Q1 2015 Earnings Call

Company Participants

- Jarmo Salonen, Head-Investor Relations & Group Communications
- Kari Henrik Stadigh, President & Group Chief Executive Officer
- Peter Kristian Johansson, Chief Financial Officer, If P&C Insurance Ltd
- Ricard Wennerklint, Deputy Managing Director, If P&C Insurance Ltd

Other Participants

- Blair T. Stewart, Analyst
- Christian Hede, Analyst
- Daniel A. Do-Thoi, Analyst
- Gianandrea Roberti, Analyst
- Jakob Brink, Analyst
- Jonny Urwin, Analyst
- Matti Ahokas, Analyst
- Mika Koskinen, Analyst
- Paris Hadjiantonis, Analyst

MANAGEMENT DISCUSSION SECTION

Jarmo Salonen {BIO 1860650 <GO>}

Ladies and gentlemen, welcome to this conference call on Sampo Group's First Quarter 2015 Results. I am Jarmo Salonen, Head of Investor Relations at Sampo. And with me here in the studio I have our Group CEO and President, Kari Stadigh; Group CFO, Peter Johansson, and Deputy Head of P&C Insurance, Ricard Wennerklint.

As we are very tradition oriented, we'll have the same process as always. Kari will start with a presentation of Q1 results and numbers, and after that we will take your questions. And at this stage, I always remind you of the fact that you can follow this transmission on our website, sampo.com/results, where a recorded version will later be available.

With these words, I'll hand over to Kari. Kari, please?

Kari Henrik Stadigh {BIO 1504152 <GO>}

Thank you, Jarmo. Welcome to the conference call on my behalf as well. Before I present our excellent first quarter results, I would like to comment on some recent investment market development.

The nervousness we have seen in the bond market in the last few days might this time turn out to be something exciting. I must say I have been waiting for this, as the artificial demand created by the regulation and the ECB has clearly created a bubble. Bill Gross said, he sees the short of the century in the long-dated sovereign debt. It is easy to agree.

Look at the cash price of a 30-year bond that went from €1.59 to €1.28 (01:47) in less than three weeks. For those who invested a few weeks back at the peak, they have been facing an almost 30% capital loss, remarkable indeed. Why do I start our earnings report by commenting on this? Well, if you compare Sampo to its European peers, we are unique and best positioned to benefit from rising interest rates.

Sampo is actually a perfect hedge in a portfolio of insurance stocks that might suffer from rising interest rates. We have one of the shortest durations for interest-bearing assets in the industry. In If the duration is 0.9 years and in Mandatum Life 0.7 years. We have burdened our results and still excelled with significant amounts when discounting our liabilities with lower rates.

In 2014 alone, the discounting cost us in the P&L of our non-life unit €179 million and in other comprehensive income €122 million. In the first quarter, the P&L effect – this year in the first quarter, the P&L effect was €50 million and in other comprehensive income €47 million, together €97 million.

Despite of this, If's return on equity in Q1 was 35%, and the combined ratio, best-ever Q1 combined ratio at 89.2%.

I also want to point out that we have also stated in our present release that in Q2 we will further lower the discount rate in Finland to 1.5% in If, and that will cost us over the P&L €110 million. If we can well do (03:54) and afford without our combined ratios suffering in Q2, as we will also in Q2 book through our P&L a gain of €155 million from the changes in our Norwegian pension liability. When and if (04:16) interest rates start to increase, it is clear that If is more prudently discounted than its peers in general.

In Mandatum Life, we have discounted our liabilities with 2% for 2015, 2.25% for 2016, and at 3.5% thereafter. This at the cost of €142 million, out of which we burdened the present Q1 results by €25 million.

A few comments on Nordea and low interest rates as well. Clients are shifting to and creating a high demand for long-term savings products and other fee creating products or fee-generating products. Nordea's strong market position and significant client base is the base for this, and it's seen in the results; best-ever Q1 and quarter in general for the operational profit, excellent trading income, and highest ever assets under management.

Nordea is a winner in this environment. Naturally, Nordea is also, and therefore Sampo as well, well-positioned to gain from rising interest rates and volatility in the currency and interest rate markets. I continue to see value in the Nordea franchise, and therefore see us well-positioned compared to other pure insurance plays.

