FY 2020 Earnings Call

Company Participants

- Daniel Sundahl, IR
- Kjetil Krokje, Head of IR
- Lars Loddesol, CEO
- Odd Grefstad, CEO

Other Participants

- Ashik Musaddi, Analyst
- Blair Stewart, Analyst
- David Baker, Analyst
- Hakon Astrup, Analyst
- Jan Gjerland, Analyst
- Johan Strom, Analyst
- Peter Eliot, Analyst
- Roy Tilley, Analyst
- Thomas Svensson, Analyst
- Vegard Toverud, Analyst

Presentation

Daniel Sundahl {BIO 20548519 <GO>}

Good morning, ladies and gentlemen. Welcome to Storebrand's Fourth Quarter Results Presentation for 2020. My name is Daniel Sundahl, I'm Head of Investor Relations. As usual, we will start with CEO Odd Arild Grefstad giving you the biggest highlights of the quarter. Lars Loddesol, our CFO, will follow up with a deeper dive into the numbers. At the end of the presentation, we will open up for Q&A. Let me remind you that to ask a question, you need to be dialed in to the conference call. Details are found on the IR website or in the stock exchange notification of this morning. With that, without further ado, I give the word to CEO Odd Arild Grefstad.

Odd Grefstad {BIO 5483351 <GO>}

Thank you, Daniel. Good morning, everyone. Despite the outbreak of the COVID-19 pandemic at the beginning of the year, Storebrand has been close to fully operational during 2020 and has been able to execute on strategic initiatives according to plan.

As a fully digital organization, Storebrand quickly adapted to a remote work environment. It has been essential to secure Storebrand's critical operations and to support customers with what they need, when they need the services the most. We recognize that some customers and industries are experienced challenging times, and we will continue to do what we can to help.

For the Fourth Quarter, the Storebrand Group delivers its strongest quarter on record driven by continued growth in savings, assets under management and insurance premiums. The group's profit grew by 19% to NOK 1.225 billion in the Fourth Quarter. Group profit before amortization for the full year was NOK 2.711 billion. The solvency ratio was 178% at the end of 2020, an increase of 2percentage points from the end of 2019. This is well above our targeted level of more than 150%. The solvency ratio without transitional rules was 166%, corresponding to an increase of

16percentage points during the last quarter. Positive investment returns as well as strong group profit after tax, together with increased interest rate levels, strengthens the solvency ratio in the quarter. The Board proposes an ordinary dividend of NOK 3.25 per share for 2020, corresponding to a payout ratio of 65%.

Storebrand once again ranked the world's most sustainable company in the insurance category in the Global 100 ranking by Corporate Knights. Storebrand was also included in the Dow Jones Sustainability Index, ranking the group as one of the world's top 10% most sustainable listed companies. This is an important recognition of our long-term systematic work on sustainability.

Moving to Storebrand's strategy. Storebrand follows a twofold strategy that gives a compelling combination of self-funded growth in the front book called Future Storebrand and a capital return from a maturing back book of guaranteed pensions. Storebrand aims to be the leading financial services.

The combined synergies stemming from capital, customer base, cost and data across the group provides a solid platform for profitable growth and value creation. The ambition is to deliver a profit before amortization and tax of about NOK 4 billion in 2023. Storebrand also continues to manage capital and a back book with guaranteed product for capital release. All this together leads to a dividend policy of growing ordinary dividends from earnings as well as an estimated capital release of NOK 10 billion towards 2030.

The only way to ensure a better future is to take part of creating it. That's why we firmly believe in sustainability as a differentiator. The group's strategy is to lead the way in sustainable value creation. Our digital leadership and technology platform also represent a strategic differentiator well suited to accelerate further growth.

Moving to growth in more detail. Unit Linked assets under management grew by NOK 48 billion compared to the Fourth Quarter 2019. This represent a growth of 22% in 2020. Unit Linked premiums amounted to NOK 5.2 billion, growing 13% compared to last year. The growth in Unit Linked Savings is driven by premiums from existing clients, new sales, investment return and increased savings rates. Both the Swedish and the Norwest Unit Linked business managed now more than NOK 100 billion of pension assets each. Asset under management increased by NOK 131 billion to NOK 962 billion in 2020. This represents a 16% growth.

Within Insurance, the annual portfolio premium grew by 18% compared to the same period last year. At double-digit growth across all product lines, the reported combined ratio is 87% for the Fourth Quarter.

