Q4 2015 Earnings Call

Company Participants

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

Other Participants

- Andrew Sinclair
- Francesco Seok yoon Yeo
- Jonny Urwin
- Matti Ahokas
- Peter D. Eliot

MANAGEMENT DISCUSSION SECTION

Operator

Good afternoon, ladies and gentlemen and welcome to the Storebrand Analyst Conference Call. My name is Anna and I will be your coordinator for this meeting. For the duration of the call, you will be on listening only. However, at the end of the presentation, you will have opportunity to ask question.

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

Kjetil Ramberg Krøkj {BIO 22006130 <GO>}

Good afternoon, ladies and gentlemen. Welcome to Storebrand's fourth quarter 2015 conference call. My name is Kjetil Ramberg Krøkje and I'm Head of Investor Relations at Storebrand. Together with me, I have Group CEO, Odd Arild Grefstad; CFO, Lars Løddesøl; Finance Director, Sigbjørn Birkeland; and Head of Economic Capital, Trond Finn Eriksen.

In the presentation today, Odd Arild will give an overview of the developments in the quarter and 2015 and Lars will give some more detail on the some elements in the results. The slides will be similar to the analyst presentation released this morning and are available on our webpage. After the presentation, the operator will open up for questions. To be able to ask questions, you need to dial into the conference call.

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

Odd Arild Grefstad {BIO 5483351 <GO>}

Thank you, Kjetil. Storebrand delivered group result before amortization and longevity resource strengthening of NOK 275 million for the fourth quarter and NOK 1.762 billion for the full year. The result is affected by significant special items during the quarter, as we announced in a press release on January 28. And Lars will come back on this in more detail later.

The operation of Storebrand is showing strong underlying growth in fee and administration income, which grew by 8.2% points (sic) [8.2%] (2:10) adjusted for currency effects and discontinued business. On the right-hand side, you see some key figures from 2015.

We are experiencing strong customer and premium growth in the Insurance segments. Premium grew by 17% with strong sales of individual P&C. We are also experiencing strong growth in non-guaranteed pensions and premium growth in 2015 was 25%.

In the fourth quarter, we decided to charge the result (2:55) with the expected amount of the remaining reserve strengthening for longevity. In total, we have reserved almost NOK 1.8 billion in 2015. Two years have now passed since we entered into the reserve strengthening scheme with a need of NOK 12.4 billion, of which now 83% is completed.

The estimated Solvency II margin for the fourth quarter is 168% with transitional rules, which is an increase from the 146% in the third quarter. The estimated Solvency II margin, without transitional rules, is 124%. I will get back to these figures in more detail, later on in the presentation.

Let's then move to slide number three. Adaption to Solvency II and reserve strengthening has affected Storebrand in the past three years to five years. The transformation and adaption of our business towards Solvency II has been strong and it has been our core focus for us to do this without asking our shareholders on additional capital.

Storebrand has successfully entered Solvency II without raising new equity and now has a strong solvency position, over 168% including transitional rules and 124% excluding transitional rules. As previously mentioned, the expected equity charge for longevity is also finalized in this quarter. This further shows that the company is returning to a normalized situation and we expect also the underlying Solvency II to increase ahead.

There is still of course challenges ahead, in particular, relating to the management of the guaranteed reserves in a low-interest-rate environment. And we see strong market preparations, especially in the first quarter of 2016, with falling shares, with falling interest rates and also increase in credit spreads. There is also a remaining of NOK 2 billion in longevity reservation to do going forward.

With these factors given, the board of directors have proposed no dividend for 2015, but plans to pay a dividend for 2016.

Let's then move to slide number four, that's showing that Storebrand is in a fundamental transformation and that we have still work of course with also handling our guaranteed balance sheet going forward while we also will make sure that we continue the strong growth within Savings and Insurance.

Moving down to slide number five, longevity. We see that we are very satisfied with having reserved the total of NOK 10.2 billion of the NOK 12.4 billion in the need for longevity. And this is done now in two years out of the seven years we have to do this reservation strengthening. We have also substantially built buffers to assure that we will both meet our interest rate guarantee going forward and also meet the remaining longevity reservation needed.