All in all, a very strong quarter. And maybe – finally a few words about the first quarter for the Sampo Group; best-ever Q1 and quarter in general with an operating profit of €487 million, up 31% from the corresponding quarter in the previous year. If reported, as I already said, the best-ever combined ratio for the first quarter of the year at 89.2%.

Sampo's share of Nordea's profits grew by 31% to €223 million. Also, Mandatum Life showed excellent progress; premiums up 54%, unit-linked premiums all-time high, and unit-linked assets under management highest ever. In the parent company, we had some one-offs, which you should not expect to see every quarter.

All in all, a very strong quarter, and we are well-positioned to deliver also for the full year. And as always, we remember that we are a dividend stock with a very strong underlying cash flow.

Jarmo Salonen {BIO 1860650 <GO>}

Thank you, Kari. And, operator, we are now ready for the questions.

Q&A

Operator

The first question comes from Mr. Jakob Brink, ABG. Please go ahead.

Q - Jakob Brink {BIO 7556154 <GO>}

Thank you. I have two questions, please. The first one is regarding premium growth in If. I don't know. It seems like, I mean (07:36), premium growth in local currency is negative in all countries except for Sweden, where it's however quite high. This looks almost opposite of what it used to do. Could you maybe give some details on what is going on in all the countries?

And then secondly, on claims, now we talk about you having – or in Q2 you're going to lower the discounting rate in Finland. Why is that exactly? I mean, looking at rates, as you said yourself, Kari, it seems like rates are now coming up again. Should we then – I mean, what is the sensitivity? And when would you then have to increase it again? Yeah, that's a bit – my second question. Thank you.

A - Peter Kristian Johansson {BIO 3902189 <GO>}

(08:21) by addressing premium growth then, well, the Swedish growth is driven by good sales, particularly in the retail segment in business area Private. Its sales from the distribution channels, the Web, and distribution channel through Nordea. But remember also that the Swedish portfolio still had a need for premium increases. So, part of the premium growth you see are premium increases. So, it's not all a growth in number of customers. In the other market (09:03)...

Q - Jakob Brink {BIO 7556154 <GO>}

Are you done...?

A - Peter Kristian Johansson {BIO 3902189 <GO>}

Sorry.

Q - Jakob Brink {BIO 7556154 <GO>}

Are you done with the premium increases in Sweden, or are there more to come?

A - Peter Kristian Johansson {BIO 3902189 <GO>}

I think that there is still room for premium increases in the Swedish market, generally speaking, yeah.

Q - Jakob Brink {BIO 7556154 <GO>}

Thank you.

A - Peter Kristian Johansson {BIO 3902189 <GO>}

On the discount rate, we did the lowering to – we will do the lowering to 1.5% in the second quarter. Sensitivity to increases, I think that we need to see long-term interest rates on a higher level than today for a longer period of time before we would even consider increasing the discount rate.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

This is Kari, Jakob. I would also like to comment these one-offs, because you know very well that I hate one-offs. And it's very unfortunate, when you have these pension liabilities that when you increase your liabilities, you are not taking them over the combined ratio. You take them over, Peter, other comprehensive income, right?

A - Peter Kristian Johansson {BIO 3902189 <GO>}

Yeah.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

But then for some reason, which I don't understand and no one – they have tried to explain it to me, but I don't still understand it. When you get some good news, then you get it over the combined ratio. So actually, this €155 million will improve our combined ratio unnaturally in Q2, even (10:40) the IFRS rules that we have. And I think that that also gives us a possibility to do a one-off discount rate lowering, so they take out each other to a big extent. I wouldn't like to see one-offs like this pension thing that we have. But the fact is this is the case, and unfortunately, we will have these distorting numbers in the second quarter. I hope you will follow in the future the underlying combined ratio, which is much more important, to me at least.

Q - Jakob Brink {BIO 7556154 <GO>}

Okay. Thank you. And so, just coming back to the other countries regarding premium growth and negative development.

A - Peter Kristian Johansson {BIO 3902189 <GO>}

Yes. The other markets that we operate in are first affected by the simple fact that the need for premium increases aren't really there. The general growth in the market is definitely not there. And in some of the markets, we have seen an increased distribution capacity, especially the Norwegian market. So, that's the natural result of these effects (11:57). Then, of course, we are to some extent influenced by a recession in the general economy, for instance, in the Finnish market. That also affects our premium growth.