If we divide net flow in assets under management into internal and external assets, we recognize a net positive flow of NOK 7 billion from internal clients. That is mainly our 2 life insurance companies in Norway and Sweden. While the Unit Linked products, the Future Storebrand represent NOK 18 billion in net inflow. The more capital-intensive guaranteed products in runoff faced an outflow of NOK 11 billion. This sums up to NOK 7 billion in inflow from internal clients.

When it comes to net flow towards external clients, 2020 has been a very strong year. We have seen successful sales to external clients leading to net inflow of NOK 45 billion with especially strong sales within alternatives. This gives confidence in building Storebrand Asset Management as a Nordic powerhouse for further growth.

2020 have also demonstrated Storebrand's strong performance in both active funds and pension portfolios. Storebrand has outperformed our pension competitors in the Norwegian market. This gives us a strong position in the market for individual pension accounts with a strong track record and a leading position within sustainability. Storebrand is the only provider that also offers individuals, private equity and real estate as a part of the pension allocation.

I'm also extremely proud of some of the flagship funds delivering strong return to our customers. Here, we see a set of brands like Storebrand SPP, Delphi and Skagen delivers very strong performance across different categories like global funds, emerging market funds, Norwegian equity as well as more specialized sustainability funds like global solutions. This also contributes to strong performance fees, and really proves the value of active managed funds.

Through Storebrand's climate strategy and our membership in the Net Zero Asset Owner Alliance, we are committed to transforming our investment portfolio to net zero emissions in 2050. This is consistent with a maximum temperature rise of 1.5-degree Celsius. We also set short-term targets by 2025, reducing the emission from Storebrand's group equity, corporate bond and real estate investment by at least 32% compared to 2018. We have also targeted solutions to be 15% at least of our total investment by 2025. This includes equity investments in solution companies, green bonds certified green real estate and investments in green infrastructure.

Lastly, Storebrand will engage with clients and offer solutions that make it easy for them to understand and contribute to a low-carbon future by increasing investments in projects, companies and assets that actively contribute to mitigation and adaption to climate change. With that, I will say thank you. I give the word to our CFO, Lars Loddesol.

Lars Loddesol {BIO 3969188 <GO>}

Thank you, Odd Arild. The Fourth Quarter of 2020 was another good quarter for Storebrand. Operating results for the second half of the year are back on track after a bumpy first half. The operating results for the Fourth Quarter was NOK 709 million and is the best in the history of the company. In addition, the financial result was strong at NOK 298 million, and the performance-related result ended at NOK 217 million for the quarter, following good returns for our clients. The result before amortization and tax ended at NOK 1.225 billion. Earnings per share after-tax adjusted for amortization is strong at NOK 2.13 per share. The regulatory solvency is stable at 178%.

Following good returns in all of our portfolios, customer buffers are at record levels, securing returns to policyholders and protecting shareholders' capital. The solvency capital remains at a strong level. Lower cost contributes to a 1percentage point improvement under assumptions. The regulatory stress factor for equities have gone up following strong equity markets, pulling the solvency down by 6percentage points. Higher interest rates pulls the solvency up by 10percentage points. The Norwegian 10 years operate ended the year at 1.29%, up 39 basis points in the quarter. The Swedish 10 years swap rate ended at 0.39%, up 9 basis points in the quarter.

Strong financial markets in general, primarily credit spreads, equity markets and real estate, contributes another 10percentage point in solvency. Last but not least, strong Fourth Quarter results created 3percentage points of solvency, while 2percentage points have been set aside for dividends. The increase in interest rates in the quarter reduces the contribution of transitional capital created 3 points have been set estate, contributes percentage points to 12percentage points, bringing the solvency ratio to 178%.

The full year movement shows a negative contribution from interest rates as well as regulatory factors like lower volatility adjustment and lower UFR or ultimate forward rate. This was countered by concrete actions and good results. Under model improvements and assumption changes, there are 3 elements: better risk management, dynamic pricing models and lower cost. Result generation is self-explanatory. Transitional capital of 10percentage points make up for only about 2/3 of the solvency lost due to lower rates. The regulatory solvency shows resilience and stability after an unusual year.

This picture shows the stability in the regulatory solvency together with an improved underlying solvency. Furthermore, the sensitivities show an overall resilience to different market movements. Despite this, we know from solvency movements earlier last year that we may experience basis risk between volatility adjustment and credit spreads, disconnect between equity returns and equity stress and twists in the interest rate curve that can cause effect not fully captured by these sensitivities on a quarterly basis.

