Q1 2019 Earnings Call

Company Participants

- Kjetil Ramberg Krokje, Head of Finance Strategy
- Lars Aasulv Loddesol, Group Chief Financial Officer
- Odd Arild Grefstad, Chief Executive Officer

Other Participants

- Ashik Musaddi, Analyst
- Blair Thomson Stewart, Analyst
- Jan Erik Gjerland, Analyst
- Matti Ahokas, Analyst
- Peter Eliot, Analyst

Presentation

Kjetil Ramberg Krokje {BIO 20060140 <GO>}

Good afternoon, ladies and gentlemen. welcome to Storebrand's First Quarter 2019 Conference Call. My name is Kjetil Krokje, and I am Head of Finance Strategy at Storebrand. Together with me, I have group CEO, Odd Arild Grefstad; and CFO, Lars Loddesol. In the presentation today, Odd Arild will give you an update on the developments in the first quarter, Lars will give an overall view of the natural development and speaking to some of the more technical elements. The slides will be similar to the analyst presentation released this morning and are available on our web page. 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 now give the word to Storebrand's CEO, Odd Arild Grefstad, who will start the presentation on Slide 2.

Odd Arild Grefstad {BIO 5483351 <GO>}

Thank you, Kjetil. Storebrand presented group results of NOK733 million today and operating profit of NOK531 million. On top of this, we have earned, but not booked performance fees in our asset management funds of NOK66 million. The amortized costs related to performance, however, amounts to NOK18 million and are included in our operating results. The all-time markets in the last quarter of 2018 resulted in lower interest level for our assets under management. Consequently adding pressure to our fee income in first quarter 2019.

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Good returns through the first quarter has contributed to uplift the AUM -- the assets under management levels, and fee income is subsequently expected to grow going forward. Good market conditions in the quarter has provided a solid financial results. In addition, the buffer capital saw growth of more than NOK2 billion in the quarter, resulting in a continued strong solvency position of 173%. Volumes in Unit Linked increased by 11% compared to the corresponding period last year. And it is especially worth noting the strong premium income growth of 23% in our Swedish arm SPP.

Moving to Slide number 3, we have a two-fold strategy in Storebrand. We actively manage the guaranteed products ini long-term run-offs and have strengthened our solvency to 173%, approaching the level of three years capital release and extraordinary dividends set to 180%. We are well positioned for capital light growth within savings through our leading position in occupational pension in Norway and Sweden as well as the retail [ph] savings market in Norway and our asset management business.

Moving to Slide number 4, speaking about asset management. During the quarter, we have taken important steps in the international venture, our asset management business. We have introduced five funds in NASDAQ in Denmark. These are index funds with sustainability profiles, and we see potential for these to take market share in the Danish market characterized by actively managed funds with high margins. As part of our international venue, we have also launched a new international website for Storebrand funds and are about to list three funds in the Luxembourg for the European markets. I should also mention the formalized transaction in Cubera April 1. The result of Cubera will consequently be included in Storebrand's numbers from the second quarter of 2019.

Moving to Slide 5, the growth in savings continues. Growth in Unit Linked reserves are 11% compared to corresponding period last years, in particular strong sales in SPP. Asset under management has grown 3% since last -- since year-end. On a quarterly basis, growth is down due to weaker Swedish Krona, to worse Norwegian Krona, reducing the asset under management with NOK13 billion. In the banking segment, weaker lending has grown with 8%, while growth in insurance overall, is weak. However, we see positive development in the P&C area.

Moving to Slide 6, our Swedish arm on occupational pension SPP has seen solid growth in premiums since 2017. We have a continuing positive trend in the first quarter of 2019 with a 23% increase in premium income compared to first quarter '18 in addition to solid sales with the positive net transfers, continuing the utilization and new distribution partnerships, strengthening the competitiveness and increasing SPP market share in the Swedish markets.

And by that, I give the word to our CFO, Lars Loddesol.