Q - Jakob Brink {BIO 7556154 <GO>}

Okay. Thanks a lot.

Operator

We have a question from Mr. Christian Hede at Nordea. Please go ahead.

Q - Christian Hede {BIO 18642300 <GO>}

Yes. Thank you and good afternoon. I have two questions. I guess they both relate to Norway. One is on the competitive situation. As we can also see on the premium growth, or lack of premium growth, I guess, competition is still pretty fierce. Do you expect anything to happen now you've actually seen a Q1 with winter weather, whether that's going to improve your situation?

That's one question. And the other one is on the change to the pension scheme in Norway. I'd just like to hear if you've got any pushback from unions or employees, et cetera, because I assume that this is a pure negative thing for the employees; or for most of them at least. So, those are my two questions. Thank you.

A - Peter Kristian Johansson {BIO 3902189 <GO>}

Competition in Norway, nothing new really to report. Again, growth is, I think, primarily disappearing for the lower need for premium increases; so really nothing new to report on the competitive situation in the Norwegian market.

When it comes to the pensions in Norway, the unions are 100% behind what we have proposed today. And I don't expect to see any pushback from neither them nor (13:41) the employees.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

I think that also it's a much more modern way to have a defined contribution plan instead of a defined benefit plan. I think also, especially the younger employees, they see this as a much more modern way to prepare oneself for one's pension.

Then on growth, I would like to comment also that I have never seen the Nordic P&C market as a growth industry. And I think that it's natural that when you have a recession or you have new commerce that you see even lower growth numbers. And I think that the valuable thing is the discipline in the industry, and that we still continue with very high ROEs and strong cash flows.

A - Peter Kristian Johansson {BIO 3902189 <GO>}

Just one more comment on the Norwegian market. You commented on the winter, we see the first (14:37) quarter winter as a fairly benign winter compared to what we expect normally. However, we have seen markets' combined ratios increase in Q1. So, of course, everything else being equal, it pushes premiums up rather than down. So, that's good news for us.

Q - Christian Hede {BIO 18642300 <GO>}

Yes, obviously (15:01). Thank you very much.

Operator

We have a question from Mr. Matti Ahokas at Danske Bank. Please go ahead.

Q - Matti Ahokas {BIO 2037723 <GO>}

Yes. Hi. Good afternoon. Three questions, please. Firstly, if you could, Ricard, talk us through a bit about the run-off gains and losses on a gross amount. You've, obviously, reported the net amount, but I assume there's been fairly significant movements within that number.

Then, the second question is regarding how much was the storm impact all together in Norway in the first quarter?

And thirdly, I noticed that the net debt in the holding company is extremely low in the first quarter, and, obviously, the interest-bearing asset has gone up quite a substantial movement. Could you shed some light what is behind that movement? Thanks a lot.

A - Ricard Wennerklint

Okay. Let's start with run-off gains, losses. First quarter, as always, significant movements from individual large claims. In addition to that, in the first quarter we had run-off losses coming from lowering of discount rates in the Swedish portfolio to the extent of approximately €50 million. And that's actually all I have to comment on the run-off situation in the group.

The second question, the storm in Norway, if I add all these – actually three minor storms in the first quarter, it was €21 million affecting our P&L.

Q - Matti Ahokas {BIO 2037723 <GO>}

That was net?

A - Ricard Wennerklint

Net €21 million, yes.

A - Peter Kristian Johansson {BIO 3902189 <GO>}

This is Peter. And, Matti, on net debt, yeah, it's seasonally always at the lowest level end of Q1, because in Q1 we had received the €533 million dividend from Nordea. Plus we received €100 million from Mandatum, and then we paid out now in Q2 almost €1.1 billion. So, net debt is back to close €1.5 billion after our own dividend.

Q - Matti Ahokas {BIO 2037723 <GO>}

Great. Thanks.

Operator

...from Mr. Jonny Urwin at UBS. Please go ahead.

Q - Jonny Urwin {BIO 17445508 <GO>}

Hello. Good afternoon. Thanks for taking my questions. Just two questions for me today. As you sort of get some insight into premium growth in each of the markets – so thanks for that – I was just wondering if we could drill down a little bit into the actual rating and pricing movements versus claims inflation, just to get a view of where the underlying margin is sort of headed in each country markets.