Fee and administration income is up 7% in the quarter and year-to-date. Insurance results are satisfactory. There is still strong cost control, and the fixed cost base has been reduced. Adjusted for acquisitions and performance-related expenses, the cost target of NOK 3.8 billion and flat nominal cost base since 2012 has been achieved. Adjusted for inflation, this means more than 20% cost reduction during a time when the group activity has expanded and assets under management has more than doubled. The operating cost line includes both performance-related expenses relating to investment products as well as increased sales commission to external agents. Financial return has been strong with contracting credit spreads and positive equity markets.

Tax is calculated at 21% in the quarter. The tax income for the full year came from the First Quarter where some deductible derivative losses and items related to the 2018 tax reform contributed to a tax gain. The normal tax rate remains at 20% to 23%. The profit after tax of NOK 2.355 billion is actually better than the previous year despite the impact of the pandemic. This is partly explained by tax gains in the First Quarter and partly by record results in the second half of the year.

Splitting up the results in the 3 profit areas, Savings and Insurance and Guaranteed, we see Savings contributing with strong growth in assets under management and a scalable business model. Insurance returning to good profitability from portfolio growth and lower claims; and Guaranteed, especially in Sweden, recuperating deferred capital contributions from the first half of the year. Other profit is down from last year primarily due to the lower interest rate level in Norway and Sweden, reducing the running yield on the company portfolios.

Despite some margin pressure, the Savings area shows good growth, good cost control and improving results in line with our ambition and strategy. All of the business lines show improvement with the exception of the bank, which is negatively impacted by the low interest rate level. The margin contraction in Unit Linked Norwayis partly explained by an adjustment in income booked in the 2 previous quarters. The Asset Management company shows particularly strong profit development.

These pictures illustrate the strong growth in pension reserves and assets under management. So me NOK 7 billion in funds won in the public sector has been received and invested in January this year, and will show up in the assets under management next quarter. Our growth strategy has worked well even in the unusual pandemic year of 2020. The growth in the bank picked up towards the end of last year, and margins have improved somewhat despite the low interest rate level.

The Insurance area shows good results in the quarter after a weak start in 2020. The Fourth Quarter experienced no significant deviations in results. The operational cost is up due to the take-on of Tax is calculated at 21% in the quarter. The tax losses and items related to the 2018 tax reform contributed to has peaked. The recent reserves are up from last year is a stronger Swedish krona to Norwegian krone.

The level of guaranteed assets under management as a percentage of total pension assets under management continues to decline and is now 50.8%. With the current pace, non-guaranteed pension reserves will surpass guaranteed reserves in the next few weeks. The buffer levels are at all-time high after growing by NOK 10 billion or 37% during 2020. This secures future customer returns and protects shareholder capital. As we said at the Second Quarter presentation, despite the low interest rate level, we can, subject to normal risk premiums in the market, deliver guaranteed rates of return and not dip into the buffers on the balance sheet for the next decennium. If market returns in any single year are lower, the buffers ensured guaranteed returns to customers without hurting shareholders' equity.

With lower rates in Norway and Sweden through 2020, the return on some NOK 32 billion in low-risk fixed income investments in the Storebrand ASA, Storebrand Life and SPP company portfolios, has fallen. Euroben has been sold from Storebrand Life to SPP and will be reported together with SPP Guaranteed from now on.

And with that, we sum up the presentation, and I give the word back to you, Daniel. the word back to you, Thank you, Lars. Thank you, Odd Arild. With that the we've come to the end of this presentation, and we will move over to questions and answers. Just to remind you, to ask a question, you need to be dialed into the conference call. Details are found on the IR website. With that, I give the word to the operator.

Questions And Answers

Operator

(Operator Instructions) The first question comes from Peter Eliot from Kepler Cheuvreux.

Q - Peter Eliot {BIO 7556214 <GO>}

Congratulations on the good results. I guess my first question probably won't surprise you, but in light of the review, I was just wondering if you could elaborate on what you think that might mean for you in terms of the impact and what you can do to mitigate it. I noticed as well on that in your report, you mentioned that it's expected to come into force in 2026. That's been slightly later than I was expecting. I was just wondering if you could elaborate on that time line as well.

Then the second area I wanted to ask on was the P&C result, a very strong underwriting result there. I mean if we strip out the impact of the landslide, then I'm guessing the combined ratio was in the 70s. So I'm just wondering if there's sort of anything in particular to note there, anything in particular for this quarter. I was wondering if you could say the NOK 130 million that you've got from the Insure portfolio, I was wondering what sort of percent that represents of what you could have got, i.e., how much was renewing. So yes, just to get an indication of how much of that business you're retaining. I'll leave it there.

