Q2 2019 Earnings Call

Company Participants

- Kjetil Ramberg Krokje, Group Head of Finance, Strategy and M&A
- Lars Aasulv Loddesol, Chief Financial Officer
- Odd Arild Grefstad, Chief Executive Officer

Other Participants

- Analyst
- Jan Erik Gjerland, Analyst
- Jonny Urwin, Analyst
- Matti Ahokas, Analyst
- Peter Eliot, Analyst

Presentation

Operator

Good afternoon. And welcome to Storebrand's Second Quarter Conference Call. My name is Ann and I will be your coordinator for today's conference. During this call, you will be in listen-only. However, in the end of the presentation, we'll have the opportunity to ask questions. (Operator Instructions)

I will now hand you over to Group Head of Finance, Strategy and M&A, Kjetil Krokje to host this call. Thank you.

Kjetil Ramberg Krokje {BIO 20060140 <GO>}

Good afternoon, ladies and gentlemen. Welcome to Storebrand's second quarter 2019 conference call. My name is Kjetil Ramberg Krokje, and I am Head of Finance Strategy at Storebrand. Together with me, I have Group CEO, Arild Grefstad; CFO, Lars Aa. Loddesol; and Trond Finn Eriksen, Head of Capital Management.

In the presentation today, Odd Arild will give you an update on the developments in the second quarter. CFO, Lars Loddesol will give an overall view on the financial development and dig into some of the more technical elements in the quarter. The slides will be similar to the analyst presentation released this morning and are available on our web page. After the presentation, the operator will open up for questions. To be able to ask questions, you will need to dial into the conference call.

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

Odd Arild Grefstad {BIO 5483351 <GO>}

Thank you, Kjetil and good afternoon, everyone. I have presented today our results of NOK578 billion with the operating profit of NOK474 for the second quarter of 2019. This is a weak operating profit, but as I will show you on the following slide, the underlying profit is significantly better due to restructuring costs and not least as a consequence of a good performance in the asset management, resulting in performance fees not booked while the corresponding performance related costs are fully booked in the quarter. In total, the performance-related income not booked is calculated to 200 million in the quarter and 166 million year-to-date.

We see solid growth within our asset management business with NOK45 billion in growth so far this year, that's a 6% growth rate. And our Unit Linked business has the annual growth of 11%. The solvency ratio has weakened 6 percentage points to 167% in the quarter, with lowest interest rates and temporary adjustments in the asset allocation being the primary causes for the change, Lars will go into further details later on.

If we then move to Slide number three, THE accounting principles relating to performance-related income and cost or estimate [ph] reach. The cost has to be booked quarterly -- quarter-by-quarter, while the corresponding income are to be booked only at year-end. This causes us the operating profit in the first, second and third quarter to be weakened when they have good performance in the portfolio. In the second quarter, we have booked cost of NOK44 million in the operating profit in our asset management business. The corresponding income of NOK100 million is not booked.

In this picture I have adjusted the underlying profit for performance related cost of NOK44 million, this has been in an equivalent increase in the underlying profit. In addition, we are taking measures to reduce FTE's in both Norway and Sweden in order to reduce our permanent cost base. Brings together with some transaction cost reserve in our one-off restructuring costs in the quarter of NOK50 million. Adjusted for these the underlying operating profit is estimated to NOK568 million.

If you then move to slide number four, this is the picture of our strategy, our Q4 strategic plan, we're focused on actively managing the guaranteed products in our back-book, and at the same time, achieving strong growth in our front-book of Occupational Unit Linked, private savings and asset management. As mentioned, we are implementing restructuring to reduce our cost base. We are committed to delivering flat normina costs through 2020. In addition, we are working on measures to further strengthen solvency and secure capital release in accordance with our Capital Market Day communication.

In the following slides, I will further address the growth in our numbers. So let's move to slide number five. Our Unit Linked business showed a growth of 11% and the Norwegian Unit Linked assets reached NOK100 billion in the quarter, while our Swedish Unit Linked business also surpassed SEK100 billion. The growth is expected to continue and strengthen by Storebrand's ability to sign important contracts for occupational pension in both Norway and Sweden. I will address the growth in our asset management further in the following slides. It is also pleasing to see a 2% growth in the insurance business with a 6% growth in the retail segment of P&C insurance.

