOK6 billion transfer from public sector DB, as announced earlier.

A strong growth in the balance sheet, but an even stronger growth in the solvency ratio, which has grown from 162% to 165% in the quarter.

There is also increase in the buffer capital of NOK1.5 billion in the quarter, of which NOK0.7 billion is available for longevity reservation, leaving us up to a sum of NOK5 billion in reservation for longevity at the end of the quarter.

If we then move to slide number 3, looking at the results from the different business segments, we see that the underlying results are strengthened. In the First Quarter in 2012, there was a strong financial market, which results in a very positive result for SPP. The SPP result in the First Quarter of 2013 is also influenced by a strong financial result, but not at the same degree as we saw last year.

In this quarter, we see improved administration results in Norway and in Swedish Life business, combined with increase of fee for interest rate guarantees, which is the main driver for the positive improvement in the business.

It seems like this element is the explanation why the result is approximately 10%, or NOK50 million higher than the conservative analysts' estimates. With that said, I will now give the word to CFO, Lars Loddesol, who will give a bit more insight into the numbers.

Lars Aa Loddesol {BIO 3969188 <GO>}

Thank you, Odd Arild. We show solid results from the Storebrand Life Insurance Group, with revenue growth from increased administration reserves and reserve growth, as well as a stabilization of the cost level and, indeed, the cost reduction over the last couple of quarters. This improves the administration result to NOK55 million, as compared to NOK20 million last year.

The risk result is weakened in the quarter by the disability insurance related to defined contribution coverage. What is happening here is that people become disabled pretty much as expected.

However, we have an estimate and an expectation as to how many people that have left the working life comes back into working life after a period of time, called reactivation; and that assumption has been changed, and we have strengthened reserves accordingly in the order of -- in the magnitude of about NOK40 million. The financial result is fairly strong as a result of good financial result in the Company portfolio.

And I'd like to emphasize the profit from risk and interest rate guarantee at NOK178 million is a significant improvement from last year and shows that the price increases that we did last year, both in the public sector and the private sector are guaranteed portfolios, have come through and improved profitability of this business.

Through sufficient returns in the different portfolios we have managed to build buffers, of which about NOK0.7 billion, or NOK700 million, is going to be available for longevity reserves at the end of the year. This comes in addition to the NOK4.3 billion we have already.

Moving over to SPP, the administration result is stable compared to the First Quarter last year, but is a significant improvement over the third and Fourth Quarter, as a result of income measures and cost program.

Risk result is more at the normalized level after a number of good years in the past. And the financial result is deemed to be strong, although weaker than the First Quarter last year, as Odd Arild already alluded to.

It seems like the financial result is also somewhat stronger than expected by analysts in their previews, and the explanation for that is, first and foremost, credit contraction where it's difficult to assess from the outside the exact nature of our portfolio.

And we have had a good development in terms of both duration and picking of papers, which has given a result which is somewhat better than you could have seen from the outside during the quarter. However, this will fluctuate during the year, so some of it may be reversed at a later stage.

Worth to notice also is that the indexation fee has been brought to the income statement by NOK20 million (sic; see slide five "NOK29 million").

As you are familiar with, this is a binary situation that where if we have sufficient consolidation in the end of the Third Quarter we can index the portfolios and take out an indexation fee. And if the consolidation is insufficient we cannot do it. So far the consolidation is more than sufficient to take out the indexation fee and we have, therefore, taken out the quarter of the total full-year indexation fee.

Solvency ratio, at 250%, we deem to be strong, has been strengthened during the quarter by the results in the quarter, as well as a somewhat higher interest rate level in Sweden.

Moving over to Asset Management, the cost program is on plan, the cost, while equal to what it was in the First Quarter 2012, is significantly below the last quarters in 2012. And the operating revenue is strengthened both by strong sales and by transaction charges or income.

The sales have been good, especially in Sweden, where SPP funds have sold funds to other third-party channels and to customers in Sweden, and we've had a good development there.

The net performance fees are negative in the quarter, that's due to periodic effects from last year. However, there has been a good return in excess of benchmarks, which lays the foundation for taking out performance fees that we usually do in the -- or that we do in the Fourth Quarter.