A - Odd Grefstad {BIO 5483351 <GO>}

Thank you, Peter. If I start with the EIOPA review, I will say first of all, the time line, of course is just not sure. But what we have seen from the comments from EIOPA and Europe itself, it's a long process where you need to go all the way up to the commission and back again before you have the acts needed to start implement the changes. We have seen 2025, 2026 as an estimate for doing this. You should also take into account that it is supposed to be a transitional period to implement these new rules.

When it comes to Storebrand, we have been working with our internal model a couple of years, using that for our risk management in always. We have -- will start also a dialogue with the regulator to have the internal model as also the basis for our solvency reporting going forward. And as you know, if we have had other type of regulations like the stress tests from EIOPA, of course we would also have a different set of risk management of our liabilities. So we always adapt to the regulations in the market. So it's very hard to say anything about output of such regulation, if we were to adapt to the new standard model. But as you understand, it's a long time line, and we expect also to move into more internal models by that time. So if you take the --

A - Lars Loddesol {BIO 3969188 <GO>}

Yes. Just adding one comment to EIOPA and the impact, obviously by 2025 and 2026, our balance sheet will have been totally changed as well. As you just saw on the presentation now, the amount of guaranteed liabilities is going down as a percentage of the total every quarter.

Moving over to your P&C question. The landslide outside Oslo, we had limited exposure to that. And also through the Norwegian is called Peril Fund or Natural Peril Fund, there is also some consolidation or collective responsibility for this kind of accidents and with a limited impact for Storebrand. The NOK 130 million collected from Insure portfolios transferred to Storebrand in December, that's a large part of the renewals in the Insure portfolio during this period, but I don't have an exact percentage how much percent of the total that is, but it's a large part and somewhat larger than expected.

Q - Peter Eliot {BIO 7556214 <GO>}

That's great. Can I follow up very quickly? I mean even if you sort of assume zero from the landslide, I mean the 82% that you reported was still a very good number. I'm just wondering to what extent we can sort of extrapolate that or whether there's a good experience. On the opening, I mean I guess you gave some comments at your Capital Markets Day about the fact that internal -- moving to internal model and pulling some additional levers could give some upside to the sort of current reported ratio. I'm just wondering, I mean is that sort of still the case because I'm guessing that proposals haven't really affected your internal model. Or I mean I know you don't have an internal model yet, but your view of what you might look like under an internal model. But I'm just wondering, is that right? Or does it also have some implications for the sort of internal model view?

A - Odd Grefstad {BIO 5483351 <GO>}

That is absolutely right, Peter. Our internal model is, of course not affected of changes in the standard model from EIOPA. It's also the same view, as we said in our Capital Markets Day we work hard every day to ensure that as soon as possible reach the level of 180% in solvency. That is a trigger for us to view ourselves as our capitalized and start doing share buybacks. We are willing and able to use levers to get to that level as soon as possible and will use those levels.

A - Lars Loddesol {BIO 3969188 <GO>}

On the landslide, the impact on our P&L was NOK 11 million in the quarter. But every quarter, there are usually some large claims, and we didn't have too many other large claims this quarter. So if you want to implement that in your model or not, that's up to you. But basically, it was more of a normalized result.

A - Kjetil Krokje {BIO 20060140 <GO>}

Yes. I think we can also actually -- sorry. We can also add that in in general, there has been less mobility in the society as a result of COVID which has impacted some of the lines positively.

Operator

(Operator Instructions) We actually have nine people in the queue. So I will start with Johan Strom from Carnegie.

Q - Johan Strom {BIO 17541253 <GO>}

I have a question for Lars on the margin contraction in Unit Linked Norway. Sorry, the line broke from me, but did you say that some of the effects came from, was it accruals? And if so, can you give some more comments on what you're seeing in the underlying margin pressure for Unit Linked Norway?

A - Lars Loddesol {BIO 3969188 <GO>}

Absolutely. There were some adjustments between the quarters where the income was booked slightly too high in the second and Third Quarter and corrected with a negative impact for the Fourth Quarter. So we estimate that the running margin coming out of 2020 is approximately 0.8%, i.e., higher than what is reported in supplementary but somewhat lower than the average for the full year.