Moving to slide number six, our asset management has reached NOK750 billion in assets under management and we've reduced our growth in all segments. On the left side, you see the development in internal transfers from occupational pension contracts and private savings year-to-date. While on the right side, which is the development of the institutional clients and retail savings. So it's internal assets on the left-hand side and more external assets on the right-hand side.

On right, we show that the share of external assets are in strong growth and the share now of external assets are 34.5% of the total assets under management. We're working on more specific invoices of these flows and we will in the following show analysis of flow from internal transfers in the first half of 2019. So let's move to slide seven.

On the left, we see that there is a modest flow of premiums from the guaranteed business of NOK3.2 billion, primarily from profitable active schemes with low guarantee levels. The claims transfers from this mature portfolio are substantially as -- are substantial and amounts to NOK6.8 billion year-to-date. Over time, this will reduce the guaranteed portfolio. The returns have been solid in the portfolio in the first half of 2019, it's well above the guaranteed interest rate level, meaning that close to half of the returns has been allocated to building buffer capital. Within Unit Linked the situation is quite different. This is a young portfolio where premiums, but are exceeds claims and transfers, and well a high equity share results in a solid growth so far this year.

Moving to Slide number eight. The public sector pension market is large and growing in Norway. In terms of premiums, the market is twice the size of the private market of -- for occupational pension where we are the market leader. The market is today dominated by long actor KLP, chases to the public sector pension products, droves the market closer to in -- closer resemblance to the private markets. We will make use our existing platform and systems to reenter these markets. We strongly believe we will achieve profitable growth in this market and we'll execute within the communicated cost target.

On Slide nine, we show that we are intensifying digitalization of our business. Both and with regard to improving efficiency and in our processes and with a goal of improving the digital solutions we provide to our customers. We give four concrete examples of this journey on this slide.

With that I give the word to Lars for further details and about the numbers.

Lars Aasulv Loddesol {BIO 3969188 <GO>}

Thank you, Odd. I'm going to give you some of the key figures with you, starting on Page 10. The operating profit of NOK568 million after adjustment for restructuring cost and performance related bonuses is somewhat on the weak side. The figure includes NOK25 million in normal stock incentivized cost -- incentives cost for employees that we book in the second quarter, but not in the other quarters; including this the result is acceptable.

Furthermore, if we were to include these earned, but not booked performances, the result would be good. The graph illustrates strong customer Buffers in both Norway and Sweden, this is further resilience in our risk management.

Moving over to Page 11, the solvency position has followed to 165% and 167% with transitionals. Model and assumption changes given negative contribution of 1 percentage points in the quarter. Behind this number, there are some positive elements like increased volatility adjustment and some negative effects, like increased equity distrust and moral improvements and corrections. Interest rates have significantly in both Norway and Sweden in the second quarter. In Norway, the new 10-year growth is down 13 basis points, and in Sweden, the 10-year growth rate is down 32 basis points in the second quarter. This is the solvency rate by approximately 3 percentage points.

And the business mix and asset allocation, there are three main effects. One, the strong growth in Unit Linked by more than NOK8 billion is positive for Storeband, but contributes negatively in the solvency as these products have an embedded Solvency of approximately 130%, diluting the Group Solvency over 165%.

Secondly, some large maturities in the bonds at amortized cost portfolio changed to maturity later in the second quarter. These have already been reinvested in the third quarter, but we can do Solvency as of the end of the quarter.

And three, good returns and increased Buffers have improved our risk-bearing capacity. We have used this increased risk capacity to purchase equities. The equity investments weaken the Solvency short-term, an increase expected returns and Solvency creation over time.

On the M&A side, we have finalized the previously communicated acquisition of Cubera and the sale of Nordben. In total, the solvency is weakened by 1 percentage points, but the transactions will add profitability and Solvency creation going forward. Operating profit adjusted for dividend reservation contributes positive by 1 percentage point. Profit after tax and adjusted for amortization strengthen the Solvency by approximately 2 percentage points, but which have to set aside for expected dividends.