By having charged the reserve with about NOK 1.8 billion for longevity strengthening in 2015, we expect that the owner's share of the longevity strengthening is now completed.

Moving down to slide number six, we have divided the paid-up policy back book into four different segments. And we have allocated held-to-maturity bonds in these different segments and three of them actually have from 60% to 90% in asset allocation through what is held-to-maturity bond portfolio.

This is the main reason why we expect to have about or around 4% in return in this portfolio for the next few years. After 2020, the interest rate guarantee drops to 3% and we also have in 2015, (8:02) NOK 16 billion of new held-to-maturity bond portfolios with a yield above 3% and at 13 years average life. And that is done of course, as you understand, in a low-interest rates environment, and this is in average a AA-rated bond portfolio. In total, this portfolio is now above NOK 100 billion and will be in average on our books for the next eight years.

If we then move to slide number seven, the Solvency II positioning in Storebrand has been strengthened by 22% points to 168% at the end of 2015. Excluding transitional rules, the solvency margin is 124%, 20 percentage points strengthening from Q3. The development in the solvency position from third quarter to the fourth quarter is affected by several factors. There is of course positive results. There is also this change in the interest rates curve in SPP as Lars will revert to. And there is also a change in the modeling of tax.

There's also some factors that has affected the solvency ratios negatively. One example is that we have changed the modeling horizon from 30 years to 60 years. The most important (9:42) is that we have changed our accounting for tax effects, going into the Solvency II stress.

Storebrand has not previously accounted for this in our book, and including this tax stress, it leads to a strengthening in the solvency position for the group at approximately 17 percentage points.

Another effect of improved modeling is that the sensitivity in the Solvency II numbers is reduced. We are well aware that there is of course volatile financial markets in 2016; as I have already mentioned, stocks and interest rates have fallen and credit spreads has increased. This has of course, as we see from these sensitivities, an effect on our Solvency II numbers in the first quarter of 2016.

If we then move to slide number eight, as you know, we have working with the cost for a long time and we continue doing that in a very strong way going forward. We delivered a cost reduction of NOK 400 million between 2012 and 2014.

On our Capital Markets Day we launched a cost/income target of 60% to balance the need for a high cost discipline and growth in Savings and Insurance. In 2015, Storebrand has increased costs due to increased number of staff within Insurance and Savings, as well as costs related to restructuring. But adjusted for this restructuring cost we have a cost/income level of below 60%.

During the fourth quarter, restructuring was implemented in the (11:49) in Norway and Sweden. And that led to a workforce reduction of about 80 employees. We see that in relation to the sale of Storebrand Baltic, the number of employees in Storebrand is dramatically reduced, and we also moved from a fixed cost base and transformed into a variable cost base.

In 2016, we begin the process of transferring business processes and IT to our strategic partner Cognizant. This will result in additional restructuring cost in 2016. However, it turns into a situation where it will be lower cost in 2017 and 2018. So we are now guiding on a lower cost base in 2018, compared to the nominal cost base in 2015, and this is the same as NOK 300 million to NOK 400 million in (12:53) cost reduction.

Moving into slide number nine, we see that the growth is coming through in Savings and Insurance. I already talked about the growth within Insurance, and we see also strong growth here in Unit Linked reserves of 22%, driven by growth in premiums of 25%; also NOK 4.7 billion in conversion from paid-up policies into investment choice. And this is done in a market that has been somewhat weak when it comes to financial markets in 2015.

We also see strong growth of our Asset Management business of 7%. And it's also very encouraging to see that the growth within our banking activities is now picking up. Retail Banking is instrumental in the success in our private market strategy going forward.

Then, let's move to slide number 10, where we see that the growth in premiums in Unit Linked has been strong in 2015. We met the level of more than 50% premium in (14:16) within non-guaranteed in 2014. This trend has continued very strong in 2015. And we are also very happy to see that a lot of very important customers in Norway and Sweden has chosen Storebrand as their pension provider during 2016.