And as you know, we go into the IPA, the individual pension account, year this year. It will be a limited impact on margins for this year but some impact, and then it will be somewhat more impact coming into 2022. But the guiding that we gave on the margins and the margin development in our Capital Markets Day stands firm, and we have no reason to change any of that guiding.

Operator

And the next question comes from Ashik Musaddi from JPMorgan.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yes. Just a couple of questions. First of all is on Solvency II ratio. I mean one of the slides shows that you have generated about 8 points or 9 points of capital after adjusting for dividends. So I mean that looks pretty high basically because that would imply about 16, 17 points of capital generation on an annual basis. So how do we think about capital generation organically from your bank book? That's running margin coming for?

Q - Johan Strom {BIO 17541253 <GO>}

To adapt to the new standard model. But as you understand, one. The second question would be Asset Management. I mean clearly, the Asset Management earnings were supported strongly by performance fees in Fourth Quarter, which was higher than expectations. But how do you think about margin? Because it just felt like there was a bit of margin compression in Fourth Quarter as well. So how do you think about margin pressure in asset management going forward?

And lastly, I saw that there is some commentary you mentioned that in the Unit Linked business as well, you have seen a bit of an accelerated margin pressure. So how do we think about that? Yes, these 3 questions would be very helpful.

A - Lars Loddesol {BIO 3969188 <GO>}

Okay. On the Solvency II capital generation, which was on Page 10 in the presentation, the 9percentage points also are positively impacted by the fact that we were canceling dividends for 2019. So your equation is not entirely correct. However I would argue that some of the capital generation is also captured by the 8percentage points in model improvements and assumption changes linked to a lower cost level, dynamic pricing and better risk management. So I would argue that you should look at both if you look at capital generation going forward.

A - Odd Grefstad {BIO 5483351 <GO>}

When it comes to margins within asset management, of course we recognize the same as the whole industry is these margin pressures on all asset class in asset management. But we are able to also shift our balance from more low-margin products into more alternatives. That has kept our top margin quite stable on a 20 basis points, and that is also what we expect to see going forward.

A - Kjetil Krokje {BIO 20060140 <GO>}

On the last question on Unit Linked margin pressure, I think I answered that for Johan on the previous question.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yes. Okay. I mean just one thing. I mean Asset Management flows were really strong as well in 2019, especially the third party. So is it you think it's more sustainable in nature or you would say that 2020 led to something more sustainable in nature or you would say alternatives. That has kept our look at capital generation going forward.

A - Odd Grefstad {BIO 5483351 <GO>}

Which may have accelerated net inflows in 2020? Any surprise there? Or do you think that this is what you would expect in a normal year?

On the net transfers?

Q - Ashik Musaddi {BIO 15847584 <GO>}

Net inflows.

A - Odd Grefstad {BIO 5483351 <GO>}

Well yes. Net flows in asset management. Well we are very pleased of course to see the net flow through 2020. We see breakthrough both in the Nordic area but also internationally. We have set high ambitions also for 2021 to really continue the strong flow and growth in Asset Management both in the Nordic and internationally.

A - Lars Loddesol {BIO 3969188 <GO>}

And I should add that we have high ambitions in terms of Nordic and Northern European sales, both in alternatives and real estate, private equity, private debt, et cetera. This has been extremely complicated in the COVID-19 world without the possibility to meet new clients. So our ambition is that this will continue to grow and that we will be able to reach more clients when we once again can travel, hopefully, in the second half of the year.

Operator

The next question comes from Blair Stewart from Bank of America.

Q - Blair Stewart {BIO 4191309 <GO>}

I just got a couple of small clarification questions, please. Just on the Insure portfolio, you talked about the NOK 130 million. How much would you reasonably expect to come through from that portfolio as we move through the year?

Secondly, I noticed in the company portfolio or in the holdco, basically, the result was quite a bit below consensus expectations. I just wonder if you can talk us through why you think that was. Is it just a simple mark-to-market or something else?

Then in the individual pensions line within the guaranteed section, I think you reported NOK 25 million of operating profit, again a good bit higher than I would have expected. I just wonder, is there something exceptional in that line? I know it's a small number. Or is that a new run rate for that segment?

A - Lars Loddesol {BIO 3969188 <GO>}

Sure. The Insure expectations were guided at NOK 500 million to NOK 600 million initially. We're not changing that guiding, but we experience somewhat better-than-expected start on the portfolio transfer in December.