Lars Aasulv Loddesol {BIO 3969188 <GO>}

Thank you, Odd. Let's start on Page number 7, with the key figures, and let me briefly go through some of the key figures with you. The ordinary operating profit of NOK549 million is weak [ph]. The profit before amortization of NOK733 million is okay and is lifted

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by good financial returns. It is, however, a significant fall from the first quarter of 2018, which was impacted by an unusually good insurance results and a one-off gain of NOK149 million. As Odd has already mentioned, the year started with lower assets under management due to market turbulence at the end of last year.

Turning to the first quarter, the financial markets have recovered, and the assets under management have gone onto an all-time high of NOK729 million. It would've been even higher had it not been for the weaker Swedish Krona in the quarter. We maintained strong cost control, and the favorable financial markets has been used to strengthen buffers. This has contributed to strong solvency. Also, in the Company portfolios, higher short-term rates and lower credit spreads have led to good returns. In the first quarter, we have booked NOK18 million in performance-related bonuses. We are not allowed to book the corresponding NOK66 million in performance-related earnings. In this illustration, we have chosen to specify the cost -- the bonus-related cost together with the special items in order to avoid the accompanying cumulative effect of lower operating results due to good performance and vice versa. The graphs illustrate stronger customer buffers in both Norway and Sweden.

Turning to Page 8, on to solvency movement. The solvency position is unchanged at 173%. On a general note, we see that the volatility-reducing mechanisms in the Solvency II standard model works as intended. The reduced equity stress and higher volatility adjustment contributed positively in the third -- fourth quarter, the effect -- sorry -- while the reduced equity stress and higher volatility adjustment contributed positively in the fourth quarter, the effect was the opposite in the first quarter. This is illustrated in the first step of movement. Behind the negative 3 percentage points lies lower volatility adjustment by 12 basis points in Norway and 4 basis points in Sweden and a higher equity stress.

This quarter, we also implemented the lower UFR of 3.9%, which contributed -- contributes negatively to the solvency. Certain model improvements contribute positively. The next element is market changes. Lower long-term interest rates by 30 basis points in Sweden and 14 basis points in Norway as well as a flattening of the interest rate curve contributes negatively. On the positive side, good returns from equities and credit spread compression contributes through positive returns and buffer building. Market value adjustment reserves are up by NOK2.1 billion. The last element in the movement is operating earnings. This reflects the capital generation in excess of what is set aside for dividends. With this, we have a solvency margin of 171% before transitionals and 173% after transitionals. Please notice that we are no longer getting any transitional capital from interest rates, only from a lower equity stress on equity investments owned since implementation of Solvency II. These will be all but phased out during this year.

Turning the page to the solvency position of the Storebrand group, Page 9. The Solvency position is pretty much unchanged from the beginning of the quarter. However, the buffer capital and the underlying profitability from the growth in Unit Linked products have improved. The sensitivity for a fall in the equity markets has been reduced primarily due to the better buffers. Furthermore, the sensitivity to higher interest rates increased, and there's more symmetry between interest rates up and interest rates down. The sensitivity show an increased resilience to volatility in financial markets.

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Turning the page to Storebrand group, Page 10. In this more traditional presentation of the results, we see that the fee and admin income is slightly down in the quarter. Adjusted for currency movements, the fee and admin income is up 0.5%. The growth in the actively sold products make up for the long-term write-off of the guaranteed business. The insurance results are significantly lower than last year. The first quarter of 2018 was characterized by reserve releases and run-off gains not repeated this year. The combined ratio for insurance as a whole was 90%, within the targeted profitability band. We saw somewhat weaker seasonal results from P&C and some large claims within group life. We have continued to show strict cost control in the quarter. The objective of a flat, nominal cost is confirmed. The financial result benefits from strong financial markets. We've set aside NOK139 million or 19% in an estimated tax charge, in line with previously communicated levels. The tax is non-payable due to large tax losses on the balance sheet.

Turning over to Page 11, here we have the same set-up as on the previous page broken into the three business areas, savings and insurance and guarantee. We see a significant fall in results from last year, largely explained by the exceptional strong insurance results last year as well as a one-off gain within guarantees recorded in the first quarter 2019. In summary, the first quarter of 2019 is on the weak side, but we entered the second quarter with a market-leading position in our key business areas, with strong solvency, strengthened buffers, and good absolute and relative returns in our savings products.

The operator will now open up for questions.