The last slide for me is slide number 11. It shows very much the same picture as we have already talked about, the switch from guaranteed business into non-guaranteed Savings and Insurance. And the waterfall to the left is showing that the income reduction in Guaranteed Pension and it comes from discontinued business in the public sector, but it's more than taken up by the growth of the Savings area where we have strong growth in 2015.

So, by that, I give the words to Lars to take us through some of the numbers.

Lars Aasulv Løddesøl

Good afternoon, everyone. I will start on page 13 and I will only comment on two pages, but I will spend some time on the first page, page 13, to help you understand the numbers. As with the 2014 and 2015 numbers, we're significantly impacted by one-off effects. I have, in this first page, 13, Storebrand Group – adjusted, tried to normalize the results above the line and then explain the special effects under the line here. So, let's start with fee and administration income. And one more comment, I will comment on the full year numbers, as the quarterly numbers are impacted by some periodic effects. So, the full year numbers for 2015 versus 2014.

Fee and administration income, as Odd Arild said, adjusted for currency and discontinued business is up 8.2%.

The risk result for life and pensions is down significantly from 2014 to 2015. In 2014, we could take into the income the risk-adjustment fund. That was not possible in 2015 for regulatory reasons, and instead, the risk adjustment or risk utilization fund has been used to strengthen longevity reserves.

The insurance premiums are up significantly from 2014 to 2015, up by 17% but the claims are up significantly as well. Netting these two effects, we see there is a strengthening result from these two lines of NOK 31 million. The operational cost is up by approximately NOK 150 million, that is less than the combination of normal inflation and a strengthening Swedish krona versus the Norwegian krone. So, we have been able to keep a relatively good cost control, hiding the fact that we have made significant investment in new customers and digitalization and we've been reallocating resources in the group.

The financial result is significantly down from NOK 349 million to NOK 73 million, and that is the result of lower return on company portfolios in Norway and Sweden, where we are impacted by the low interest rate environment in both countries. In 2014, we benefited from falling interest rates in terms of increased bond values and also a much higher interest rate level into the year. During 2015, we've been hurt by a low-interest-rate environment throughout the year, with Swedish rates stabilizing below zero and Norwegian rates stabilizing at a low level.

That gives a more normalized result before profit sharing and loan losses, falling from NOK 2.6 billion to NOK 2.2 billion from 2014 to 2015. Then we have net profit sharing and loan losses and the result – the fall in the result here comes primarily from profit split in the Swedish operation, where again, there was a benefit during 2014 of falling rates, giving loan price gains and also gains from the equity markets. This has not been the case in 2015 and the results are significantly weaker. Of the NOK 480 million in difference here, NOK 460 million is due to the lower profit split in this Swedish operation.

That gives a result before amortization, write-downs and the special items, falling from just sort of the NOK 3 billion to a little more than NOK 2 billion.

The special items are as follows; we have strengthened disability reserves in the Norwegian operation by NOK 100 million in the fourth quarter of 2015. In 2014, there was a release of reserves, especially from the Swedish operation, of NOK 224 million, weakening the overall risk result and risk reserves by NOK 324 million. On the operational cost side, we've taken NOK 97 million in a charge for laying off people and reorganization in 2015, whilst in 2014, we discontinued the defined benefit scheme we had for employees in Norway and that released pension liabilities of NOK 571 million.

Then we have a financial result, minority share result. We sold a large property in Norway, actually in January. But the part of the profit that went to a minority shareholder is, for accounting purposes, taken into our result and then it's taken out again, as the minority shareholder result, so we're deducting that here, or adjusting for that as a special item.

And then last but not least, in the Swedish operation, we've done two changes to our assumptions. We have taken the discount curve that we use for the accounting purposes and made that the same as the one we use for solvency purposes. That has – by using a lower interest rate curve to discount liabilities, the liabilities have increased in value. So, that gives a negative effect in the accounting result. We have also made changes to the cost allocation between traditional products and non-guaranteed products and between sales and maintenance of the product portfolio; that has a positive effect. The net effect of the two is NOK 265 million loss in the fourth quarter. However, that should also be seen in the context of improving results in the long term going forward, and it's part of the management actions that we do to make the company well prepared for Solvency II.