There has also been a good volume growth with assets under management increasing by NOK12 million -- NOK12 billion to NOK454 billion. And you will remember that we've moved NOK6 billion in public sector funds out in Norway during the quarter. So despite that, we still have NOK12 billion in increase on assets under management. However, it should be said that NOK8 billion of the NOK12 billion is related to a translation effect by -- since the Swedish kroner has strengthened during the quarter.

Moving over to the Bank on page number 7, we see an improved net interest margin to 1.28%. We see a reduced cost level. We have one effect that is slightly change, which is the mark-to-market effect from fixed interest rate loans, which gives a negative effect in the quarter of NOK12 million.

When we issue mortgages with a fixed rate we hedge them with a swap. Since the swap is, from an accounting point of view, valued at real value, we also have to value the loans at real value to get the accounting hedging effect.

When we have increased our spreads, our profitability on these loans by increasing the fixed rate, indirectly we have lowered the value of the existing loans on the balance sheet. And the NOK12 million is a net present value of the lesser value of existing loans. In effect, that means that we will be able to book these NOK12 million back again, in terms of a higher margin in the quarters and years ahead.

Other operating income has also weakened by a reduced activity within corporate loans and corporate lending, which is according to plan and according to the strategy of reducing this area.

Moving over to Insurance, we have a 9% premium growth within the Insurance unit. We have a stable cost level at 19%. And despite the fact that the First Quarter is usually a weak one in Norway, it's pretty cold and slippery here, we have had a pretty strong seasonal claims ratio of 68%.

Moving over to page number 9, Storebrand Group operational reporting. I'm not going to take you through all of these numbers, but I want to give you a heads up that this is the reporting format that we will use from the Second Quarter onwards, and we presented this briefly during our Investor and Analyst Update in March.

You see that we split in columns the non-guaranteed savings, the insurance and risk business, and the guaranteed savings. This way you can see what kind of nature income and cost relate to, and how we manage the business in order to create values going forward.

If you look at -- on the right-hand side, fee and administration income, up from NOK978 million to NOK1,050 million, that's an increase of 7.4%.

And if you look a little bit further down here at the operational cost level from NOK841 million to NOK844 million, it basically delivers on the promise that we've given you in the past; that the fee and administration income is going to grow by 2 times to 3 times GDP, and we will manage the operational cost line where nominal costs will stay flat.

And we will revert with more details on this reporting format in one-to-one meetings before the Second Quarter. And this will be, as I said, the way we report in the Second Quarter.

Finally, the key figures on page number 10. You will see that the result development continues with a result before profit sharing and loan losses being the main value contributor, and slowly growing.

Earnings per share, at NOK1.3 in the quarter; here we have a 19% tax charge. However, the taxes will not be paid -- payable, as we still have a large tax-loss carry forwards.

Solvency ratio and solvency capital have been built in the quarter, as well as customer buffers, both in Norway and Sweden. And with that I give the word back to Odd Arild Grefstad.

Odd Arild Grefstad {BIO 5483351 <GO>}

Thank you, Lars. And I'd just like to sum up the quarter from our perspective.

First of all, we have been able build buffers in the quarter, NOK1.5 billion. And the result and the buffers, all together, have led to a situation where we're able to increase the reservation for longevity with NOK700 million in the quarter.

Second, there is a good revenue growth in the quarter, both through increased administration income, increased prices for interest rate guarantee, and a strong premium growth within non-guaranteed products.

Third, the measures in the cost program are starting to show also in the IFRS accounts, with a nominal cost reduction from the Fourth Quarter, 2012.

And finally, management actions to shift the balance sheet from guaranteed to non-guaranteed products have yield substantial results over the last six months. We have been able to move NOK6 billion of reserves from Norwegian public sector DB. We have converted NOK2.6 billion by contracting individual customers in -- contacting individual customers in Norway and Sweden.

And finally, we have sold our NOK1.2 billion public sector DB portfolio in Sweden. And all together that means that we have shifted the balance sheet with NOK10 billion out our guaranteed business over the last six months. Thank you.