Questions And Answers

Operator

Thank you. (Operator Instructions) We have questions coming to already and the first question is from Peter Eliot from Kepler Cheuvreux. Please go ahead, your line is open.

Q - Peter Eliot {BIO 7556214 <GO>}

Thanks very much. I'd like to start with 3 questions, please. The first one, you mentioned about -- on the asset management side slightly weaker margins, less actively managed, et cetera. Just wondering if you could give us an outlook? Do you see -- is this is a trend? Do you see it sort of continuing? Yes, perhaps, if you could just give us a couple of words on how you see that developing? The second one is on the group life. You talked about the large claims. Could you give us a little bit more color about what happened there? Was it one or two particularly large claims? Yes, maybe just a little bit more color as to what happened there.

And finally, on the solvency, I mean I can certainly follow up with IR if my numbers are wrong, but just using the sensitivities that you reported for the full year, I was expecting something a little bit higher. And I was just wondering if you could sort of perhaps talk maybe about why those sensitives haven't played out? And if -- I mean, if we do -- if interest rates were now to raise -- to rise 50 basis points, implying 185% solvency, would that put you in a position where you would now be able to return capital? Or are there other factors that perhaps still need to play out a little bit? I'm thinking, in particular, about

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whether you're at the stage of capital release from the books but also take a step up? Thank you very much.

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

Okay. I'll start with the asset management business and margins. What we have seen in the quarter was, first and foremost, we went -- enter into the quarter with lower AUM. Secondly, we see that we've had a outflow of AUM from the SKAGEN and Benco portfolios during 2018. That has been replaced in volume terms by fund investments in the S50 [ph] and Storebrand funds, however, at a lower margin. And the whole asset management business, like many other businesses, are a little bit like an escalator moving against you, i.e., there is margin pressure coming down the escalator and then you have to move upwards on the escalator into -- in order to maintain your position. This is what we're doing by introducing a lot of sustainable funds, factor funds. We have bought Cubera, and we are offering more alternative asset classes.

Unfortunately, now, the SKAGEN funds are -- as of right now, all of the equity funds in SKAGEN are ahead of their benchmark; and we are providing good value for their customers and likewise generating performance fees towards the end of the year. So there is margin pressure in any business, also in the asset management business. We see this showing through in the numbers in the first quarter of this sort of asset management business, and we are actively pursuing measures to offset that.

On the second question, group life and claims, there were less than 10 large claims, but a few more claims than we would normally expect in workers comp and group life, and the payouts were slightly bigger than anticipated. So this was within the normal volatility we see in a single quarter, however, on the outside of the normal in a negative sense. So this has not led us to change our release for the future, but it does provide for a weak quarter. Also within group life, we have one contract with -- or one business line within the group life, which is underpriced, and we are -- we have implemented measures to reprice that, but we'll not get the full effect of the repricing before the end of the year, which means that we do expect to have weaker results within group life for 2019 than what we had in 2018. However, we don't believe that it will -- we do expect improvements in the three coming quarters compared to what it was as of the -- in the quarter.

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

I'm -- try to answer your question on Solvency. I think the sensitivities should be quite in line here, and I think you have to take into account that both the increase in the stress of shares, the reduction in the volatility adjustment in combination with the reduction in the main forward rate has quite significant impact on the solvency, so the more business-like impact has been very positive in this quarter. But the input from EIOPA, of course, has been a cyclic adjustment to the -- in the solvency calculation.

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

Just one quick comment on this as well, Peter. Again, we don't give an equity sensitivity, and that makes also the solvency a little bit hard to predict when equity moves up like this and also the associated equity stress. So that makes it harder to estimate on the out life.

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

Absolutely. When it comes to the guiding around 180%, it's now a new element in that. We believe that is the level where we are overcapitalized and, of course, has the view that we will either start extraordinary dividends or share buybacks or a combination of that at that point.

Q - Peter Eliot {BIO 7556214 <GO>}

Okay. Great thank you very much.

Operator

The next question comes from Matti Ahokas from Danske Bank. Please go ahead your line is now open.

