Y 2015 Earnings Call

Company Participants

- Kjetil Ramberg Krokje, Head of Investor Relations
- Lars Loddesol, Group Chief Financial Officer
- Odd Arild Grefstad, Chief Executive Officer
- Trond Finn Eriksen, Head of Economic Capital Management

Other Participants

- Andy Sinclair, Analyst
- Jonny Urwin, Analyst
- Matti Ahokas, Analyst
- Peter Eliot, Analyst
- Unidentified Participant

Presentation

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 listen-only. However, at the end of the presentation you will have opportunity to ask questions. (Operator Instructions)

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

Kjetil Ramberg Krokje {BIO 20060140 <GO>}

Good afternoon, ladies and gentlemen, welcome to the Storebrand's fourth quarter 2015 conference call. My name is Kjetil Ramberg Krokje, and I am the Head of Investor Relations at Storebrand. Together with me I have Group's CEO, Odd Arild Grefstad; CFO, Lars Loddesol; Finance Director, Sigbjorn 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 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'll 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 delivers a Group result before amortization and longevity reserve strengthening of 275 million for the fourth quarter and 1,762 million for the full year. The result is affected by significant special items during the quarter as we announced in a press release on January the 28th. And Lars will come back on these in more detail later.

The operation of Storebrand is showing strong underlying growth in fee and administration income, which grew by 8.2 percent points adjusted for currency effects and discontinued business. On the right-hand side you see some key figures from 2015 -- 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 pension and premium growth in 2015 was 25%.

In the fourth quarter, we decided to chart the result with the expected amount of the remaining reserve strengthening for longevity. In total we have reserved almost 1.8 billion in 2015.

In two years, we have -- two years have now passed since we entered into the reserve strengthening scheme with a need of 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 features in more detail later on in the presentations.

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 a 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 the strong solvency position of 168%, including transition rules and 124% excluding transition 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 remaining of 2 billion in longevity reservation to do going forward.

With these factors given, the Board of Directors have proposed no dividend for 2015, but plan to pay a dividend for 2016. Let's then move to slide number four, just showing that the Storebrand is in a fundamental transformation and that will 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 then to slide number five, longevity. We see that we have satisfied -- we are very satisfied with having reserved a total of 10.2 billion of the 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 ensure that we will both meet our interest rate guarantee going forward and also meet the remaining longevity reservation needed. By having charged the reserve to be about 1.8 billion for longevity strengthening into 2015, we expect that the owner share of the longevity strengthening is now completed.

Moving then 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 to 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 this 16 billion of new held-to-maturity bond portfolios with a yield above 3% and 13 years average life. And that is done, of course, as you understand in a low interest rate environment. And this is in average of AA rated bond portfolio. In total, this portfolio is now above 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 position in Storebrand has been strengthened by 22 percent points to 168% at the end of 2015. Excluding transition rules, the solvency margin is 124% 20 percentage points strengthening from Q3.

The development in the solvency position from third to the fourth quarter is affected by several factors. There is of course positive results, there is also this change in the interest rate curve in SPP as Lars will revert to and there is also a change in the modeling of tax. There is also some factors that has -- that have affected the solvency ratios negatively. For instance, one example is that, we have changed the modeling horizon from 30 to 60 years. The most important change though 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 our strengthening in the solvency position for the Group at approximately 17 percent points -- 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 market, functional markets in 2016 as I had already mentioned. Stocks and interest rates have fallen and credit spreads has increased. This has of course, as we see from the sensitivities, had 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 cost for a long time and we continue doing that in a very strong way going forward. We delivered a cost reduction of 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 an increased number of staffs 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, the restructuring was implemented in the customer area 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 move from a fixed cost base and transformed into a variable cost base.

In 2016, we begin the process of transferring business processes of 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 300 million to 400 million in a real 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 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 income 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 from 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 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 growths in 2015.

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

Lars Loddesol {BIO 3969188 <GO>}

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.

I suppose the 2014 and 2015 numbers were significantly impacted by one-off effects, I have in these -- 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. It's -- and one more comment I will comment on the full-year numbers as they -- as the quarterly numbers do -- are impacted by some periodic effects, so the full year numbers for 2015 versus 2014. Fee and administration income as Odd already said adjusted for currency and non-discontinued business is up 8.2%.

The risk result in the life and pensions business -- for life and pension is down significantly from '14 to '15. In '14, 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 '14 to '15, 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 31 million. The operational cost is up by approximately NOK150 million. That is less than the combination of normal inflation and strengthening Swedish kronor versus the Norwegian kronor. 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 349 to 73. And that is a result of an 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 rate 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 2.6 billion to 2.2 billion from '14 to '15.