Then, below the – or the last line on this page is the provision for longevity. By taking NOK 1.764 billion in a charge for 2015, we basically take away all the expected charge to shareholders of longevity strengthening for the future and we can now – we no longer have the NOK 90 million or NOK 90 million to NOK 114 (22:45) million that we've had in charges towards the shareholders' result on a quarterly basis for the last couple of years. This has now been neutralized by this one-off charge.

On page 14, very briefly, it's the same results put together, the special items and the normalized items put together. In addition, we show here the result before tax and the tax which is a positive contribution in the quarter and for the full year 2015. That is a result of a risk management within our real estate portfolio that we have, where we've dissolved some holding companies as part of our risk management structure. These holding companies had a tax loss which then benefits the company results as a tax carry-loss-forward release giving a positive tax result for the quarter and for the year 2015.

And following page 15, that's broken into the three main business areas, Savings, Insurance and Guaranteed Pensions, where Savings is developing very well, adjusted for these one-off items. Insurance is relatively stable, while Guaranteed Pensions continues to be in run-off and with lower results. And that finalizes the introduction from our side and we are opening up for questions.

Q&A

Operator

Thank you. And the first questions come from Peter Eliot from Kepler Cheuvreux. Please go ahead. Your line is now open.

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

Thanks very much. I have three questions please, actually. The first one was on the dividend where you said you plan to pay one for 2016. I guess, I'm just trying to interpret a little bit how we should think about the plan. So I'm thinking, if it's a certainly firm intention then I'm just sort of wondering why - I'm kind of struggling a little bit, a token dividend for 2015 wouldn't really have changed much in the scheme of things, in terms of the balance sheet. But - I guess, it would have been taken very well. So I'm just wondering whether that's a sort of hope for 2016 or a reasonably firm intention?

The second thing was on the paid-up book. I think that's grown sort of 12% versus the previous year, and particularly in Q4 seems to be quite high, the increase. I had understood from previous guidance that Q4 - sorry, the Q1, well, the start of the year, could seasonally show quite a lot of growth, but thereafter, it should be fairly muted. So I'm just wondering what we should expect there going forward and if there is anything you can do to reduce that growth rate.

And then, finally, if I can fit in one more. You've shown some very helpful sensitivities in terms of the running yield in the next five years and you mentioned about the eight-year average duration of the liabilities. But I'm just wondering, for the tail, is there any sort of sensitivity you can give, or have you done sort of work on what reinvestment rates you would need over the long term to keep being able to pay that and how that compares to current new money rates? Sorry for the length of those, but thanks very much.

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

Well, thank you. Let's start with the dividend discussion. It's very clear that we looked upon our Solvency II numbers in the end of 2015 as strong numbers. I'm very satisfied with the development of our Solvency II position during the year and now by the start that we're seeing in the first quarter of 2016.

And of course, there is also, as you see from the sensitivities, quite a strong impact on falling interest rates, in combination with falling shares and also credit spreads widening as we have seen in the fourth quarter. So, and you should think about this as a situation where we now are entering into a position where we are able to pay dividend, that there has been two long periods that Storebrand has not been paying a dividend. But when we start paying a dividend again that is of course meant to be for every following years going forward. And we like to be very unsure (sic) [sure] (28:05) that we're able to fulfill that commitment. And you just look upon the guiding from the board here as a clear signal. They have never said this before; I think when they came out with these kind of numbers, what they guided on, they have a clear intention of paying a dividend for 2016.

A - Kjetil Ramberg Krøkj {BIO 22006130 <GO>}

Shall we then move to the next question?

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

Yeah, on the reinvestment rates, I guess Lars touched upon on it, on new money rates (28:45). We've done NOK 16 billion in the hold-to-maturity portfolio now at about 3% level and that is of course with today's interest rates, and we view that as sufficient to cover the risk, the reinvestment risk in the guaranteed portfolios as of today.

