Y 2018 Earnings Call

Company Participants

- Daniel Sundahl, IR
- Lars Aa Loddesol, Group Chief Financial Officer
- Odd Grefstad, CEO & MD
- Unidentified Speaker

Other Participants

- Ashik Musaddi, Analyst
- Blair Stewart, Analyst
- Kevin Ryan, Analyst
- Matti Ahokas, Analyst
- Peter Eliot, Analyst
- Unidentified Participant

Presentation

Operator

Good afternoon, and welcome to the Storebrand analyst conference call. My name is Anna, and I will be your coordinator for today's conference. During this call you will be in listening only, however, in the end of the presentation you have opportunity to ask questions. (Operator Instructions)

I will now hand you over to Investor Relation Officer Daniel Sundahl, your host for this call. Thank you.

Daniel Sundahl {BIO 20548519 <GO>}

Thank you very much. Good afternoon, ladies and gentlemen. Welcome to Storebrand's Fourth Quarter 2018 Conference Call. My name is Daniel Sundahl, and I'm part of the Investor Relations team at Storebrand. Together with me, I have group CEO Odd Arild Grefstad; CFO Lars Loddesol; Executive Vice President and Managing Director, Geir Holmgren, Executive Vice President, Wenche Annie Martinussen and Head of Economic Capital, Trond Finn Eriksen. In the presentation today. Odd Arild will give you update on the development in fourth quarter. CFO Lars Loddesol, will give you an overview of the financial development and dig into some of the more technical elements in the quarter. 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 that question, you will need to dial in into the conference.

I now give the word to Storebrand's CEO, Odd Grefstad, who will start the presentation on the Slide 2.

Odd Grefstad {BIO 5483351 <GO>}

Thank you Daniel, and good afternoon everyone. 2018 has been a strong year for Storebrand with a group result of NOK3.2 billion and a result of NOK3.7 billion after taxes due to the positive tax effect (inaudible) risk in a separate Stock Exchange of the (inaudible) this is all-time high results for Storebrand. Our Solvency II ratio is also time high with 173%to 172% without an interrupt session rules, and we increase our dividend to NOK3 per share. The underlying growth in the business is strong, with reduced in the fourth quarter by the weak financial markets.

Weak markets also negatively affect our profits. In addition to substantially reducing the performance fees compared to 2017. On the positive note, the development in the financial markets so far 2019 has been strong and to a large extent reversed the effects from Q4. If we then move to the next slide.

This picture was introduced in our Capital Markets day in May, it is a picture of our two-fold strategy, with active management of the guaranteed business in run-off for capital release and profitable growth in our capitalized savings business. Through our positions in Occupational Pensions in Norway and Sweden a growing resales savings market and asset management business with over NOK 700 billion assets under management.

Looking at the active management of our balance sheet we continue to our strong cost control with costs for the full year just below NOK 3.8 billion. Also, Solvency II came in strong as 172% for the year. At our capital markets day, we guided on reaching a solvency on 180% in 2021 or else equal. With a strong solidity development in 2018, we will again all else equal, start to capital release our back book expected one year earlier. The growth in our front book has also continued through 2018. Though somewhat reduced by financial markets in Q4. We also continue our strategy with bolt-on M&As.

An that leads me to next slide, slide number 4. Lately, we have landed two transactions with a comparable size. We have sold Nordben, our currency base run-off portfolio of international pension schemes of SEK6 billion. The sales, will give a positive effect on solvency of just under 1% point. So we also sell a portfolio that is not statistically important to us. Meanwhile, we also buy a Nordic leading private equity company, Cubera. Cubera will strengthen our asset management offering in general and especially benefit our focus on private markets going forward. The acquisition price was initially NOK300 million for yearly earnings before tax on NOK68 [ph] million. The buying price can increase with another up to NOK325 million depending on successful capital raise going forward. If we then move to slide number 5, the acquisition of Cubera, as I said, add a depth to our asset management. In addition to listed stocks, interest-bearing papers on real estate, we see that assets equivalent to private debt, private equity, and infrastructure are becoming increasingly important. Both to our life insurance business and in regard to offering competitive asset management solutions for our institutional clients.