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 during bond 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 480 million in difference here, 460 million is due to lower profit split of the Swedish operation. That gives the result before amortization write-downs and the special items falling from just short of 3 billion to a little more than 2 billion.

The special items are as follows. There is a -- we have strengthened disability reserves in the Norwegian operation by a 100 million in the fourth quarter of 2015. In 2014, there was a release of reserves, especially from the Swedish operation of 224 million weakening the overall risk result and risk reserves by 324 million.

On the operational cost side, we have taken 97 million in a charge for laying off people and the reorganization in 2015, whilst in 2014 we discontinued the defined benefit scheme we had for employees in Norway. And that released pension liabilities of 571 million. Then we have a financial result, minority share of 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 is taken out again as the minorities share of the results. We're deducting that here to -- 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 product 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 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, 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 1,764 million in charge for 2015, we basically take away all expected charge to shareholders of longevity strengthening for the future. And we can now -- we don't -- we no longer have the 90 million or 90 million to 140 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 in for the full year 2015.

That is the result of a risk management within the property -- 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 with a tax carry loss forward really giving a positive tax result for the quarter and for the year 2015.

And on the 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 now opening up for questions.

Questions And Answers

Operator

Thank you. (Operator Instructions) And the first question come from Peter Eliot from Kepler Cheuvreux. Please go ahead, your line is now open.

Q - Peter Eliot {BIO 7556214 <GO>}

Thank you 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 of the plan, I'm thinking if it's a really 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 would have been taken very well, so I'm just wondering whether that's sort of a 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 in particular in Q4 seem to be quite high, the increase. I'd understood from previous guidance that Q4 I could -- sorry, the Q1 or the start of the year could seasonally show quite lot of growth, but thereafter it should be fairly muted.

So I'm just wondering what we should expect there going forwards? 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 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 - Lars Loddesol {BIO 3969188 <GO>}

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

And of course, there is also, as you see from the sensitivity, it's quite a strong impact on falling interest rates in combination with the 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 sure that we are able to fulfill that commitment. And you just look up on the guiding the Board here, as a very -- as a clear signal, they have never said this before I think, when they came out with this kind of numbers, what they guided on, they have a clear intension of paying a dividend for 2016.

Shall we then move to the next one?

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

Yeah, on reinvestment rates, I guess, Lars touched upon it on the new money rates (inaudible). We've done 16 billion in the held-to-maturity portfolio now at above 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 it's 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 currency is then picking below, down below the 3% level. And we have been able to invest 16 billion in average of 3.1% in 2015.

That is still with average of the total portfolio of 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 paid-up in the held-to-maturity bond portfolio during 2016.

A - Lars Loddesol {BIO 3969188 <GO>}

And with respect to the paid-up policy growth. It's correct that it'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 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 Eliot {BIO 7556214 <GO>}

Okay. Thanks very much.

Operator

The next question is coming 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 the 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 to comment on the dividend again. I think you are absolutely right that the new regime now entering into Solvency II clearly 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 situations then how to look at these issues when we come back to you on the Capital Markets Day.

A - Lars Loddesol {BIO 3969188 <GO>}

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 little bit weaker for the full year since a lot of the public sector contracts have moved out. And there are, of course, some cost base still left. So that's, I guess, the main explanation.

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

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 - Lars Loddesol {BIO 3969188 <GO>}

Yeah, I think our average is a better proxy than looking at the movement from the third 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 - Lars Loddesol {BIO 3969188 <GO>}

We have stepped [ph] out -- or on the webpage Matti, there is an excel spreadsheet which divides the restructuring costs down on the different -- the different sub-segments. So there it's disclosed per sub-segment.

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

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 - Matti Ahokas {BIO 2037723 <GO>}

Great. Very helpful. Thanks.

Operator

The next question comes from Jonny Urwin from UBS. Please go ahead, your line is now open.

Q - Jonny Urwin {BIO 17445508 <GO>}

Hi there, good afternoon. Thanks for taking my questions. I've got two. The first is, just the points of clarification really. I mean I have respect to the IR department about the tax treatments announced on January the 28th, just to do with the real estate portfolio being sold.

I guess I'm just struggling here a little to see how the DTA [ph] has arisen just given there's been no economic loss as far as I am aware, and you sold down the assets but you transferred the money up as dividends. And then it just seems like there is a loss on the tax accounting but no economic gain. My somewhat basic understanding of tax legislation is that, normally that follows substance rather than form wise, here it seems to be following the form. So if you could just talk a bit about that, that would be very useful?

Secondly, around credit, 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, you know, be great to get some of those sensitivities as soon as we can. So those are my two. Thanks very much.