On the company portfolios being weak, you are correct, the running yield has been weak through the year. There is also -- there is a profit on one investment that was booked like January 1 or something that will come into the First Quarter this year. So it's somewhat weaker than you would expect on a normalized basis. But the overall explanation for the weak results is a lower running yield in a 0 interest rate environment in Norway and Sweden for short-term fixed income investments.

And thirdly, you're in the individual pension account -- sorry, individual pensions product profit was high due to profit split in the Fourth Quarter. The profit split comes as a consequence of good financial return and customer buffers that are on some contracts already full and it's not possible to add more to that. So -- and also the risk result in that -- in those products goes into the profit split. The profit split, as you may recall, on these products is 35-65, so when there is a surplus return, then it's positive both for customers and for shareholders.

A - Odd Grefstad {BIO 5483351 <GO>}

And that is an important point, of course because we now see that with very strong buffers that Lars alluded to, with more than 11% both in Norway and Sweden. So me contracts, then more and more contracts start to be full by buffers. Then we are into the territory of profit sharing. So if we are able to get good returns going forward. That will also be the case.

Q - Blair Stewart {BIO 4191309 <GO>}

Would it be too strong to say that the NOK 25 million is an appropriate run rate? And just on the company portfolios, Lars, is there any guidance you can give as to how we should be thinking about that going into this year?

A - Lars Loddesol {BIO 3969188 <GO>}

It's difficult to talk about run rate because you need a surplus return. Of course the running rate normally in these portfolios is quite close to the guaranteed level. But this year has been a very good market. That has led to increased buffer building and also increased profit sharing, but it's hard to guide on today run rate when it comes to profit sharing in these guaranteed portfolios.

I don't really want to guide you on the company portfolios either, but you could see in the supplementary the size of the portfolios, and you see the interest rate level in Norway for short-term -- and in Sweden for short-term investments. You see the operating cost in the holding company, which has been stable for some time. Then you will end up with a result which is slightly better than this -- than 2020, but I leave it up to you to put the numbers together.

Operator

The next question come from Roy Tilley from Arctic.

Q - Roy Tilley {BIO 19127459 <GO>}

Congratulations on the strong results. I have 3 questions really. The first 1 on -- another question on Insure. Just wondering if you had any numbers to give on what kind of price increases you are pushing through at renewal there.

And secondly, you're right that you expect an update on the outstanding tax cases in early 2021. Is that all the 3 tax cases or just a few of them and if you can talk a bit more about that because I see that the range of outcomes there is pretty wide.

Then just lastly, on the individual pension account, do you have any early data to share with us in terms of activity from customers, how many are Norwegian, what kind of -- what do you see from your retail customers?

A - Lars Loddesol {BIO 3969188 <GO>}

On the inter-price increases, basically, we've put this into our own tariffs when they are transferred to Storebrand. In some parts of the portfolio, there are some price increases, but I don't have a number in terms of percentage points and how much that would be on average. So -- but in some -- for some customers, there will be some price increases. For other, they will be basically a flat price.

In terms of tax update, there are, as you say 3 different things that are important. They are -- we have comments on that in the notes in the accounting, so you can see more details on the different cases. But it's primarily the first case, the 2015 tax receipts for Storebrand Life that we expect that we may get some clarification on in the first half this year. Obviously we hope to get clarification on these things as soon as possible to put that behind us.

A - Odd Grefstad {BIO 5483351 <GO>}

When it comes to the individual pension account, it's, of course still early days. It's been a week now more or less with the opening of the opportunities to do investigations of your own pension account. We see strong interest. There's a lot of customers logging into our sites. It's a high opening of all the mails we have sent out. We also see that we have a lot of conference calls with corporates where a majority actually of the employees attend and ask questions. We really feel, as I said in my presentation, that we have a very strong offering by having this superior return from our portfolios with a very strong offering into the pension accounts, including private equity and real estate as a part of the offering.

And I think it's important to stress that the pension savings is much more than just selecting mutual funds, it's all both savings and insurance, it's about rebalancing, it's about having the right asset allocation and the right also risk towards your pension age. And all of this is proven track record from Storebrand's offerings. We are sure that we are able to meet the needs for our customers both on the corporate side and for the ones that choose also to have the own pension account more retail-based.

A - Lars Loddesol {BIO 3969188 <GO>}

And even payout solutions.

A - Odd Grefstad {BIO 5483351 <GO>}

And payout solutions is also very important.

Q - Roy Tilley {BIO 19127459 <GO>}

Final quick question, just the retail side. Haven't heard anything about Dreams lately. Is that partnership still focus area and something you're working on?