And secondly, obviously, we've seen bond yields tick up a little bit this week, but still at a very low level. I'd just be interested to know where you're getting your yields sort of that tick up from; particularly in Mandatum Life, I saw that the running yield was surprisingly resilient in Q1, so just some color on that would be great. Thanks.

A - Peter Kristian Johansson {BIO 3902189 <GO>}

On claims inflation and premium growth, a general comment would be that claims inflation is 2.5% to 3% for the group. We are not fully pricing for claims inflation currently due to the simple fact that our combined ratios are very low. So, given the current profitability, no need to price fully for claims inflation; and of course, that affects premium growth to some extent as well.

A - Jarmo Salonen {BIO 1860650 <GO>}

Yeah. On the bond yields, actually it looked a bit surprising that there was a pickup on the running yield in Mandatum Life, which was roughly 20 basis points. But the explanation is that we were able to invest roughly €300 million of zero-yielding cash to bonds, credit bonds. And roughly two-thirds of those are investment-grade bonds and one-third are high-yielding local names that we know very well, so that explains partly the pickup in the running yield.

And then, of course, Mandatum paid also €100 million in dividends. So, technically that reduced zero-yielding assets. And we sold the remaining roughly €130 million worth of negative yielding government bonds. But the pressure is most likely on the running yields. And going forward, the expectation is that it will trend downwards.

Q - Jonny Urwin {BIO 17445508 <GO>}

Okay, great. Thanks very much.

Operator

Question from Mr. Paris Hadjiantonis at KBW. Please go ahead.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Yes, hi. Good afternoon from me as well. I have a couple of questions today, firstly on Mandatum Life. If we look at your economic capital ratio there, that continues to decline. I assume that currently is probably higher than where it was at the end of March. But I would like to get your thoughts on whether or not you can continue getting out (20:27) €100 million per year from Mandatum Life without taking any action in there.

And the second question would be on your discount rate for Swedish annuities within If P&C. From what I can see, this is now below 0%. Do you actually discount with something which is below 0%, or do you cover (20:50) that zero? Thanks very much.

A - Jarmo Salonen {BIO 1860650 <GO>}

On the first question on Mandatum Life, yes, you're correct that if we take the impact of full discounting like we normally do on the liability side adjustment. So, yes, our available or adjusted solvency capital is lower than our own internal capital requirement. But there if we think of Solvency II and SCR, so we're in the process. We have applied for the transition rule from the Finnish regulator. So, there will be a huge difference between the transition period, where actually the weak (21:34) profit balance sheet will gradually run off.

So, that will save us capital with end of Q1 numbers roughly around €700 million to €800 million in Mandatum Life. So, in that sense, by the time we get the approval on this transition period, then I don't see any risks on dividends in Mandatum Life. The Swede (22:01) discount rate, yes, in Sweden you have a floor, which is 0% for the nominal interest rate, but then when you have to take also into account the expected inflation, so we actually discount it (22:12) with minus 15 basis points. But yields have moved up somewhat from end of Q1. So, probably we are close to zero or maybe even positive in Sweden right now.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Okay. Thank you.

Operator

We have a question from Gianandrea Roberti, Carnegie Bank. Please go ahead.

Q - Gianandrea Roberti {BIO 6786731 <GO>}

Yes, good afternoon from me as well. Peter, just to come back to what you just said and to be absolutely clear, your expectation is that you will be allowed to pay dividends up from Mandatum Life under transitional rules, right? That is correct, what I understood (22:48)?

It is (22:50) something you've discussed already with the Finnish FSA, or just your interpretation and you base your comments on this? That's my first question.

And the second question, it's a little bit (23:00) if you can elaborate a bit more on what has happened on the holding company in the first quarter, because of course plus €26 million (23:05), I think it was, the operating result, it's very high. And in that context, if I can double-check that in a normalized year, you should still have around minus €50 million (23:15) negative result in the holding company or something around that. Thanks.

A - Jarmo Salonen {BIO 1860650 <GO>}

Okay. Yeah, so the transition rules, it's correct. We have an application in the Finnish FSA and expect to get the formal approval that we can use the transition rules. And I don't see any reason why we wouldn't get that, and especially because we don't underwrite new business on – with high guarantees.