Trond Finn Eriksen {BIO 17132188 <GO>}

Thank you. Then, the Operator; we open up for questions.

Questions And Answers

Operator

(Operator Instructions)

Q - Peter Eliot {BIO 7556214 <GO>}

Peter Eliot, Berenberg Bank. I had three questions, mostly around flows, actually. The first one was on -- I note your comment that you haven't sold any new guaranteed products, but I know there was a very large APE number of NOK358 million into guaranteed products. And I wasn't fully -- I didn't fully understand exactly what had caused that, so I was wondering if you could touch on that?

Secondly, in terms of the net transfers that you're achieving out of individual portfolios, again you've made good progress. But just looking at the last three months or so, maybe the rate to transfer has slowed a little bit, and I'm just wondering if you could comment on whether you've achieved low-hanging fruit, or how much more there is to go there?

Then thirdly, on the Insurance business, again very good growth in premiums looking year on year; if you look at Q1 on Q4 last year, though, it's down slightly. And I was just wondering if there was any reason for that, and what your outlook for that business is, still going forward. Thank you very much.

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

Okay, if I start with the first two; you can maybe take the Insurance afterwards.

First of all, when it comes to guaranteed business, there is an inflow of some guaranteed business in the First Quarters, sold in the Fourth Quarter. It's important to say that we have been able to price up when we do this, but there is some elements when we do combine DC/DB transfer to Storebrand. We also have taken on some new guaranteed products. That is with our other type of pricing, compared to what we have used to see.

And I'll also add that after we have seen the new tables for longevity, with also the equity portion that needs to be supported into that increase in buffers, we have restricted it even further. So you will not see very much inflow of this kind of guarantees, going forward.

When you come to the net transfer, it's, I would say, that the situation in Norway and Sweden are a bit different. In Norway, we have been taking, as you said, some of the low-hanging fruits in the new portfolio. And there will be a lower increase in that number for the months to come, before, I would say, we are fully open for converting paid-up policies into paid-up policy during the investment choice.

That is the large market, and a large opportunity. Going forward, that is important for both our customers and, of course, for us to transfer. There the law is past, but there is still waiting for the final go from the Minister of Finance before we are open to do that transfer.

In Sweden there is another situation. There, most of the portfolios already are open for through transfer, and we expect to see strong transfer numbers in Sweden, also going forward. Insurance?

A - Lars Aa Loddesol {BIO 3969188 <GO>}

Yes, you are right that there has been a slight lowering of premiums earned in the First Quarter on insurance, but the trend is quite clear, and continues strong -- continued growth. And we expect a continued growth throughout this year. We see that there will be, obviously, not a totally straight line, but it should -- the trend should be clear.

Q - Peter Eliot {BIO 7556214 <GO>}

Great, thank you very much.

Q - Matti Ahokas {BIO 2037723 <GO>}

Matti Ahokas, Handelsbanken. Three questions from my side as well, please.

Firstly, on the tax rate you've previously guided on 20% to 25% tax rate, and now Q1 was 20%. Is this the kind of expected run rate we should forecast, going forward? Or was there something special, and it still should be somewhat higher than 20%?

The second question is regarding the movement on the DB and paid-up policies during the quarter. How much of the NOK4.2 billion decrease in the DB was from the public sector side, and why were the paid-up policies up by almost NOK3.2 billion on that side?

And the last question is regarding the admin result in Norway; was the highest ever. Obviously, talk about some of the initiatives, but is this a kind of run rate, or was this just an exceptionally high in the First Quarter, at NOK55 million? Thanks.

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

If I start on the tax rate, we have guided previously on 20% to 25%. As you are aware, the tax rate in Sweden was lowered last year, and that should mean that we should end up in the lower end of that range rather than in the upper part of that range.

At the same time, we will continue to do our utmost to optimize the tax situation, and if we can continue to stay below 20% we will. But I don't think we should change the guiding, as such.

A - Lars Aa Loddesol {BIO 3969188 <GO>}

When it comes to the movement on defined benefit, yes, you're right that what you see there as in -- I guess you got the numbers from a table on page 16 in the supplementary information, Matti?