I think this is a very important topic. Of course what we have done now is to invest to ensure our paid-up policy portfolios in the period around 2025 to 2030, and we know that the interest rate guarantee (29:27) down below the 3% level, and we have been able to invest NOK 16 billion in average of 3.1% in 2015, and that is still with average of the total portfolio, AA-rated portfolio. And of course, credit spreads is also increased, so we see that we will have opportunities also to fill up in the held-to-maturity bond portfolio during 2016.

A - Lars Aasulv Løddesøl

And with respect to the paid-up policy growth, it's correct that there's strong growth in the fourth quarter as a consequence of certain companies converting there in the fourth quarter. I don't have a specific – I can't be a lot more specific than that. We have guided that we think that there will be approximately NOK 8 billion in additional paid-up policies coming out of – or coming in 2016. So you will see continued growth in the paid-up policy book for the next few years.

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

Okay. Thank you very much.

Operator

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

Q - Matti Ahokas {BIO 2037723 <GO>}

Yes. Good afternoon. It's Matti Ahokas here from Danske. Three questions, please. I want to follow up on Peter's, the dividend side. I'm just looking at your dividend policy and obviously also some of your peers have said that a kind of payout ratio, IFRS-based payout ratio probably doesn't fit this world, especially taking into account you haven't paid a dividend for many years, even though the payout policy would have suggested one. So the question is, basically, are you considering about changing the dividend policy for example at the Capital Market Day, in order for us to get a bit more kind of clarity on what are the key drivers there or is it just still the 35% of profits before amortization.

The second question is regarding DB Norway, the fee and admin income was up quite a lot quarter-on-quarter, was it just that Q3 was unusually poor or why was it so strong? And then also on the Unit Linked Norway, the operational cost was up, I guess, for the reserve increases but could you give us the figure for Unit Linked Norway please? Thanks.

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

Just a comment on the dividend again, I think you're absolutely right that the new regime now and bringing in to (32:16) Solvency II fully makes it very clear that we need to look into the dividend policy and we will do that and we will of course be much more clear on the capital position and situations and how to look at these issues when we come back to you on the Capital Markets Day.

Yeah, on the DB margin that was a little bit stronger in the fourth quarter but overall a little bit weaker for the full year. And it's a little bit weaker for the full year since a lot of the public sector contracts have moved out and there is of course some cost base still left. So that's, I guess, the main explanation.

A - Lars Aasulv Løddesøl

And in terms of growth, the defined benefit premiums are significantly low quarter-by-quarter throughout the year.

Q - Matti Ahokas {BIO 2037723 <GO>}

But the income was up quite a lot so is it the kind of – one should be looking at the full year average as a normal run rate or...

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

Yeah, I think the [Technical Difficulty] (33:26) average is a better proxy than looking at the movement from the third quarter to the fourth quarter, which is more of a periodization effects on the piece.

Q - Matti Ahokas {BIO 2037723 <GO>}

And then Unit Linked Norway operational cost was up; how much of this was related to reserve increase, and I guess it had to do with that a bit?

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

Yeah, we have set out – or on the webpage, Matti, there is an excel spreadsheet, which divides the restructuring costs down on the different sub-segments, so there it's disclosed per sub-segment.

A - Lars Aasulv Løddesøl

In addition, there were increased sales bonuses in that area in the fourth quarter, as a result of very good sales during 2014, and also somewhat higher marketing spend.

Q - Operator

– [073K51-E Matti Ahokas]: Great. Very helpful. Thanks.

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

Q - Jonny Urwin {BIO 17445508 <GO>}

Good afternoon. Thanks for taking my questions. I've got two. The first is just a point of clarification really, I mean, I hopefully (34:39) spoke to the IR department about the tax treatments announced on January 28, just to do with the real estate portfolio being sold. I guess I'm just struggling here a little to see how the DTA has arisen just given there's been no economic losses as far as I'm aware. You sold down the assets, but you transferred the money up as dividends and then it just seems that there is a loss on the tax accounting, but not economic (35:05) and my somewhat basic understanding of tax legislation is that normally that follows substance rather than form whereas here it seems to be following the form. So if you could just talk a bit about that, that will be very useful.