Let's move to slide number 6 and growth. We have gotten used to see double-digit growth both when it comes to savings and asset management. And, underlying growth is still strong in 2018. With our growth in premiums with Unit Linked business all 7%. Normally, a positive return on equity we had to this growth, securing on growth in assets under management well above 10%. We didn't see this positive market effects this year. On the contrary we had a falls global equities, we have element processed year-by-year and that make up for the final growth number of 7% when it comes Unit Linked. Asset management (inaudible) effect in addition to currency effect between Norway and Sweden and negative net flows in SKAGEN. Our bank is maintaining a steady growth of 10% in 2018 and then they now also see growth within our insurance business.

The profit development have been strong both when it comes to our banking and insurance operations. Then I move to the solvency movement, in slide number 7. Our solvency has really strengthened this quarter despite developing markets. If you break this down, the movement from 166% to 172% we see that the market development in the quarter has put a strain on our solvency through 14% fall in the world index and 20 basis points reduction in the 10 year interest slope rates in Norway ,and in addition, our widening spreads.

We have executed active risk management measurements, and have maintained buffers in a very good way in the life insurance company. All this together though, has reduced the solvency ratio with 6 percent points.Then we will know that the UFR has due to market conditions on a quarterly basis is -- adds up premium news excess equity and for the volatility adjustments, and this new element from UFR this quarter has given a positive development on the 6 percent points a quarter, and there you will see that the all of the volatility adjustments have reduced stress for equities, has really done and taken out the negative market conditions altogether.

On top of these, we have strong result of the tax in the fourth quarter, and this is mainly due to the tax in the common of NOK1.6 that we noted the market with in a separate in press release. And these added up 6% points to the solvency for the quarter. And all together then, our solvency ratio 172 and a minor adjustment for transitionals, these to 273 [ph] given that, a look a bit closer into the solvency sensitivities on slide number 8, we see that the solvency sensitivities is very much on the same levels as this was in Q3, we can notice that a fall in the interest rate of 50 basis points from today's level, will entail that we -- that the transitionals once again take effect for interest rates, and in fact these rates increase over total reported (inaudible). And then at last, before I give the word to Lars, if you look at the solvency movement for 2018, on slide number 9, we see that there has been a very strong development for the year on 22% point increase for the full year before dividends substantially more than our guiding on 10% point on the annual increase before dividends. So, by that, I give the word to Lars, over to you [ph].

Lars Aa Loddesol {BIO 3969188 <GO>}

Thank you there, Odd. And let me briefly go through some of the pages for you. The profit before amortized, this on key figures page 10. As the profit before amortization at NOK563 million is rather weak. The ordinary operating profit at NOK654 million is okay, but would usually be higher in the fourth quarter, for used book performances. Adjusted for performance fees, the operating profit is NOK565 million, so much weaker than our guiding. If you look at the earnings for the full year, we've had three quarters delivering better than guidance and one weaker. Looking forward, the full-year operating profit divided by four due to reasonable guiding on their earnings power going forward. The main reason behind the weak quarter numbers are solid financial markets and four one offs. In Norway, we have a regulatory retained equity savings scheme called ASK. Storebrand and SKAGEN had each developed its own platform for ASK. As part of the integration of SKAGEN, we have established that the SKAGEN platform will be rolled out for the whole group and we take a one off charge for the closing down of our own development work. Second, in the fourth quarter, we have booked approximately 20 million in advisory fees primarily related to the Nordben sale announced in December and the Cubera acquisition. announced Monday.

Three, furthermore, we've taken a charge for a renegotiated remuneration in for our sales force. This will not lead to higher costs going forward. It is a one-off compensation. And finally, we have booked too much regulation fees and the paid up policy book during the year. This income had to be reversed by NOK38 million in the fourth quarter and reduces the income line. The full year number is correct and we are reviewing our processes to avoid a similar adjustment in the future.

And finally, financial results. Sorry, the financial result was weak in the quarter, very much in line with financial markets and with normal financial market volatility. Worth to note is that increased credit spreads gives a short-term negative mark-to-market on our company portfolios, with a long term pickup in returns. As long as there are no defaults, there is no long-term effect. Furthermore the positive financial market since year-end as more or less neutralized the fall in assets under management that we saw in the fourth quarter.