Q - Matti Ahokas {BIO 2037723 <GO>}

Exactly.

A - Lars Aa Loddesol {BIO 3969188 <GO>}

And what you see there are paid-up on the line called, Other, is movements from the DB skips into paid-up. And also what you see on the Other, on the DB, is both the -- or is mainly the transfer out of the public sector. And you will also see there on some, or what you call insurance claims, is the movement from the DB to the paid-up, but it's difficult to see the exact one-to-one relationship, if you like.

Q - Matti Ahokas {BIO 2037723 <GO>}

Okay. Then the admin result in Norway.

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

The admin result in Norway, what we have said is that we will continue to grow the top line, and we have a cost program in order to reduce the cost level.

And you will see the full effect of the cost program during 2014. And you will see successively, quarter by quarter, effects in the rest of the business, but with a full effect 2014. So while the number is going to, again, not be a straight line, (will frustrate) somewhat, I expect this number to grow rather than decrease, as we look forward.

Q - Matti Ahokas {BIO 2037723 <GO>}

Great. Thanks.

Q - David Andrich {BIO 15414075 <GO>}

David Andrich, Morgan Stanley. I was just wondering, Odd Arild said some -- you were giving some guidance for the -- sorry, in Norway, some guidance on the price of interest rate guarantee and profit risk, on that line going -- coming down, going forward, from the NOK178 million number.

And I was just wondering if you'd give a bit of color on what's going to be the driver there? I guess it's mainly going to be the fact that you're having these public plans leaving, and people reacting to the price increases that have been coming through. And I was just wondering if we'd see further increases cycle through and offset that volume somewhat? Or whether it'd be purely the volume driving that down?

In Asset Management, I was wondering if the trend that we've been seeing the past several quarters, towards the lower margin products, if that starts to reverse at all? Or whether that's been continuing?

Then finally, in terms of the Bank; the other lending that -- the corporate lending that's in the other operating income, which comes out as negative NOK16 million, I was just wondering, is that something -- is that a trend that we can see continuing as you guys shift away from the corporate lending? Thank you.

A - Lars Aa Loddesol {BIO 3969188 <GO>}

When it comes to the -- if I will start with the price of the interest rate guarantees, on the NOK178 million this quarter, it's higher than what we expect next quarter and the following quarters.

One of the reason for that is that we, in the First Quarter, have had larger reserves than what we expect, going forward, as some of these funds will have moved out during the following quarters; amongst others the NOK6 billion in the municipality sector.

It's difficult to be very precise, but we expect this element of (inaudible) to be between NOK80 million and NOK100 million compared to last year, which means you should see this figure coming down maybe NOK10 million/NOK15 million over the next two/three quarters.

Q - David Andrich {BIO 15414075 <GO>}

Thank you.

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

And in terms of the pricing, obviously, we will look at -- we price this element during the late summer and the price is implemented at yearend.

So you should see us continue to optimize prices, depending on market conditions, interest rate level and other issues during the fall, and with an implementation as of yearend and then that will set a new level for next year. And our ambition is, obviously, to continue to make to make some money on this element.

Q - David Andrich {BIO 15414075 <GO>}

Great. Thank you.

A - Lars Aa Loddesol {BIO 3969188 <GO>}

When it comes to the other result in the Bank, of minus NOK16 million in this quarter, several of those was the mark-to-market effect from fixed interest rate loans. There was also a small element there from some other mark-to-market effects.

But generally, you are right, David, as we are building down the corporate book in the Bank some of the revenues attached to swaps and issuing new loans will go away. And hence, we expect lower other operating income in the Bank going forward than what you have seen in the previous quarters.

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

But not minus NOK16 million going forward, more in the range of zero.

Q - David Andrich {BIO 15414075 <GO>}

Right, yes, that makes sense.

A - Lars Aa Loddesol {BIO 3969188 <GO>}

You had one more question on Asset Management?

Q - David Andrich {BIO 15414075 <GO>}

Yes, on Asset Management, the trend towards lower margin products that we've seen in the past several quarters, I was just wondering if that's started to settle or reverse itself at all, given the recent market experience?