Then, on the holding company, this €26 million it's an exceptional quarter, like Kari mentioned, because we have actually some one-offs. There is a €50 million FX gain because we have some dollar assets, close – around $150 million, roughly €120 million. And due to stronger dollar in Q1, we made a €50 million (24:11) FX gain, and then we have some trading gains from equities, around €60 million (24:20). A small part of that is actually dividends received. So, that's – technically you could say that there is €31 million of one-offs.

Now, of course, we have somewhat more fixed income assets, and interest rates are down on the liability side. So, I would adjust probably the gross funding cost for the €2.1 billion, €2.2 billion that we had gross debt, because the interest rate is now at 1.65%. So, that gives you around €9 million per quarter on interest costs.

But on the other hand, we have close to €5 million of interest income on the parent company level, and then (25:05) normal operational cost between €5 million and €7 million from 50 people working on the holding company level.

Q - Gianandrea Roberti {BIO 6786731 <GO>}

Thanks a lot.

A - Jarmo Salonen {BIO 1860650 <GO>}

And one additional item, actually, you could add, because we get an asset management fee from Mandatum and this segregated portfolio that we took over from Suomi Mutual and the mutual pension company, Kaleva. So, we have actually assets under management, €8 billion. And that we get 20 basis points asset management fee from that, which means, from €8 billion, it's around €60 million per year. So, that's reflected in other income.

But you shouldn't expect this type of one-offs going forward. So, we are...

A - Peter Kristian Johansson {BIO 3902189 <GO>}

That's correct.

A - Jarmo Salonen {BIO 1860650 <GO>}

...slightly negative at the moment.

Q - Gianandrea Roberti {BIO 6786731 <GO>}

Thank you.

Operator

The question is from Mr. Daniel Do-Thoi at JPMorgan London. Please go ahead.

Q - Daniel A. Do-Thoi {BIO 17019775 <GO>}

Hi. Good afternoon. Three questions for me, two on capital and one on the dividend. First on capital, two questions, actually. The 5 percentage point quarter-on-quarter decline in the economic solvency ratio, part of this appears to be driven by higher market risk. Is this simply a function of higher equity holdings, and should we expect this to decrease over time as you readjust?

And then secondly, I mean, I know you don't have a target on this, but is there a level in terms of solvency ratio, which you would not wish to fall below?

And then lastly, on the dividend, I know it's a bit early to ask, but the reason I do is because Nordea will be announcing later this month updated financial targets at its Capital Markets Day, and I guess inevitably (26:54), also be addressing the issue of capital management and dividends. If that ultimately leads to a change in their dividend policy, should we expect that to have a knock-on effect on your thinking around the progressive dividend? Thank you.

A - Jarmo Salonen {BIO 1860650 <GO>}

If I start with the economic capital, so there was – of course, profitability was good in Q1, so that improved group solvency. Then, on the other hand, because of lower discount rates means again that the negative effect on adjusted solvency capital came down. So that consumed capital and then marginally higher market risk because of equity markets performing so strongly in Q1. So, market risk grew slightly both in If and Mandatum. So, those are the two factors.

On the minimum targets on how much do we actually want to maintain, we have an old target of maintaining at least 120% solvency, economic solvency, above the group minimum requirement without diversification. But this will definitely be updated then when we have the final numbers on Solvency II and also on Basel III on the banking side.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

On dividends, I don't want to comment on Nordea's dividends. But if we look at the Nordic banks in general, I think it's clear to everybody that the Nordic banks have been able to meet all regulatory requirements from their operational cash flow. And in an environment with low growth and continuing very strong cash flows and clients moving more and more into fee-generating business, that also ties less and less capital.

I would be surprised if the banks in the Nordics in general would not follow their guidance and increase their payout ratios and also payouts in absolute terms. On Sampo, we are clearly a dividend stock. And as management, we are committed to propose to the board and the AGM increasing dividends. That is all I can say this time of the year.

Q - Daniel A. Do-Thoi {BIO 17019775 <GO>}

Okay. And if I could just try and follow up on that last point, Kari, if hypothetically you had an increase in the dividends that you received for the 2015 financial year, would that – how would that affect your thinking about the graphically (29:48) beautiful dividend that you're trying to create at Sampo? And would you deviate from that due to this one-off hype (29:58)?