Despite the interest rates fall in the quarter, we are seeing outside of the transitional rules for interest rates and the 2 percentage points are related to equity stress on equity owned coming into the Solvency II regime. This effect will be phased out during the year.

Turning over to Page 12. The Solvency position is weakened by 6 percentage points in the quarter. As explained the main drivers are lower interest rates, which is negative, but also long-term positive elements like growth in Unit Linked and increased risk in the portfolios. Please notice that if rates fall further, we'll once again get Solvency capital from the transitional rules and the regulatory and reported Solvency will be strengthened. The sensitivities show a strong resilience to volatility and financial market under different scenarios shown.

Storebrand announced on our Capital Markets Day in May 2018 that we expect to reach 180% in Solvency during 2021, and that we envisage to release around 10 billion tied up in the guaranteed back-book between 2022 to 2028. Despite lower interest rates and weaker Solvency this quarter, we confirm this ambition. We have numerous tools to secure and strengthen our Solvency position.

Moving over to the next page, heading to Storebrand Group. In short, we put behind us a weak quarter in terms of the reported numbers. The growth has slowed and the cost have increased. Adjusted for restructuring costs and performance-related bonus charges, and including our earned but not booked performances fees, the results are satisfactory. We expect increased growth in the coming quarters. The growth will come from several sources in asset management especially linked to international sales.

In private equity, we have -- we already have record commitments in Cubera and Storebrand sales this year. Skagen performance is good and the transfer balance is improving. Pension sales are up in Sweden in particular. In Norway, we just won the single largest contract in the market. Many exciting digital initiatives are expected to improve efficiency and the Group operation and increased sales overall.

Finally, yet importantly, the opening of executive market is promising a few years down the road. Restructuring cost and performance related bonuses affect the results in the quarter but laid the foundation for continued cost efficiency and increased profitability going forward. Previously communicated cost ambitions are confirmed. And as I already said, on the Solvency, our ambition to return excess capital from 2021 or billing of the Solvency to 180% in 2021 and distributing excess capital from the back-book is confirmed.

Then I think we can go over to Q&A.

Questions And Answers

Operator

Thank you. (Operator Instructions) The first question comes from Peter Eliot from Kepler Cheuvreux. Please go ahead. Your line is now open.

Q - Peter Eliot {BIO 7556214 <GO>}

Thank you very much. First question, I want to start on earnings. I guess, if you adjust for the one-off items then you get a Norwegian Unit Linked results of 76, and a Swedish Unit Linked results of 58. I guess those numbers are still a little bit below the recent run rate. I'm just wondering, is that a good view of the current run rate and what we should be putting into our models? Or are there still other factors there to consider? And maybe specifically on Unit Linked Sweden, I mean, I know that it's a consistently reported negative financial and risk results. Well, each and -- for the last sort of six quarters or so, I just wanted if you could explain what's happening there?

And then, secondly, on the Solvency, I think, I understand most of the moving parts after going through with IR, who are very helpful this morning. Thank you. And -- but I guess if I could just focus a little bit on exactly how and when you might get the benefits of the transitionals gain. I mean, Lars, you said, when interest rates -- if interest rates were to fall then you would get the benefit, but my understanding is, the Unit Linked book is still growing and might the bar be raised going forward. So if you could talk us through the moving parts a bit, that would be very helpful.

And the second point, you showed 1 percentage points from ongoing Solvency capital generation this quarter. I mean, there's probably some rounding and stuff in that. But I'm just wondering if you could update us on our guidance for what you expect in terms of ongoing generation and how that depends on the growth rate that you see. Thank you very much.

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

Okay. If I start with the earnings on Unit Linked. The -- if you look at the first quarter for Unit Linked Norway and this -- and the second quarter together, there is some volatility due to some parallelization and some seasonal effect in those numbers. So I would look at the first half numbers seen together and divide that in two to get a good or good guiding on future profitability. And as you say, you -- we'll have to adjust it for the restructuring cost in the quarter, which were NOK9 million in Unit Linked in Norway.