Secondly around credits – clearly, it's become a bigger issue for the sector this year. And we still don't have any sensitivities from Storebrand to credit spreads, or defaults. So I was just wondering if you could perhaps give us a steer on this, and also comment that it would be a great to get some of these sensitivities as soon as we can. So those are my two. Thanks very much.

A - Lars Aasulv Løddesøl

Okay. If I start with the tax. You have a fair point. However, the way the – when we sold down in real estate a few years ago in order to efficiently reinvest the funds in bonds and equities, we were allowed to take a dividend around some holding companies where you then booked a tax loss. When this holding company has been dissolved since then that is the tax consequence. I agree that this is strange, but there is an asymmetry in the way they handle tax for life companies and non-life companies in the Norwegian legislation, and this is a consequence of that asymmetry. I agree that it's not necessarily logical, but it's a consequence of the tax legislation, and this has been fully transparent the whole way and the dividends that were taken and the way they were taken were approved by the authorities at the time they happened. So this is not any fixing of the books or anything, it's a consequence of the tax accounting, the way it works in Norway.

Q - Jonny Urwin {BIO 17445508 <GO>}

And that's helpful. Thank you. And so the dividends have been approved by the authorities, and has the tax treatment also subsequently been approved by the authorities, or is that pending?

A - Lars Aasulv Løddesøl

No, but it's fully transparent in the way we have reported to the tax authorities and we expect them to look at this in the light of the big effects (37:34). But we also – and we also have third-party opinion, clarifying that this is the consequence of something we've done operationally. And sometimes, you get negative tax effects and in this case we got positive tax effect of something that was done operationally to improve the business.

Q - Jonny Urwin {BIO 17445508 <GO>}

Okay. Thank you.

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

When it comes to your question regarding sensitivities on credit, I can confirm that will be presented on the Capital Markets Day.

Q - Jonny Urwin {BIO 17445508 <GO>}

Okay. And can you give us any sort of steer for now?

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

What I can say is that most of our portfolio in Norway is in the held-to-maturity bond portfolio that really reduces the credit risk element in Solvency II. So, it's more on the mark-to-market bonds that we are carrying in Sweden, and also partly in Norway, but maybe jump in if you...

A - Operator

I mean operational, this is of course, it gives us good reinvestment opportunities. So, if the higher credit spreads doesn't reflect the higher default risk, then of course this gives better reinvestment opportunities in the market. When it comes to the solvency position credit spread widening will of course be negative on the solvency position.

However, as Odd Arild is saying, a lot of this risk is actually (39:17) the hold-to-maturity bond portfolio, but we will come back with the different sensitivities on the Capital Markets Day.

Q - Jonny Urwin {BIO 17445508 <GO>}

Okay. Thank you.

Operator

And we have another question from Matti from Danske Bank. Please go ahead, your line is now open.

Q - Matti Ahokas {BIO 2037723 <GO>}

Yes. Thanks. Just a follow-up. Could you give us some guidance on where would the full Solvency II ratio stand as of today? I know you've given some of the sensitivities, but it would be helpful if you could point us to a figure? Thanks.

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

Well, I think it's fair to say that this is quite complicated element, so altogether (40:08). We will do that of course on a quarterly basis. We try to also get the more monthly basis calculations and are doing that in a better way as we go along. I think for this time being, it's more for us to look at the sensitivities that we have provided and of course we have provided the sensitivities (40:38) the most important ones. And basically, you can see that almost half of our stresses that we have shown in both the interest rates and when it comes to shares has actually occurred during the first quarter. So that means that you of course can look at the impact of that, and that will, well, I think it would be close to 10% points in itself. And on top of that, you will also see some impact from credit spreads and also a combination of this is something different than just a single stress in itself. But I think that is the most I can say about this sensitivities by now, as such.

Q - Matti Ahokas {BIO 2037723 <GO>}

All right. Thanks a lot.