Q - Matti Ahokas {BIO 2037723 <GO>}

Yes, good afternoon. Two questions, please. Firstly, if I look at the Unit Linked Norway, you've had a very strong inflow here, but also the -- looks like -- has there been some transfers from asset management into Unit Linked Norway? Or how come there was such a big jump in that side at the same time when you're talking about margin pressure altogether? Then also, if you could elaborate a bit more on the kind of margin pressure statement that you pointed out even in the report in the outlook statement that you're seeing -- or the Board is seeing margin pressure. Is this mainly referring to the asset management business? And how do you plan to tackle this? And if possible, could you quantify the impact of this margin pressure at all in Q1? Thanks.

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

Okay. So on the first question, I think it also goes a little back to Peter's question because there has been a change in the fee arrangements between the -- by the companies and the asset manager in Storebrand, meaning that there is somewhat more -- or lower cost for asset management in the Unit Linked business and, thus, lower top line in the asset manager, leading to some higher profitability in the Unit Linked Norway line.

Q - Matti Ahokas {BIO 2037723 <GO>}

And how much was the impact, if I may ask?

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

Somewhere near NOK20 million for -- not only Unit Linked Norway, but for all the internal lines of business lead by asset management services from Storebrand's management.

Q - Matti Ahokas {BIO 2037723 <GO>}

Okay.

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

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On the margin pressure, I guess this is something you see in all active margins that there is margin pressure. And where you can -- I think Unit Linked Norway is an example where margins, supplementary, have come in the right direction for us this quarter. However, we see an ongoing margin pressure. We already talked about the asset management business. In the banking, you see that the ending margins has come down. That's partly explained by higher interbank rates during the first quarter, and we have implemented price -- or we have raised prices for mortgages towards the end of the first quarter with effect in the second quarter when the rates from the Central Bank was increased. So it was more of a general statement. You see it a little bit in all the kinds of business that we have.

I guess we also talked a little bit about the -- in using -- no -- sorry, in different contribution contracts, there is typically pressure on the visibility element in those kind of contracts. And when I mentioned that one of the group life association or contract that we had was weak profitability, it's also a result of margin pressure in that business. So we are managing this in a growth sense. And I think the most important takeaway from the comment in the report is the fact that having cost leadership is always a very robust strategy in a market which is competitive, and that is one of the reasons why we keep on pushing for lower cost and higher efficiency in the business. That's the only the way to maintain profitability in a competitive market.

Q - Matti Ahokas {BIO 2037723 <GO>}

Did this margin pressure come as a surprise? I know you've talked about this before, but was it somehow accelerated in the first quarter? And if possible, what was the reason for this? Who was more competitive? Or in which segment was this?

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

There's no specific change in the first quarter. So this is more of a general comment over time.

Q - Matti Ahokas {BIO 2037723 <GO>}

Got it. Thanks.

Operator

The next question comes from Ashik Musaddi from JPMorgan. Plead go ahead, your line is now open.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yes hi, thank you. I have a couple of questions. I mean, sorry, I'm going back to margin pressure comment again. I mean how do we think about margin pressure? Is it just because of the mix shift that you flagged like outflow from SKAGEN and Delphi and inflows into SPP and Storebrand? Or you are seeing some reduction in the fees that you collect on other asset classes as well? So that's one thing I would be interested in getting some thoughts.

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Secondly, one of your competitor who reported numbers today is flagging that they are pushing something around 10% price increase in TMC in Norway. I mean whereas if I look at your numbers your combined ratio deteriorated quite a lot year-on-year, maybe because one-offs, et cetera, that was there last year. But are you trying to do any sort of price increases as well? Or you think that 90% is a good run rate that we should follow? And lastly, just, again, going back to asset management revenue margin. If I look at your first quarter number, it's around 19 basis point annualized. So is that the right number we should keep for next four quarters and adding the performance fee on top of that in the fourth quarter? Thank you.

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

Let me just start. I think when we talk about margin pressure, it's absolutely what you see is the shift in this quarter from high-margin funds into more low-margin funds, but then, again, we've also seen an extremely good performance in -- especially in SKAGEN during the quarter. So we believe this will be more evened out going forward, but, of course, that is a trend in the market and also something that we see. When it comes to the margins, in the first quarter, or asset management fees, then you should also take into account what the (inaudible) just said. We have reduced somewhat margins -- the pricing from our asset management to also our life insurance companies. And that causes though some flagging [ph] in the group altogether, but it has an impact on the margins in the asset management stand-alone.