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

I think it would support my view, wouldn't it?

Q - Daniel A. Do-Thoi {BIO 17019775 <GO>}

Okay. I guess that depends on what we hear (30:06) later this month.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

Let's see how it plays out, but I'm quite confident.

Q - Daniel A. Do-Thoi {BIO 17019775 <GO>}

Okay. Thank you.

Operator

We have a question from Mr. Mika Koskinen of SEB. Please go ahead.

Q - Mika Koskinen {BIO 1557965 <GO>}

Thanks very much. Good afternoon. Could you please comment a bit on the investment income and if I may ask by division, especially if – and also the holding company to some extent? But on the investment return side within equity income, how much has been gained in dividends and how much has been gained in trading profits?

And the reason I'm asking is that I'm trying to capture some kind of a picture how much we should expect then equity income to come down in Q2, Q3, Q4, compared to the first quarter, which was very strong. Thanks very much.

A - Peter Kristian Johansson {BIO 3902189 <GO>}

I don't have the exact number on dividends, but I think at least in Mandatum Life we took some profits on certain lines, certain equity lines. So, there are some relatively sizeable amount of realized gains in equities. The total investment income was 4.2% in Mandatum Life. In If we had a mark-to-market. The Swedish equity market performed extremely strong, but there is not that much realized gains in If, but somewhat more. So sales gains in Mandatum Life was altogether €95 million.

Q - Mika Koskinen {BIO 1557965 <GO>}

Okay.

A - Peter Kristian Johansson {BIO 3902189 <GO>}

And when you – dividends are booked – actually, if you look at the notes where you have the investment income items, you can see there's available for sale, the fixed income line, and then equities' line. So, dividends are booked there.

Q - Mika Koskinen {BIO 1557965 <GO>}

Yes. But you don't split the dividend and the realized gains. They are clustered together.

A - Peter Kristian Johansson {BIO 3902189 <GO>}

Yeah.

Q - Mika Koskinen {BIO 1557965 <GO>}

May I then just ask, thinking about the second quarter, in the first quarter do you have a gut feeling, did you receive half of all the dividends that you were expecting to receive this year, or did you receive more or less, if a (32:31) dividend stream going to be substantially less in Q2 against Q1?

A - Peter Kristian Johansson {BIO 3902189 <GO>}

If I'm not completely wrong, I think a big part of the dividends come in Q1.

Q - Mika Koskinen {BIO 1557965 <GO>}

Yes.

A - Peter Kristian Johansson {BIO 3902189 <GO>}

My guess (32:46) would be two-thirds and one-third, roughly, at least in Mandatum Life. I don't remember so exactly in If, but it's normal in Q1.

Q - Mika Koskinen {BIO 1557965 <GO>}

Okay. And do you have any plans on a group level, if we assume that the interest rate environment doesn't change much because you can, of course, manage very much the reported investment income that you have. Do you have any plans to smoothen out the investment income in 2015, as long as markets remain on the relatively strong levels where we are now?

A - Peter Kristian Johansson {BIO 3902189 <GO>}

In Mandatum Life, that's typically something that we had done in the past and most likely so also in the future. If fixed income running yields keep coming down, then we need to harvest some of the unrealized gains.

Q - Mika Koskinen {BIO 1557965 <GO>}

Yes. And how about If?

A - Peter Kristian Johansson {BIO 3902189 <GO>}

If, if they continue to deliver such strong combined ratio, so the need is not as high. And now also when we have lowered the discount rates significantly in If, so actually the unwinding discount which has been a relatively big number actually in the past is becoming lower and lower. So, there is less pressure on the investment income side.

Q - Mika Koskinen {BIO 1557965 <GO>}

Yeah, okay, very good. Thanks very much.

Operator

We have a question from Mr. Jakob Brink at ABG. Please go ahead.

Q - Jakob Brink {BIO 7556154 <GO>}

Yes. I just have one follow-up question, actually. I think, Kari, you were trying to – at least, that's the way I read it. You said that you didn't like one-offs like the ones we're going to have in Q2. So, I understood that the Finnish discount reduction was more or less taken because you could. What about the Finnish – the fact that rates in the Finnish – sorry, Swedish discounting curve has actually come up quite substantially here quarter-to-date. Should I then read that the same way that you're going to find something negative to offset that with – especially given that you will have a €45 million one-off already, or how should we read that? Thank you.