Clipping over to the next page 11. This is a more traditional presentation of the results and we see that fee and administration income is down in the quarter, primarily as a consequence of lower performance fees in 2018, compared to 2017. For the year as a whole and income is up 5%. The Insurance result is up by 13% during 2018. The cost level is up due to the inclusion of SKAGEN but is below the target of NOK3.8 billion for the year as a whole. This means that adjusted for SKAGEN, the growth level has been nominally flat for 6 years in a row since 2012. We aim to maintain the same nominal level least until 2020. The operating result for the year is up 4%. Adjusted for currency fluctuation in SKAGEN, underlying Storebrand operating result is up by 14% and confirms the strong underlying growth. Under tax, we have a positive contribution of NOK900 million following the tax gain of NOK1.6 billion announced in January. This is a consequence of the new tax rules for life and pension businesses separating the tax accounting for customers and pension providers. With this change, we will have a more predictable tax charge of 21% to 23% per annum going forward and large tax differences, both assets and liabilities have been removed from our balance sheet. Net-net, we still have approximately NOK8 billion in tax losses carry forward. Although the fourth quarter results were weak 2018 comes out as one of the best years we've ever had.

Furthermore, the solvency position has been strengthened, we're paying out more dividends and the market position is strong.

Daniel Sundahl {BIO 20548519 <GO>}

Thank you, Lars and Odd. Operator, we'll now open up for questions.

Questions And Answers

Operator

(Operator Instructions) And we have a couple of questions coming through. And the first question is from -- I'm so sorry. Ladies and gentlemen, it seems to that I've been thrown out from my system. I will try to get another operator to you as soon as possible, please hold the line please.

(Technical difficulty) Ladies and gentlemen, we are sorry for this. Another operator coming in to help you with the Q&A, we have a couple of people in the queue, I could see but I can't access it. Then we have an operator coming in ASAP. Thank you.

Hi, are you ready to move to the next question?

A - Unidentified Speaker

Yes.

Operator

(Operator Instruction) The next question comes from the line of Peter Eliot from Kepler Cheuvreux. Please go ahead.

Q - Peter Eliot {BIO 7556214 <GO>}

Okay, so -- three questions if I may -- the first one was I just wondering about how you now think about the sort of the balance between growing volumes and margin. I mean in the report, you make a few comments about margin pressure and unit linked asset management and in insurance I am -- I think I'm right but DNB has been cutting unit linked fees quite heavily. I mean -- I guess in insurance few years ago, you were sort of forecasting double-digit growth rates there -- you've had some distribution issues but those should now be over. Going forward in those three areas. How should we think or -- are you thinking you need to take the foot off the accelerator a little bit to protect margin? Do you think those risks to margins?Can we margins be maintained at this -- so just wondering if you could talk about that a little bit. Sorry that's a long one.

The second - do it very short -- the second one is the SKAGEN net flows would you be able to give us the number for Q4 and maybe any comments on the outlook? And the third final one was -- I was surprised with the dividend, that it was all normal with that --

very welcome. I'm guessing that I kind to says to me that you think you currently have a sustainable EPS of NOK6 -- I'm not I mean, which seems quite punchy that's probably the wrong way to think about it, but I was just wondering if you could explain your thinking behind setting it all as normal. Thank you very much.

A - Unidentified Speaker

Okay, so then start is talk about margins, I think first of all you need to recognize that our business environment corporate pension [ph] is already on quite low margins in the Norwegian market and then the bulk of the business is really with defined contributions. I think DNB has done something on their direct (inaudible) for a retail market, but is also a mixed bag because it's somewhat reduced ordinary fees, but is also introducing performance fees for us as I understand almost all of their usual (inaudible) we have of course an ongoing process looking into our fees for the retail markets, when it comes to mutual funds. That was on active terms and for more deeper type of funds [ph] and within that we have well pricing that is giving the right value for the customers as we speak that is of course an ongoing process, are they going to look at the more pension market its of course, more like high competition in the market and also process that in 2021 we will have our own pension accounts that are coming into the market, where the active management of the defined contribution will be combined with the payment policies without investment choice that it would be combined in account for the customers. And that is a very attractive market of course that we feel that we are very well positioned for, with our 31% market share, but that is also a attractive market for everyone else around us. So that is (Technical Difficulty) and that we like it to define going forward. And so there is no -- I feel that we are in a market that is really growing very fast, and the growth within our pension market will continue to go forward in the Norwegian market and in the Swedish market, and we will take our share in that growth. And the margins we are seeing in the pensions area is quite sustainable outside going forward in the short time and in the future.