In Sweden, the one-off restructuring charge was NOK16 million in Unit Linked SPP, so that's the adjustment you will have to make there. And I would also emphasize that there is very strong growth in the Swedish Unit Linked business. We have very good premium development there and the cost base is fixed. So you should see increased profitability from that area as well.

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

Hi, Peter. When it comes to -- when we will enter or if a potential -- enter back into the transitional measures, that's not a straight forward question to answer, because as you say, you've arrived at increased value from Unit Linked business to be able to postponed fall in interest rate and then enter back into the traditionals. At the moment, or in this quarter, there were technical provisions both approximately NOK200 million away from getting back into transitional measures. So -- and that was approximately a half or in Q1 this was NOK500 million away from getting back into transitionals. So that's the magnitude that we're looking at. So there's only the experience a good growth in the front book which is a good thing. Then we shouldn't get back into transitional measures and that you see a significant drops in the markets.

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

And Solvency capital generation, as we have previously guided, we expect to generate 10 basis points to 12 basis points -- percentage points per year of which half is allocated to or reserved for dividend on quarterly basis.

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

And I think also when it comes to the research generation on the 1%, you should bear in mind that we take half of the result outflow, that the calculation cost fixed goes to expect the dividend, so the 2 percentage point increase where one of them increases for Solvency directly.

Q - Peter Eliot {BIO 7556214 <GO>}

Okay, so it sounds like no change to the ongoing guidance then. And sorry can I just come back very quickly on the first point, the -- in the breakdown, you gave a special items, you showed NOK16 of the one-off costs being attributed to Unit Linked Norway and NOK2 million being attributed to Unit Linked Sweden, it sounded like you quoted slightly different figures there?

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

Yes, I think Peter, sorry. That's a little mistake on my part. It should be the other way in special items, the figures on the online we will update them after the --

Q - Peter Eliot {BIO 7556214 <GO>}

Okay, sorry could you repeat the numbers then, sorry, I didn't quite catch that?

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

It's NOK16 on the Swedish Unit Linked business. That as Lars said.

Q - Peter Eliot {BIO 7556214 <GO>}

Okay, that's just invested. Okay, thank you.

Operator

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

Q - Matti Ahokas {BIO 2037723 <GO>}

Yes, good afternoon a question firstly, on the Solvency capital and the return of capital that Lars you mentioned earlier on the ambitions. When I look at the interest rates obviously, they've been trending down this year and now recently, we've seen a little bit of a pickup in Norway. But how much should the 10-year swap rate or could it fall before it would really start to have an impact on this capital release plan? Or is it just so that if the interest rate falls enough then the transitionals will kick in, so it really doesn't matter. I'm just kind of trying to gauge the timing of the plans of the guaranteed pension back book capital release.

And then second question on the insurance business. Could you just remind us what the issue in the health and group life was then, is that now solved or should we expect that, that will continue in the coming quarters as well? Thanks.

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

So on Solvency and interest rates fall, you are correct that there is a sensitivity there. But I also said that we do have a number of different tools available to us that we'll have to try and manage that, as well as we can, but there is some kind of limitation at some stage in terms of how much rates can pull in Norway. But it's very difficult for me to give you a fixed answer as there are many tools in the toolbox to conquer that depending on how dramatic the changes are.

And in terms of insurance and group life, we mentioned in the first quarter that we had an issue with especially one industry contract or our group contract with one particular client and we also mentioned that we had announced price changes on that contract. However, there is a 12-months today so those price changes will only take place on January 1st, 2020. So this quarter we also had weak profitability and we strengthened reserves in this particular -- on this particular contract by NOK58 million in order to ensure that we can expect a -- around zero result for the year. So while group life and health insurance this quarter we also had a small negative contribution, we do expect a small positive contribution for the remainder of the year and then significant improvements as these price increases are come through in the first quarter next year.

Q - Matti Ahokas {BIO 2037723 <GO>}

Could you -- Lars just give us a bit more flavor on what exactly are the most important tool -- tools in this tool box you mentioned to kind of combat the potential decline in interest rates?

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

Yes, Matti, I can say -- there is -- you can maintain and divide them into three different categories; the first is, of course, the asset allocation on the ALF asset. This will always adjust your risk taking in the portfolios, so that's number one.