Operator

The next question is coming from Jonny Urwin from UBS. Please go ahead. Your line is now open.

Q - Jonny Urwin {BIO 17445508 <GO>}

Just a very quick follow-up. Thank you. I was wondering if you could tell us anything about the status of the SCR ex transitional year-end (41:48) – just how much it was, that would be really helpful. I mean we had some disclosure around it, if I remember, it was Q3 2014 but we haven't had much since then so if you could give us a steer, that would be great.

A - Operator

The SCR as of Q4 was NOK 28 billion.

Q - Jonny Urwin {BIO 17445508 <GO>}

Sorry, could you repeat?

A - Operator

NOK 28 billion.

Q - Jonny Urwin {BIO 17445508 <GO>}

NOK 28 billion. Thank you very much. Thank you.

Operator

And the next questions come from Andrew Sinclair from Bank of America. Please go ahead. Your line is now open.

Q - Andrew Sinclair {BIO 17749036 <GO>}

Thanks very much everyone. Just one question actually. Just looking at your dividend guidance around the 35% payout ratio, essentially under normal conditions, I just really wondered now that we have the shareholder contribution to the longevity buffer building complete, what is – to prevent this from being taken as normal conditions now, with the market volatility that we've had recently, I mean that (42:43-42:48) you would consider this to be still abnormal conditions? Thanks.

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

Well, as I said, we will guide more on this when we come back to the Capital Markets Day. I think it's a fair statement that we now have finished shareholders' portion of longevity reservation. Although, it is still NOK 2.2 billion left before we have finalized the total longevity reservation, means that we need to ensure that we take the surplus the customers return over the next years to also build the remaining 17% of this longevity reservation. And...

Q - Andrew Sinclair {BIO 17749036 <GO>}

And sorry, just following on from that, about how long do you expect that to take for that further NOK 2 billion to be built?

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

Well, that is very much I think – you see that there is strong buffers that is possible to utilize to do this. So it can be done quite soon, but then again, we have a five years' horizon on it. And of course, some contracts have higher guarantee and also low part still that is being fulfilled with the longevity. So I think that if you ask from a straight risk management point of view, we should use some time to finalize this and ensure that we have the buffers available, both for low interest rate levels in itself or the interest rate guarantee and for the longevity reservation. But it is likely that if we need them – if we like to do, we can fulfill this reservation on the remaining NOK 2.2 billion much faster than this remaining five years.

Q - Andrew Sinclair {BIO 17749036 <GO>}

Okay.

Operator

And the next questions come from Francesco Yeo from Deutsche Bank. Please go ahead. Your line is now open.

Q - Francesco Seok yoon Yeo {BIO 19417819 <GO>}

Hi. Thank you for taking my question. I have a really quick one, as a follow-up to the question posed by the gentlemen from UBS regarding the SCR figures. And I was wondering, so of that NOK 28 billion that you've disclosed for Q4, can you provide a breakdown or are you in a position to provide a disclosure as to how that breaks down into various risk sub-modules in terms of life, non-life et cetera. And this is – if you cannot today at least, is this something that we could expect going forward? Thank you.

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

I think that's a good question and I think it's something that we will prepare for the Capital Markets Day and present on.

A - Kjetil Ramberg Krøkj {BIO 22006130 <GO>}

And I would also like to add that if you look at the Capital Markets Day for 2014, the SCR is broken down by risk pipeline, it's a probably a good rough guidance on what it is now as well.

Q - Francesco Seok yoon Yeo {BIO 19417819 <GO>}

Thank you.

Operator

Ladies and gentlemen, we will do one reminder. There are no questions coming through. So I will hand the call back. Thank you.

A - Kjetil Ramberg Krøkj {BIO 22006130 <GO>}

Okay. Well, before we end up, I would just like to remind you all that we are present in London tomorrow at 14:00 (46:26) and I hope to see some of you there. And lastly, I would like to remind you that are holding our Capital Markets Day on May 13 in London. So if you like to attend, please go and register on our website. And I think with that, we say thank you, and have a good afternoon.

Operator

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