When it comes to SKAGEN, the net flow for the year was minus NOK14 million, or (Technical Difficulty) NOK14 billion when it comes to the net flow, most of that was earlier in the year, where we had some changes in the portfolio managers. At the end of the year, we saw that for performance, and that is seen in the transports, [ph] not much higher, and I take this as -- earlier today, that in December and February, we have the outflows -- inflow in our flagship fund Kon-Tiki, and they were developed not so far in 2019 it has been very good both when it comes to absolute return and relative return in the funds in SKAGEN altogether.

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

We really had a very strong year when it comes to capital upstreaming to the holding company, we have a very solid position, I think we have also quite a solid result generation going forward. We feel comfortable about meeting our target of having a nominal growth in the dividend or at least the same level as we had last year, and based on our expectation of the results from the company, that should be a sustainable position going forward.

Operator

The next question comes from the line of Matti Ahokas from Danske Bank. Please go ahead.

Q - Matti Ahokas {BIO 2037723 <GO>}

Yes, good afternoon. i would like to continue on the same topic as Peter earlier on, the dividends you obviously have the strongest solvency margin you basically ever had and a lot of positive one-offs. and if I understood you correctly, you had already mentioned that the capital release from the guaranteed back book, had already started the year earlier than you originally forecasted. So, I'm still a bit puzzled on why -- the dividend isn't higher than that it is taking into account of these factor that has been mentioned.

Second question is regarding the performance fees in the savings business obviously down by around NOK200 million, is the underlying level -- I know it's probably difficult to say -- but is it closer to 200 million or the 300 million, it was in 2017 going forward, in your opinion. Thanks.

A - Unidentified Speaker

Can you repeat that question, which segment or which slide are were referring to?

Q - Matti Ahokas {BIO 2037723 <GO>}

So the savings business you write in the report that the performance fees altogether were -- was 90 million versus 300 million in 2017 for the full year 2018. So is the underlying level closer to 200 million or the 300 million we saw, I guess what the 90 million in 2018 is probably not what we should be looking for in the future.

A - Unidentified Speaker

I thought with the dividend, we have been very clear that we see that the levels of a 180% in solvency, the level that we feel we would have -- a level where we can start to give -- extraordinary dividend based on the capital release from the back book and everything equal, based on having a underlying solvency ratio of 172% as we speak. We expect that by mathematics more to say, to come one year closer based on the guidance we gave on our Capital Markets Day. And I have to say that the result we gave out -- the dividend we gave up now is actually 8% of the result, before we take into account that extraordinary element from tax values, I think special. So, Lars will answer on the -- more asset management and performance fees.

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

Matt, just like Odd comment, you mentioned that there were both looks positive one --- offs and the fourth quarter was basically a number of negative one-offs not positive in the one-offs. So in the beginning of the year, we had a positive one-off from longevity results strengthening NOK 149 million but there has been more balanced -- and a number of one-offs, positive and negative one-offs after that. And I would also say that the tax effect and the positive contribution from the tax effect has given an opportunity to take out an additional dividend from the life company to the holding company, which strengthened (inaudible) the holding company going forward. So, although that's the positive consequence of that. When it comes to performance fees, performance fees are the fees are not certain before their booked at the end of the year and if you look at SKAGEN in isolation. They have been between close to zero and above NOK1 billion for last 5 or 6 years. So there is some wide difference between the upside and the downside to this limit is at 0. And (inaudible) has been between about NOK50 million and NOK150 million on an annual basis for the last several years. So that's really the outcome is a broad range here. What we have said that is -- and (inaudible) delivers approximately benchmark performance. They will deliver an excess of NOK200 million on an annual basis. But obviously, over time, we do expect performance over and above the benchmark that's why we take risk and therefore we do expect, more over time. But that will be - this will be a volatile element and there is nothing called normalized in that space.

Q - Matti Ahokas {BIO 2037723 <GO>}

Very clear. Thank you. If I may follow-up on -- dividend, sir. The extreme 2017 was based, I guess then on the old dividend policy. So we should be kind of looking at the 180-level as to kind of hard threshold for anything extra in the future?

A - Odd Grefstad {BIO 5483351 <GO>}

Well, the dividend policy now is paying off more than 50% of the result of the tax and having increased dividend on an annual basis -- a nominal increase in the number. And the threshold that's it forward is that normal dividends will be paid between 130% and 188% in solvency. And when we move above 188% of solvency, we start to releasing capital from the back-book, and as we said in our Capital Markets Day. Within those 10 years -- we expect to release around $10 billion from our back-books.