A - Lars Loddesol {BIO 3969188 <GO>}

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 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 it's -- 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 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 driven also subsequently been approved by the authorities or is it pending?

A - Lars Loddesol {BIO 3969188 <GO>}

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. But we also -- and we also have third party opinion clarifying that this is the consequence of something we've done operationally. And sometimes we get negative tax effect and in this case, we got no tax -- positive tax effect of something that we've 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, that will be presented on the Capital Markets Day.

Q - Jonny Urwin {BIO 17445508 <GO>}

Okay. And can you give us any sort of (inaudible) now?

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

What I can say is that, that most of our portfolio in Norway is in a held-to-maturity bond portfolio that really reduces the risk, the credit risk element into a 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 Trond Finn if you --

A - Trond Finn Eriksen {BIO 17132188 <GO>}

I mean operational this is of course, it gives us the reinvestment opportunities. So if the higher credit spreads doesn't reflect a higher default risk and then of course this is better reinvestment opportunities in the market. When it comes to the solvency position, credit wide or spread widening and will of course be negative on the solvency position. Although we're also worried is seeing a lot of this risk is actually handled in the held-to-maturity bond portfolio. But we will come back with the business activities on the Capital Markets Day.

Q - Jonny Urwin {BIO 17445508 <GO>}

Okay. Thank you.

Operator

(Operator Instructions) And we have another question from Matti from Danske Bank. Please go head, 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 ratios stand as of today? I know you have given some of the sensitivities, but 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 elements altogether, that needs to be done. We do that of course on quarterly basis. We try to also get 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 in is the most important ones. And basically you can see that, almost half of our stress test 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, I think be close to 10% points in self and on top of that, we will also see in 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 these sensitivities by now as such.

Q - Matti Ahokas {BIO 2037723 <GO>}

Right. Thanks, Odd.

Operator

The next question is coming from Jonny Urwin from UBS. Please go ahead, 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 stakes of the SCR ex-transitional, year-end just how much was, that will be really helpful. We had some disclosure around the -- from memory it was Q3 2014, but we haven't had much since then, so if you could give us a stay [ph] that will be great.

A - Lars Loddesol {BIO 3969188 <GO>}

The SCR as of Q4 was 28 billion.

Q - Jonny Urwin {BIO 17445508 <GO>}

Sorry, could you repeat?

A - Lars Loddesol {BIO 3969188 <GO>}

28 billion.

Q - Jonny Urwin {BIO 17445508 <GO>}

28. Thank you very much.

A - Lars Loddesol {BIO 3969188 <GO>}

Yeah.

Operator

And the next question is coming from Andy Sinclair from Bank of America. Please go ahead, your line is now open.

Q - Andy Sinclair {BIO 17749036 <GO>}

Thanks very much everyone. Just one question actually, just looking at your dividend guidance around the 45% payout ratio essentially under normal conditions. I just really wondered, now that we have the shareholders contribution to the longevity buffer building complete, what is to prevent this from being taken as normal conditions now with the market volatility that you've had recently I mean you would consider this to be still abnormal conditions? Thanks.

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

Well, as we said, we will guide more on this when we come back to you at 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 2.2 billion left before we have finalized the total longevity reservation means that we need to ensure that we take the surplus the customer's return, already next years to also fill the remaining 17% of this longevity reservation.

Q - Andy Sinclair {BIO 17749036 <GO>}

Sorry, just following on from that. About how long do you except it to take for that 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 done, quite soon. But then again, we have a five years horizon on it. And of course some contracts have a high guarantee and also low part still, that is been fulfilled with longevity.

So I think that, if you ask from us straight risk management point of view, we should use some time to finalize this. And I am sure that we have the buffers available both for low interest rate levels in itself for the interest rate gravity and for the longevity reservation. But it is very clear that if we need and if we like to do, we can fulfill this reservation under remaining 2.2 billion much faster than this remaining five years.

Q - Andy Sinclair {BIO 17749036 <GO>}

Thank you.

Operator

And the next question comes from (inaudible) from Deutsche Bank. Please go ahead, your line is now open.

Q - Unidentified Participant

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 28 billion that you disclosed for Q4, can you provide a breakdown or are you in a position to provide the disclosure as to how that breaks down into various risk sub-modules in terms of life, non-life, etcetera? And this is -- if you cannot today, at least this is something that we could expect going forward? Thank you.

A - Lars Loddesol {BIO 3969188 <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.

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

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

Q - Unidentified Participant

Thank you.

Operator

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

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

Okay. Before we end up, I'll just like to remind you all that we are present in London tomorrow at 14:00 and I hope to see some of you there. And lastly, I would like to remind you that we are holding a Capital Markets Day on May the 13th 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, end the call. Thank you.