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

No. We continue to see that people are switching out of equity mandate into fixed income mandate and de-risking their portfolios. However, on the other side of the coin, so to say, we see volume growth and we see effects from the cost program. So we are adapting the business to those changes and we, therefore, expect to be making a lot of money in the Asset Management business this year than we did last year.

Q - David Andrich {BIO 15414075 <GO>}

Great, thank you very much.

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

We also see a very strong growth when it comes to fund structures and sales of mutual funds, especially in the Swedish market; it's been a very good market for that so far this quarter.

Q - David Andrich {BIO 15414075 <GO>}

Great, thank you very much.

Q - Blair Stewart {BIO 4191309 <GO>}

Blair Stewart, BofA Merrill Lynch. I've got three questions. Firstly, on the longevity provisioning, I think you said that you had NOK700 million potential to add to the NOK4.3 billion that was already done, so that you were up at NOK5 billion.

I just wondered how you think about that NOK700 million. Where is that coming from, because when I look at your buffers, there's significantly more than that? So if you'd just explain how you get to the NOK700 million?

And as well as that, if the -- if markets continue to be healthy and you're able to build these buffers up more quickly, is there any impact on the 20% that we expect the shareholder cost to be charged, or should we just think of that cost to shareholders as a hard number that won't change? That's the first question.

And the second one is on the disability reserve strengthening, a small number I think, NOK40 million. I just wondered how confident are you that that's done and there won't be any more additions required?

And thirdly, you talked about the opportunity for paid-up transfers as we go through the year and as the rules get clarified. I just wondered if there was any more thinking on what the situation needs to be for those paid-up contracts, in terms of the longevity provisioning. Do the longevity provisions need to be fully up to speed before any transfer can exist, or can be transacted rather? Thank you.

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

I start with the longevity provisions. You are absolutely right; we have higher building of buffers in this quarter compared to this NOK0.7 billion number. The way we are thinking about it is that there is a surplus in the book return that gives approximately NOK100 million in the reservation in the first place.

Then we have an increase in market value adjustment reserve (NOK1.7 billion), but that is for the whole portfolio. So we estimate that around NOK500 million of that is available for using for the DB portfolio and the paid-up policy portfolio.

And on top of that there is the unallocated result, around couple of hundred million; that also -- a part of that will be used for longevity reservations. So a combination of these three elements will then give you approximately NOK0.7 billion in total.

And Blair, you're familiar with the fact that these happen at yearend, so we only make some indications and we don't book all the return on a quarterly basis; that is done towards the end of the year so that you can do the yearend allocations in the optimum way.

Q - Blair Stewart {BIO 4191309 <GO>}

But how should we think -- that's the NOK700 million that was increased to the market value adjustment reserve, but how should we think about the NOK1 billion that was there before we started this year?

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

Well of course, all of these buffers, as we also said when we was in the Analyst Update Day, these buffers will be available. So if we do realize these buffers over the P&L, then that will increase the book return and will be available to use for buffer building. But this was more to give an insight of the creation of values during this quarter that will and can be available for building longevity reservation.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay. And the guidance on the shareholder cost, still the same?

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

Well on the shareholder cost, what is important is, of course, what kind of portion of the reservation that will be taken from the paid-up policy portfolio versus the DB portfolio. If we are able to create a surplus return area in the paid-up policy portfolio, then it will be very much a profit sharing that is not booked. That will be a large part of this 20%.

But if we have used really the surplus in the DB portfolio, then it will be more tangible to (show) as a reduction in the price for interest rate guarantee in the quarter by quarter this is done. So I would say this fluctuation, or elements between DB and the paid-up policies, will be important to see how the final outcome compared to estimates and expected return will be, is important.

Q - Blair Stewart {BIO 4191309 <GO>}

Sorry to come back on that again, you said, I think, earlier that you would expect roughly half of the shareholder cost to be met by the paid-up book, so lack of profit sharing, and half would be attributed to the DB through lower fee income. Are you still guiding towards that 50/50 split?