Mention number two is, what you can do on the capital side, either by more subordinated loan capital or you cannot do insurance. And the third, it's what goes on what I should say internal structures of how we have set up and run the business and how you are making the model work. So you have at least three different main levers. It's also got some levers to date.

Q - Matti Ahokas {BIO 2037723 <GO>}

Great. Thanks a lot.

Operator

The next question comes from John Erik from ABG. And please. John, if you can also mention your last name. Your line is now open. Thank you.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Yeah, its Jan Erik from ABG in Oslo. I just wanted to pick up the -- how much cost there other than the Cubera acquisition from 1st of the April. If it was anything at there at all because it looks like, does the management cost base went up a little bit on top of whether you have thus a restructuring cost.

And secondly, there is some negative profit sharing this is technically in the asset management and then also in the defined benefit for Norway. What is kind of -- what is that, is that something recovering or it's something particular which you should aware of. Thank you.

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

All right. There is two things, Erik. The cost base in Cubera, I believe, is somewhere in the area of NOK7 million, NOK8 million or I can get back to you on that, Erik. But somewhere in that area for the quarter.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay.

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

When it comes to the negative sum in -- in the defined benefit business, this is basically a technical adjustment where we had small deviation into each of our systems and this will fixed in the quarter and it led to the charge of NOK21 million.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay. In the asset management side, we have also some NOK6.6 million in negative of being there. I just couldn't understand what else was --

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

These are -- yeah, apologies for (inaudible) that is tied to both the value of the earnout, which on the balance sheet after we bought Cubera and it was some other financial effects that occurred in the asset management business.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay. How much was the earnout in Cubera, if you could remind me?

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

Roughly half of that should be on that.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay. And the other half is from SKAGEN or?

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

No, it's just from general financial effects in the asset management business, not from SKAGEN.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay. Would you say that you are in the -- on the SKAGEN earnout story as well? Or is -- how is that pursuing?

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

So the SKAGEN business turnaround is really progressing well according to plan. Performance is very well up this year and all the large funds and also the smaller funds. The flow in that business has been negative for a while, but that's turning interesting now, and the operational platform is very much integrated. I think we've already said previously that we run this business basically for a small profit without performances and performance-related costs. But at the end of the year, we do expect quite significant performance-related bonuses, which should then contribute significantly to the end result. In terms of the earnout, we have due to lower funds under management during last year, as well as weak performance last year. The earnout reserve was reduced down and from what was set aside initially, but this -- so far this year, it's basically stable.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay. So it's a fund that you have provided to. So it's not going to be a sort of a big one-off cost run if that happened. Is that fair to equate?

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

Yeah. It's -- so the earnout itself, it's on the balance sheet based on expected level of earnout.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Based on this.

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

Yeah.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Based on this. Yeah.

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

Unless there is large deviations from that because we have a large one-offs coming from that.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay. Perfect. Thanks, Lars.

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

And the earnout liability is in Storebrand ASA, not in Storebrand Asset Management.

Q - Jan Erik Gjerland {BIO 5346031 <GO>}

Okay. Thank you.

Operator

(Operator Instructions) The next person is Jonny Urwin from UBS. Please go ahead. Your line is now open.

Q - Analyst

Hi. Good afternoon. Thanks for taking my questions. So, firstly, just on the business extract to Solvency II. I apologize if I missed this early, but is there any recurring impacts there, any color there would be great. And then, secondly, just on the cost side of things, so I gather, you guys are still committed to flat operating costs, good cost discipline. But just I've asked you this before but just strategically, given the level of growth that's sort of there for you guys. How wedded are you to that target, if you could say invest more for greater growth, particularly given the new products that you're going into. So I guess it's a balancing act, but any comments there would be great. Thank you.

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

Sorry, Jonny. Well, the first question. What that is, there was an recurring elements in the movement on the Solvency.

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

Now on the business-mixed asset allocation. So basically I can just do it for a short answers and then fill in from it, if you have anything. So basically we had three factors. So increased the allocation of equities, that is not anything recurring, that's, of course, hoping that we adjust our equity export for every now and again, but it's not a recurring feature on that part of the movement.