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

And just a quick comment on asset management. We now go into the second quarter with higher assets under management and also growth in the active part of assets under management. So the run rate could be materially higher than the NOK73 million we reported at Q1. So you should not use that as the new normal for asset management.

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

On TMC insurance prices, we're not doing anything in particular on a general basis for TMC insurance prices. However, as I mentioned, within group life, we have initiated a price increase on certain contracts, and we are constantly monitoring the different business lines in order to see that there are correctly priced, and we are doing minor adjustment basically all the time. But we're not having a general price increase of 10% as such.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. That's very clear. Yes.

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

I think also just to reiterate that on the combined ratio because the target is 90% to 92%, that's relative hard. And on the 19 basis points in Storebrand asset management, the higher value -- we -- you should -- we're constantly trying to increase that. And as I -- one of the things I mentioned was that transaction fees were much lower in the first quarter and will pick up in the coming quarters and there are also other fee elements that we expect to be able to receive in the coming quarters to improve the margin somewhat in

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addition to the volumes growing as such. And a shift towards more alternative asset classes, like the acquisition of Cubera, which comes in with NOK9 billion in assets under management in -- from -- time frame, of course, helps both the returns and margins in our asset management business.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. And then, sorry, just one more small follow-up. Is there any chance you can get them to float the number on asset management? That would be helpful to model the asset management unit a bit better, I mean, maybe today, maybe later on, whenever you think it's right.

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

Yes. We are working on that disclosure I think. We don't have it now at the first quarter, but I think we want to have it -- work a little bit more on the 10% on the second quarter on a running basis.

Q - Ashik Musaddi {BIO 15847584 <GO>}

That would be really helpful. Thank you.

Operator

(Operator Instructions) Next question comes from Blair Stewart from Bank of America. Please go ahead, your line is now open.

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

Thank you, good afternoon. A couple of questions just to pick up on most of the ones have been addressed. But the new funds that you're introducing in the asset management segment, are those -- what would you expect the margin to be on those funds, are those high or low-margin funds? And you mentioned the lack of transaction fees in the quarter. What would a typical quarter be for transaction fees, please? Moving on to the group life segment. There's been a lot of volatility over the last few years in the profit from that segment, from the low 100s into the mid-200s looking at over the last few years. Is there any way to give any indication of a good run rate for that part of the business?

And finally, you've given some guidance on when excess capital might be released. You talked about NOK10 billion being released over 2021 to 2027. And then you talked about, I think, from 2021 you'd expect the solvency ratio to be above 180%, and that would trigger some additional payments as well. So I just wonder, is there any change or upgrade to your guidance on any of the timing of these things given where we are today? Thank you.

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

I can start with the new funds of Storebrand asset management. They're are the funds we already have, but we are now launching them internationally. So SKAGEN, they had an international distribution set up. We are now putting Storebrand funds and SPP funds into

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the sales distribution networks, so it's existing funds within -- with a special focus on sustainable investments as well as index funds. So index funds, in particular, in the Danish market, which is -- which has much lower index funds as a proportion of total funds in other markets, so we see an opportunity there. And in the other markets primarily a different kind of sustainability funds, either index funds with a sustainability enhancement or factored funds with a sustainability kit [ph]. They are usually priced between 25 and 75 basis points.

In terms of transaction fees in the Storebrand Asset Management business, I believe they booked around NOK40 million last year. So about NOK10 million a quarter would be a normal run rate, but that will, obviously, go up and down somewhat. On group life, if group life exceeds the combined ratio target of 90% to 92% and with normalized financial return, it would be somewhere in the area of NOK150 million. But again, as Lars said, we expect 2019 to be less profitable than what you have seen last year and look better than Q1.

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

I hope so.

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

I think when it comes to entering to 180% solvency of the quarter, we guided on our Capital Market Day starting point of 2020 or 2021, everything equal. Maybe it comes somewhat earlier and with a small likelihood 2020. We expect not to be at the level of 180% in stocks doing higher extraordinary dividend for share buybacks.