A - Peter Kristian Johansson {BIO 3902189 <GO>}

The changes in the Swedish discount rate has historically not really influenced the reported combined ratio for If. Not giving any estimates for movement on interest rates in the future, but at least the movements we have seen historically has not been really visible in the overall group combined ratio.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

And, Jakob, as you know, we have never blamed a storm as a one-off. We have never said that something – some movements in some investment products are one-offs. And we have never done anything – hold to maturity or mark to model. We have everything mark-to-market. So, I hate these one-offs, but I also hate positive one-offs. So, I think there, I differ, from my colleagues in the industry.

Q - Jakob Brink {BIO 7556154 <GO>}

Okay.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

(35:58) with positive one-offs.

Q - Jakob Brink {BIO 7556154 <GO>}

Thanks a lot.

Operator

We have a question from Mr. Paris Hadjiantonis at KBW. Please go ahead.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Yes. Sorry, a follow-up from me as well. If I look at the Danish combined ratio, I understand there was, let's say, a one-off in that as well, so a larger duration of some industrial claims. Can you give us an idea of how much was that, or can you give us an idea of what the underlying combined ratio excluding that was? Thank you.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

First, before Ricard answers, I want to say that claims are never one-offs in our – we are an insurance company and we cover claims. That's our business. So Ricard, please?

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Fair enough.

A - Ricard Wennerklint

Yes, true, the Danish combined ratio was influenced by one individual large claim, that was a prior year claim. So that's some more disclosure into the run-off losses that I think

Matti asked for earlier. Your question is basically normalized combined ratio in Denmark. We are...

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Indeed.

A - Ricard Wennerklint

There is nothing in the normalized profitability of the Danish business that makes us act differently than we did last year. There's nothing new during the first quarter, nothing relating to the weather, premium levels, or really anything else. So, it hasn't changed our view on that. We've run a profitable business in Denmark.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Okay.

A - Kari Henrik Stadigh {BIO 1504152 <GO>}

A smaller size of a book gives more volatility if there are some bigger claims.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Sure.

A - Ricard Wennerklint

Of course (37:48), and once again that we have reinsurance based on group coverage rather than individual markets. So, we have no problem with the volatility that we see per market.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Okay, understood. Thank you.

Operator

Question from Mr. Blair Stewart of Merrill Lynch. Please go ahead.

Q - Blair T. Stewart {BIO 4191309 <GO>}

Thank you. Good afternoon and apologies if this question has been asked already. I was on one of the other seven results calls I've had (38:15) today. I wish I was joking. The €110 million from the discount rate adjustment in Finland, will that have an ongoing positive effect on the results going forward, I guess, through higher investment income? I just wonder how that will play out over time, because it doesn't seem to me that it's entirely lost money. Thank you.

A - Peter Kristian Johansson {BIO 3902189 <GO>}

That's correct. Yeah. So net investment income, in a sense, because each and every year you see the unwinding of discount. So, if we discount with lower and lower interest rates, then the unwinding effect will be smaller. So, there is less.

Q - Blair T. Stewart {BIO 4191309 <GO>}

And where will that come through in the income statement, Peter?

A - Peter Kristian Johansson {BIO 3902189 <GO>}

You can actually see it when you look there is the so-called risk-free interest rate allocation, which don't exist anymore on the insurance technical result. And then you can see on the lower end how much – when that will be netted off from the investment side, then there's another number. So, the difference between those two numbers is the unwinding of discount.

Q - Blair T. Stewart {BIO 4191309 <GO>}

And would you think that that €110 million will just bleed through into the numbers over a, what, 10-year to 15-year period? Is that the way to look at it?

A - Peter Kristian Johansson {BIO 3902189 <GO>}

Yeah. The duration is very long and the Finnish liabilities I think it's – they're over 10 years, 10-year duration.

Q - Blair T. Stewart {BIO 4191309 <GO>}

Yeah. Okay. That's great. Thank you.

Operator

There is no question at this time. Please go ahead, speakers.

A - Jarmo Salonen {BIO 1860650 <GO>}

Thank you all for your attention, and have all a very nice day.