A - Odd Grefstad {BIO 5483351 <GO>}

Absolutely. The dreams is a partner with our bank and all the bank accounts that is opened in the Dreams app. That is already very successful app especially for younger people to save for their dreams. It's also been introduced some opportunities to pay down your debt through that app, that has also been introduced successfully in a combination with the Storebrand Bank and Dreams. So that is a partnership that is up and running, and we are investigating new ways of cooperations for savings and debt reductions reach to a point where we start doing profit sharing. So we also see some profit sharing for the paid-up policies this year due to the fact again that the buffers are full and that we have had a very strong book return this year. So it's -- as I said, very much up to creating strong book return, then you will see increasingly profit sharing coming through. But it's really important to see this book return on an annual basis to have their profit sharing coming through.

And when it comes to the international sales, of course we were very happy to see the breakthrough in 2020 in the U.K. market. We also have very strong international sales of our private equity operations from Kubera. And as Lars said, it's -- we find it easy to do business with the clients we have already in touch with and have contacts with. It's harder to get new cold clients, so to say up to speed when we are not able to have this personal contact. But we have, of course a very strong customer base already, where we are able to sell our funds and solutions. It's absolutely the case that we hope to see an increased international sales based on the breakthrough when it comes to sustainable fund solutions into the U.K. market during 2021.

A - Lars Loddesol {BIO 3969188 <GO>}

So I should say in terms of profit sharing, on -- with normalized returns, we are pretty much on target to deliver what we should do if we can get excess returns from a normalized basis, then we are able to do more profit sharing. We have been doing quite well in terms of excess returns in the last few years. And hopefully, that will continue.

Operator

(Operator Instructions) We do have 5 people in the queue, so we quickly continue with Vegard Toverud from Pareto Securities.

Q - Vegard Toverud {BIO 17129809 <GO>}

I tried to withdraw my question as they've already been answered, but I was not able to. Thank you.

Operator

Then we quickly go forward. (Operator Instructions) Next person is David Baker from Insurance CRM.

Q - David Baker {BIO 15225719 <GO>}

One company-specific question, a more general one, please. The company-specific question is the investment sensitivities of your solvency ratio for equities, spreads and so forth moving, how have they changed recently? And are you planning on reducing them or increasing them consciously over time at Storebrand? Then my more general question is to what extent you may see unique features in the sustainable investing of yourself and then other Scandinavian and Nordic insurers.

A - Odd Grefstad {BIO 5483351 <GO>}

Thank you for your questions. I can just start with the sensitivities towards market movements for the solvency ratio, these sensitivities are fairly stable quarter-on-quarter, always some minor changes. It's -- we optimize a risk management for a level that we feel comfortable in terms of what risk we take, so these can be expected to be fairly stable going forward as well.

A - Kjetil Krokje {BIO 20060140 <GO>}

When it comes to sustainability in the Nordic market, I think we have a very strong track record. Storebrand has been working with sustainable investments since 1994. It's a part of our DNA in the company. I think also the society is quite mature when it comes to sustainability all together. We see that clients both in the corporate space and also gradually more in the retail space, both in Norway and Sweden, look at sustainability and sustainable solutions as some of the main features when they are picking financial partners. So I think both from a customer side and also, of course from an investor side, Storebrand's position as a sustainable company is very important for our growth and our prosperity going forward.

Operator

The next question comes from Hakon Astrup from DNB.

Q - Hakon Astrup {BIO 18861149 <GO>}

I have one question left. There has been some talk about repricing of the insurance element, so together with the fund contribution pensions. Can you update us on how that is proceeding, please?

A - Lars Loddesol {BIO 3969188 <GO>}

Yes. We saw weak results in defined benefit pensions in Norway through 2020. We have done some -- implemented a more dynamic pricing, which includes a higher price for the interest rate guarantee when the rates have gone down. So the rates fell last year, and these price increases were implemented in the beginning of -- in January 2021.

A - Odd Grefstad {BIO 5483351 <GO>}

I'll clarify a little bit more here. Hakon, did you ask about defined contribution or defined benefit?

Q - Hakon Astrup {BIO 18861149 <GO>}

Defined contribution of the pension element (inaudible).

A - Lars Loddesol {BIO 3969188 <GO>}

Sorry, I thought you said defined benefit.

A - Odd Grefstad {BIO 5483351 <GO>}

Yes. No, so yes, there's been, of course some discussion about how that element will be priced when the savings and insurance split will be more separated going into individual pension account. But as we are -- we're entering into own pension account now where -- and we'll, of course follow the market the market closely, but there's still -- still early days, I think here on this settlement.