Q - Unidentified Participant

Got it. Thank you very much.

Operator

Next question comes from the line of Ashik Musaddi from JPMorgan. Please go ahead.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Hi, good afternoon. I just have few questions on, so first of all, on Solvency II capital generation, which is on slide number 9. Can you help us like this 10 percentage point capital generation is like Group result excluding the tax impact. I mean, what does it include? Does it include the tax benefit, sorry does it include the UFR? Does it include any release of capital? Can you give a bit more clarity on that, because this number was a bit higher last year I think 11% or 12% and now it went down with your SCR coming down as well. So can you just give us a bit of composition of this number, 10%? That's number one.

Secondly, I'm sorry to go back to the asset management. Can you just remind us as to what your normalized earnings for asset management excluding the performance fees of SKAGEN and Delphi? So what would be the normalized asset management earnings excluding those two items?

And thirdly is, I mean if you think about the combined ratio, I mean, clearly your guidance is around 90% to 92%, but you have been doing below that for quite some time. So how should we think about combined ratio in the P&C business going forward? Thank you.

A - Unidentified Speaker

Okay, thank you. Let me start with the first question about the capital generation. The way we have choose to show the capital generation in this picture, is merely thinking, the group results as it comes from the equity generation in the line or in the group balance sheet. I.e. if you take this year's results, on amortization of intangibles and divide on the SCR, then you will get to see 16% which we have done -- again can be divided in those 10% and 6% coming from the tax element.

So that's how we have shown to -- or as usual to show it, you could also show it in a different manner, a very seperate -- what this is expected as a result in the Solvency models, about this capital generation, above the level of the (inaudible) of investments.

Q - Ashik Musaddi {BIO 15847584 <GO>}

So just a follow-up on that. So what are you saying is this Group results still don't include any release of capital. And if I remember correctly, your release of capital was earlier planned for 2021 and now it is bringing forward to 2020. Is that correct? And that would be around NOK1.3 billion, NOK1.4 billion?

A - Unidentified Speaker

That's correct. When it comes to the dates, you were mentioning, I don't want to comment on your capital release (inaudible).

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay. Then on the asset management earnings?

A - Unidentified Speaker

Yes, the normalized earnings in the asset management business you can derive from the numbers we present, which is roughly NOK500 million based on today's AUM and with no performance fees whatsoever, and then there will be performance fees on top of that and the AUM has been growing over time. And we are doing a lot of measures to improve but probably and grow that business. Those are a target that was announced on the Capital Markets Day, which was--

(Multiple Speakers) Well, we -- I think most close to billion in result of incentive that drive and say something about the growth -- and the NOK1 billion does include the performance fees. But nevertheless, we have a strong growth agenda within asset management, and the last one on (Technical Difficulty) couple of years now or couple of years (inaudible) with combined ratio numbers and that we are long term aiming for 90 to 92 which means that when we've had the combined ratio below that we've been able to adjust prices on certain products and to invest somewhat more in growth and what we have done one of the things we've done in terms of growth in the fourth quarter last year is to cooperate with a sales partner as an agent that is sending more insurance for us and that's negatively contributed earnings but positively thing contributed to the growth that is starting to pick up in the fourth quarter.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Okay Thank you.

Operator

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

Q - Blair Stewart {BIO 4191309 <GO>}

Thank you. Good afternoon. I've got three questions I think. The first one just drilling down into movements in capital requirements. I think it's on page 35 of the interim report, the capital requirements reduced in the year, but that was mainly due to the market elements, just wonder if strong [ph] perhaps you can go into the little bit more detail there and given equity markets have recovered. Does that capital requirement go back up? And I guess aligned to that and talking now about the possibility of additional capital release, the the 2021 guidance that I took to be twofold firstly, the 2021 was the date when you expect it to reach 180, but also that 2021 was a time where you expect it to be physically seeing the back-book rolling over and starting to release capital that way. So my question is when we get through to 2020 which is a year earlier. We may well be at the 180 threshold for solvency but will we really be seeing capital falling off the back-book at that time. Sorry, I hope that's clear.