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

And the evolution of the guaranteed book, you talked about this NOK10 billion that would be released from 2021 to 2027? Is that evolving as expected, or any differently?

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

Yes. Absolutely, everything equal, I would say, being able to build NOK3 billion in buffer capital and especially NOK2 billion in market value adjustment reserve this quarter. Of course, those are huge step forward when it comes to the -- that quality of our back book, and it only strengthens our message I think around how the development and the capital release from the back book have all going forward.

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

Yes, it's good financially. Thank you.

Operator

The next question comes from Peter Eliot from Kepler Cheuvreux. Please go ahead your line is now open.

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Q - Peter Eliot {BIO 7556214 <GO>}

Thank you. I was going to follow up, actually, on the insurance segment. Just had a couple of questions. I guess on the top line you're commenting that the P&C sales are starting to pick up. I'm just wondering if you can comment on the outlook for the other lines. Because I mean you sort of deliberately positioned this segment, I guess, in some markets that you saw as growth markets. And I'm just wondering whether -- what your -- sort of at this stage what your longer term outlook is for the top line growth?

And then secondly, in terms of the results, where we talked about the underwriting results, I struggled a little bit with the financial results sometimes as well. I mean -- and I'm just wondering how you would guide us to think about or forecast it? You've had some quite big numbers going through there in the past, but this, of course, you had very little despite the good markets. So I'm wondering if you could just help me out there. Thank you.

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

On the insurance growth, if you look at the different lines, it's on Page 14 for those of you who follow the presentation. It's profit per product line. And in actual fact, there are three lines here, but it actually consists of seven different products. So first we have P&C, and as we talked about, P&C is increasing. Second is individual life. That has been stable over sometime. It's a very profitable line. We also see some growth in that business.

On health insurance, we have a number one quality position in the Norwegian market, and that is developing with high single-digit growth. Group life is a market where we have a pretty stable market share and fairly stable market. But there is also some worker's comp in that line, and that worker's comp, we have a very small market share, and we are not -- that is also quite a stable market. Then the last bit is pension-related disability insurance in the Nordic. That's what the disability insurance is related to. The fund contribution keeps in Norway, and so typically together with, but on a separate basis with pension schemes in Sweden. Both of those markets are in the order of 5% to 5%-plus increase.

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

And that is still in line with what we said at our Capital Markets Day that the goal for around 5% growth in the insurance we booked.

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

On the financial results, Peter, just quickly. It's understandable. I guess one of the main reason here is that the health and group life subsegment is coinvested with the guarantee life portfolios in the sense that this is product that legally exists on life insurance company's balance sheet. So it means that the results -- or sorry, the return this quarter is stronger than what it's been -- than what shows in the results because it means that it has a part of all the market value adjustment reserves or in the case of unrealized gains as they are billed for the quarter. On a normalized basis, you could expect somewhere in the area of 20 to 30 a quarter from insurance segment as such. So this is just a timing issue actually. This is result that, well, normally could have been booked this quarter. But once we then add everything into market value adjustment results, that postponement caused that income into the financials results, but it will come booked.

Q - Peter Eliot {BIO 7556214 <GO>}

Great, thank you.

Operator

Ladies and gentlemen, there is no one in the queue. (Operator Instructions) And there's a question coming through from Jan Erik from ABG. Pleast go ahead, your line is now open.

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

Yes. Just one follow-up on the new Cubera, probably take it to your margins. What kind of level should we think about having on those NOK9 billion adding from the 1st of April, if you could shed some light on that? Thank you.

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

We said in the stock exchange release that the -- for 2018, they have a profit before tax of NOK50 million. So I think that contributes to our newer funds in relations to the (inaudible) in capital. They're also raising new funds these days, which will increase the AUM during the year and expected higher results of the Nordic 2019 correspond with that.

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

Great. Thanks a lot.

Operator

(Operator Instructions) There are no further questions coming through in this meeting. So I will hand the call back to you again. Thank you.

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

Well, thank you. Before we end, I would just like to remind you that we will be present in London tomorrow, 12:30 local time. So get in touch if you would like to join the analyst meeting there. So I'll just end with thank everyone for joining the call and wish you a good day. Thank you.

Operator

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

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