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

I think that is a fair estimate. But we are seeing that DB portfolio is higher than the -- the paid-up policy portfolio is higher than the DB portfolio, especially with the move out of the public sector. So in that respect, as we are creating the surplus return in the paid-up policy, there might be somewhat higher contribution from the paid-up policies. But I would say the estimate of 50/50 is a good estimate to start with.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay, yes.

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

And we won't know more before we get the final regulations on this. And there are still a number of things that are uncertain there that could improve the outcome somewhat.

On disability, we are certain that the current statistics that we have have been reflected in the numbers that we've now set aside. However, every quarter we do a new assessment of what we experience in terms of death, disability and long life. And every quarter, we update the reserves to reflect our best view of the world.

So I cannot say exactly what we are -- if that's going to change in the future, but the NOK40 million is a one-off set aside for disability in the defined contribution portfolios in Norway. And that has been fully set aside now, so there are -- we don't expect to take anything in addition on that -- for that reserve element in the next quarter.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay; and on the paid up transfers?

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

Yes, on the paid-up transfers it's still we have to wait to see what the regulator gives in regulations around transfers.

Of course, we are building buffers and are in the process where we, of course, are willing to use of some of this buffer building and increased results as a part of that surplus that we fill up the paid-up policies in a transfer, and to make a transfer even more value creative for our customers.

But our ability to do that and how this regulation for transfers and the transfer values that will be financed is dependent on the final rulings from the regulator, and that is --

Q - Blair Stewart {BIO 4191309 <GO>}

Understood.

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

Yes.

Q - Blair Stewart {BIO 4191309 <GO>}

Yes. Thank you very much.

Q - Gianandrea Roberti {BIO 6786731 <GO>}

Gianandrea Roberti, Carnegie. I have actually two very simple questions, one is referred to the DC book in Norway. The risk result was minus NOK47 million, but you actually spoke about it in your presentation; about the need for a reserve strengthening. I'm just trying to figure out what we should expect on them numbers going forward?

The second question is just still in Norway; it refers to the DB book. You are letting go around NOK6 billion of business this year, mostly municipalities. I have understood that there is another NOK14 billion to go in '14. I just want to double check that information. Thanks.

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

On the DC, we expect -- the minus NOK47 million in the quarter, we expect that to be a slightly positive number for the rest of the year.

However as we've said, in Norway here, we see that over the last couple of years we've seen a profitability which has been too weak within this product. And we are implementing price measures in order to improve profitability from this particular element, so you won't see that in the next -- first couple of quarters, but you should see that coming through in the pricing that we do for the future and, therefore, in the quarters ahead.

I should also mention that the way disability -- the public disability insurance is written in Norway is going to change with effect from January 1, 2014. So these products will be changed so that the occupational additional disability reserves will reflect and fill up the needs over and above what you get from the public -- or the social security scheme, and that is going to change from 2015 as I said. So there will be changes in this product a year and a half from now.

When it comes to the DB book and the public sector, you are absolutely right; there is a NOK6 billion transfer out of the balance sheet First Quarter this year. And there will be another expected NOK14 billion over the next couple of years. I don't know, Trond Finn, if we are giving a guidance on how much on 2013 and how much on 2014.

A - Trond Finn Eriksen {BIO 17132188 <GO>}

We expect a larger portion to be on tendering this Autumn. So of the remaining NOK14 billion it's fair to say that we expect the most -- the major part of that to move out during first half 2014.

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

And I think we have just said in the call today, or in the presentation today that just 25% of the portfolio is expected to be still on the balance sheet in 2014.

Q - Gianandrea Roberti {BIO 6786731 <GO>}

Thanks a lot, I appreciate that.

Operator

(Operator Instructions) At this time no further questions.

A - Trond Finn Eriksen {BIO 17132188 <GO>}

Thank you, then I'd like to thank you for joining the call. I'd also like to remind you of the Analysts Meeting in London tomorrow; please note that the location for this event is at the Berenberg Bank and not the usual Insurance Hall. So I hope to see some of you there. And have a good afternoon. Goodbye.

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

Goodbye.