Q - Hakon Astrup {BIO 18861149 <GO>}

Perfect. So you have not done anything again.

A - Odd Grefstad {BIO 5483351 <GO>}

We have done normal price increases and normal price adjustments on the line, but nothing more to say than that.

Operator

The next question comes from Thomas Svensson from SEB.

Q - Thomas Svensson {BIO 17516221 <GO>}

A question to your costs, your rates or your increased target there on costs. (inaudible) Could I say all that all the growth throughout the year, should we expect the full increase in Q1 or be a gradual increase in quarter following?

And the second question as to regarding the amount of paid policies, you have about NOK 145 billion there. Is it the peak, the NOK 145 billion? Or do you expect that to increase somewhat further throughout the year?

A - Odd Grefstad {BIO 5483351 <GO>}

I didn't hear your second question. Your line was really bad, Thomas.

A - Daniel Sundahl {BIO 20548519 <GO>}

I can try. Sorry. I think I heard it. I'm a little bit -- a bit closer to the speaker. But the sound is a bit muddled here, so apologies for that. But there's still NOK 30 billion left in defined contribution pensions, in defined benefit pensions in Norway so there might be somewhat increases in the paid-up stock during the year from that. But all else equal, it shouldn't increase a lot on it.

A - Lars Loddesol {BIO 3969188 <GO>}

And in terms of cost increases, we have guided that the take on of the Insure portfolio as well as digital acceleration investments will add approximately NOK 400 million to the cost this year. We will obviously continue to monitor the cost base very closely in line with the result ambitions that we have put forward on Capital Markets Day. Our ambition to reach a total group result of NOK 4 billion by 2023. So you should expect, as we have guided, NOK 400 million more cost related to these 2 items but also a very close monitoring of the cost development in line with our profit emissions.

A - Odd Grefstad {BIO 5483351 <GO>}

Stress that we are looking, of course on cost/income ratios, combined ratios and cost ratios and so on and different lines. We will allow cost increase as long as we see a stronger increase in the top line and ensuring growing results. So it's a very strong and tight cost control to ensure higher results.

Operator

(Operator Instructions) And would you have a follow-up question from Peter Eliot from Kepler Cheuvreux.

Q - Peter Eliot {BIO 7556214 <GO>}

Just one quick follow-up. The consolidation ratio, I mean now at 109%, so gone up a bit further. I just -- would it be fair to say that a greater proportion of the funds are now high enough to extract indexation fees and whether that -- the run rate, therefore, would drop a little bit more going forward? It would be great to put a bit of guidance on that.

A - Lars Loddesol {BIO 3969188 <GO>}

No, you should expect approximately the same results as you saw for the full year 2020 to be distributed evenly quarter-by-quarter for 2021. So the full year results for 2021 should be approximately the same as 2020. But instead of booking everything in the second and third -- no, third and Fourth Quarter, like we did last year, you should expect a quarter of that booked every quarter.

Operator

Next question comes from Jan Erik Gjerland from ABG Sundal Collier.

Q - Jan Gjerland {BIO 5346031 <GO>}

Most of my questions are answered. But I have one left. The public sector growth, you started to sort of last quarter, you talked about the public sector growth and how many houses you have taken into your book. Could you share some of that in to the activity in 2021 and what the pipeline looks like and how much (inaudible) able together now early days?

A - Odd Grefstad {BIO 5483351 <GO>}

Well thank you, Jan Erik. We of course are very pleased to see the -- what we see as the real breakthrough throughout 2020 in the public sector with approximately NOK 9 billion in transfers that will gradually come in 2021. Most of the assets already came on the start of the year, NOK 7 billion actually. That is a very good base of course for the activities in 2021. We hope that a lot of municipalities, around 10 to 15 municipalities, will go into tender offerings during the year.

On top of that, of course this is a huge market also for corporate -- for public companies. So it's not only the municipality market, we also had great success in public companies during 2020. Of course it's working also with the company part of the public sector together with also then the municipalities. So really look forward to continue the growth, have high ambitions in this area and is very pleased to see the breakthrough in 2020.

Operator

There no further; sorry. Continue. So sorry.

A - Daniel Sundahl {BIO 20548519 <GO>}

Thank you, Vas. There's no further questions. Thank you very much. With that, we have come to the end of today's quarterly presentation. Thank you for tuning in. Have a nice day.