And my final question was really just on the hold call liquidity and ss that something -- I think you've said in the past that you wanted to run that with around zero net debt. I just wonder if that's still still the target or what, how we should be thinking about additional liquidity that's been pumped into the hold call from the Life company and the dividend. Thank you.

A - Unidentified Speaker

Thank you Blair. On your first question regarding reduced stress levels from on the market amount. Yes, your correct right -- but even now strong equity markets -- so what will happen is that they will increase their holdings and unit linked business, that will generate more profitable business, and will increase the SCR stemming from that business.

So (Technical Difficulty) increased equity markets, we would both have more profitable business of that increase on EBITDA. And it will probably also have a negative effect on -- so this number from increased at the distressed levels, which is on all time low [ph] volume at this quarter in the 32.9%. I mean, know [ph] capital base (inaudible) 39%.

So there it is -- yes the other element is credit and you little bit have -- also positive contribution this quarter from increased the volatility adjustment that goes into that plan as well so you're perfectly correct up certain strong international markets we has increase the FTR from the markets stress.

Saying that, you should always bear in mind that in strong and equity market and strong credit markets that give more for -- capital, which is really positive to the result of the risk mitigation of the Storebrand Group, and that's partly here into the -- and I think, I mean I leave it there.

Operator

Okay. And the next question comes from Kevin Ryan from Bloomberg (inaudible). Please go ahead.Your line is now open.

A - Odd Grefstad {BIO 5483351 <GO>}

Sorry. We haven't answered the previous question.

Operator

Oh I am very sorry. (Technical Difficulty) transferring back the call.

A - Odd Grefstad {BIO 5483351 <GO>}

Yeah. when it comes to the next question Lara, which was of the release of the back book. There will be a release of the guaranteed back book. I think (Technical Difficulty) and the estimate (Technical Difficulty) of reserves. It either comes from that we are expected to the infrastructure to increase the forward rate which will then decrease a (Technical Difficulty) FTR and also now with strong equity market in the first month of 2019. I have also developed a new (inaudible) which also release the new system, the capital requirements from the (inaudible) backlog. So there will be a through reduction in (Technical Difficulty) the SCR coming from back-book.

A - Unidentified Speaker

But as we demonstrated, it's not a binary thing, it's the (inaudible) it gradually happens over time and we start releasing capital on the Swedish book this year. We start producing more capital from other places gradually next year and into the (Technical Difficulty).

Yeah. And when it comes to the (Technical Difficulty) it's through there we have (Technical Difficulty) roll up the aim for the life for a holding company. We use this opportunity now with the extraordinary results in the life insurance company, also due to the tax results to put some more cash in holding company. That is helpful when it to ensure that we are able to meet our obligation also going forward to have a normal growth in (inaudible) even it have a more weak year, and also it survive its position to be into to be able to also release capital above the normal results when it comes to taking up results from life insurance company based on over capitalization above 180%.

Operator

I do think it was to Blair Steward from Bank of America you line is open if you want to continue ask your question.

Q - Blair Stewart {BIO 4191309 <GO>}

Yes, thank you. Maybe I can just come back on the point of excess capital return. So just to be clear, so you think if all going well, you should be reaching 180 sometime next year. And there will be scope for some capital to be released from the back-book, although I think the point Lars, is that it is likely to be small and then that you've talked about that NOK10 billion, but that's going to ramp up over time, but presumably, you can also think about just paying a higher proportion of your earnings as a dividend, which we'd be just -- not adding the retained earnings to your to your solvency?

A - Unidentified Speaker

To answer on that, first of all of course -- anything equal -- this has been very strong year end comes to (inaudible) 22% points. We have guided on long term 10% to 12% growth in the solvency ratio annual. And with 50% payout dividend that is reduce 75% to 60%. And as you said the more you pay in out in the normal dividend of course the less, you will have to increase this solvency position to above 180%. So this is of course, how it works and based on these numbers our estimate is that we will need to post 2019 and 2020 to know in a normal situation reach above 180%. And there is a lot of impact -- that estimate of course. That is just being equal to what we discussed on Capital Markets Day with now 172% in solvency that is much better than we have when we have Capital Markets Day back in May. This seems everything equal to have become one year earlier compared to our guidance on Capital Markets Day.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay, thank you very much.

A - Unidentified Speaker

Thank you. Next question please.

Operator

And the next question comes from Kevin Ryan from Bloomberg Intelligence. Please get your line is open.