The second of all, that we had a little bit shorter duration just on the turn of the quarter. That is not a recurring feature, we did have strong growth in Unit Linked, which of course, gives some -- also requires some capital that's Lars alluded to. That is, of course, a recurring feature, we've then -- much like to see again. So strong growth in Unit Linked is very good and at (inaudible) that is fine.

Q - Jonny Urwin {BIO 17445508 <GO>}

Thanks.

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

When it comes to the cost levels, try to answer that. I think, first of all, the cost discipline we've then on the flat cost that we have been doing since 2012 actually is a very good way of running the business and I'm sure that we have a -- well kept this more effective way of doing the business. And our platform as we have to sit all in all is very scalable and we have seen of course excluding the strong wealth of this years that it's based on digitalization and sourcing expenses and et cetera, we have been able to keep their cost run also at the right level. There [ph] is of course not -- seeing the same, that if we have good opportunities in the market, we see opportunities for growth as we do -- have done with acquisition of Skagen and also Cubera, of course, we will go into these type of solutions and that we've changed the cost levels as such. But we also see that we have the opportunity to scale our platform as we now do and we going into the public sector market with the existing systems and people. And believe that we will be able to take all this huge opportunity without stretching the cost levels further, but to do that within the cost limits, we have already set forward.

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

But just to be very clear, Jonny. We are going to be -- it's going to be a very good profitability opportunity if we were to reach our cost communicated goals, and we would communicate clearly if that was to be the case. So you should not expect that we just float into higher cost, we will continue to be very, very strict on the cost base, according to communicated levels.

Q - Jonny Urwin {BIO 17445508 <GO>}

Got it. Thanks guys.

Operator

(Operator Instructions) We do have another question from Peter Eliot from Kepler Cheuvreux. Please go ahead. Your line is now open.

Q - Peter Eliot {BIO 7556214 <GO>}

Thank you very much. Sorry, I just wanted to follow-up actually on -- I guess my earlier question, but also Jonny's question. I mean, I know we're talking sort of small numbers and rounding and rest of it and other tools in the box. But if we just take the numbers that you've reported now of, you know, 1 points of Solvency capital generation post dividend and actually when you factor in the business mix change and you hope to get ongoing growth then actually the net ongoing capital generation looks to have been below 1 point this quarter. And if you extrapolate that out from 165%, then you've got a lot more than two years to get to 180%.

I appreciate you've got other tools in the box, which you might use if interest rates were to fall. But am I just rounding too much there, I mean would you expect the normal run rates have been higher than this quarter. Sorry, it's a long-winded way of asking a fairly simple question, so I guess you understand where I'm coming from? Thank you.

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

I think we're -- I think we're still confident that around 10% increase in Solvency annually per dividend. That's the level we are at. I can see in the presentation, there is definitely rounding when you look at these different factors. So nothing new here really. And also, we have factored into our capital generation that we will set some capital aside for capital outlook.

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

If I can also add on that, I think, because the movement, the official one, the capital generation we show is compared to the financials -- to the result explanation. Of course, we are expecting in a normalized, well, a pickup in some risk premiums in the market. So there is a -- we are expecting to have markets return above the discount rate until the Buffer capital, which is still lower than capital requirement as well as the -- then the move towards a lower average interest rate guarantee in the portfolio, which you can also reflect the picture that Odd Arild showed during the presentation, where we see a larger outflow than inflow. So I think that you will see that you will also get capital generation from excess return of all the risk free rate and slightly declined in the guaranteed liabilities or the capital requirements from the -- guaranteed items fits all the time, as well as to the results as such.

Q - Peter Eliot {BIO 7556214 <GO>}

Okay, thank you very much.

Operator

Ladies and gentlemen, at the moment there is no one in the queue. (Operator Instructions) There is no further questions coming through, I will hand the call back to you. Thank you.

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

Thank you all for joining the call today. Before we end, I just like to remind you that we will be present in London on Monday, and I hope to see several of you there at the Analyst Meeting and meetings during the day. Have a good afternoon.

Operator

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