Q - Kevin Ryan {BIO 1814771 <GO>}

Thank you. I just had a question about the retail funds platform, please. Could you give us some guidance on whether the costs of that have now being fully expensed or whether we can expect some additional cost this year. And also can you offer some guidance as to how we should think about the volume from that platform? Thanks.

A - Unidentified Speaker

The regulatory framework in Norway change to (inaudible) in 2017. And we bid two platforms through to 2017 and 2018 one for Storebrand and one for SKAGEN, now that we have merged the two, we are writing off the investments in the Storebrand platform. The SKAGEN platform do have some costs that is on the balance sheet, and that will be written off over time and we'll continue to develop the joint platform together. So there is nothing extraordinary related to that. That's a normal development and adjustment to the market.

And in terms of volumes, this is a way to place your equity investments, whether it's equity investments directly or through mutual funds and it's a way to help individuals without large fortunes to be able to have the same benefits as if you were a wealthy individual and you had your own investment company where you could trade-in and out of equities without releasing tax. So this is the way to allow normal people to invest in equity based savings instruments without releasing tax when they switch in between the two. So the overall market for equity related investments should go up as a consequence and our aim together with the investment in SKAGEN is to have a number one position in that market over time. We currently have around 28% market share which we actually increased from about 25% market share in a growing market.

Q - Kevin Ryan {BIO 1814771 <GO>}

Thanks.

A - Odd Grefstad {BIO 5483351 <GO>}

Thank you. Next question please.

Operator

Ladies and gentlemen, there is no question at the moment. (Operator Instructions) We do have a quick response from Peter Eliot from Kepler Cheuvreux. Please go head. Your line is now open.

Q - Peter Eliot {BIO 7556214 <GO>}

Thanks very much. Just wondering if I could just clarify the timing, I mean I know it's very -- lots of uncertainties here --but I mean if you allow the recovery of markets at the start of this year and you are sort of 5 percentage points net of dividend guidance and everything seems I thought was sort of pointing towards the start of 2020, when you are in that position of 180% in a position start returning. What you said in answer to Blair question, you said you needed 2019 and 2020 to get there so that implies the end of 2020. So I'm just, just wanted to check whether this, we're talking about something different there or what that was. And then if I could ask another question, you reported a negative financial result in both unit linked pots and in retail banking. I'm just a bit surprised actually. I mean I didn't really expect to see financial results going through those. I just wonder if you could just explain what caused that. Thank you.

A - Odd Grefstad {BIO 5483351 <GO>}

Despite with the guiding, I must apologize, with my English also with computing error [ph] And also I didn't mean to say it was in end of 2020 or in the middle 200. I think it's very difficult to be as precise as that when it comes to really the solvency. But it's more like saying that adding, while 5 percentage points solvency in 2019, will move us up to around 170 and 778 and then you will also need to have some time in 2020 to reach up to 180% solvency. So that is again (inaudible) a lot of moving parts into that at least. But that is the thinking anyway, when it comes to price to expect. [ph] With respect to the negative financial return and you think and banking, there is one product with -- a small product with a limited interest rates guarantee was float [ph] in the unit-linked platform. For technical reasons, which has the negative contribution in the fourth quarter usually not expect that going forward, but that was what was booked in the fourth quarter.

With respect to the bank in the negative financial return there, it's related to a way to account for the -- you know IFRS 9 and the way you account for losses in the book, where we made a model change, which increases the reserves for the -- in the bank. So it's not related to any change in the expected losses, but an adjustment to the IFRS 9 regulations, as to how you model or how you reserved for losses and read that portfolio.

Q - Unidentified Participant

Okay. Thanks a lot.

Operator

And 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. A quick follow-up. I just noticed on Bloomberg that Storebrand bank is planning an 81 and subordinated debt issue, is it just normal refinancing or are you planning on changing the capital structure in the bank and maybe upstreaming more dividends out of there? Thanks.

A - Unidentified Speaker

It's just normal refinancing.

Q - Matti Ahokas {BIO 2037723 <GO>}

Got it, thanks.

Operator

(Operator Instructions) There are no further questions coming through. So I would hand the call back to you. Thank you.

A - Unidentified Speaker

Thank you very much. Before, we end I would like to remind you that we will be present in London tomorrow and we hope to see several of you there. Thank you very much.