Tryg – Q2 2016 results

Audio cast and Q&A 12 July 2016

Transcript

Presentation

Gianandrea Roberti, IR Officer

Good morning everybody. This is Gianandrea Roberti, Head of Investor Relations of Tryg. We published our Q2 results earlier this morning and I have here with me Morten and Christian to discuss this so after a few words over to you, Morten.

Morten Hübbe, CEO

Thank you, Gian, and good morning to all of you. We will jump directly to slide 3 on financial highlights where on the back of the first half we pay out dividend per share of DKK 2.6 compared to DKK 2.5 last year and we repeat that the half-year dividend is approximately 40 % of the total annual dividend. We show this quarter a robust solvency ratio of 206 or 193 including Skandia child insurance and bear in mind that this solvency ratio already includes the first half-year dividend and also the full year's buyback of DKK 1 billion, which is a change of method this quarter. We show a pre-tax profit of DKK 934 million, up some 31 % year-on-year. Clearly consistent with a slightly lower technical result and a substantially higher investment result and the technical result of DKK 770 million is slightly lower than last year, some DKK 55 million, and a significant driver is the currency between the Norwegian krone and the Danish krone impacting negatively by DKK 35 million but also, as expected, a continuation of a slightly higher underlying claims ratio. As we have discussed, we have been carrying out price increases since the beginning of this year. We have carried out a significant proportion of these but we will start to see the early impact of that towards the end of this year and as expected the full impact in 2017. Investment income clearly somewhat unusual this quarter, heavily impacted by falling rates in the free portfolio and in the match portfolio clearly a flight to safety after the UK referendum on EU membership.

If we turn to slide 4, on the customer highlights we show a positive development in NPS to 23, which is an all-time high, which is positive. A continuation of a good trend but we do expect some volatility in this KPI, but a structural long-term positive trend. Customers with three products or more are important because the more products they buy, the more loyal they are and the higher the retention, which is a significant driver of bottom line. 3+ increases from 56.6 to 56.9 with the most positive trend in Danish Private where 3+ is up 1 percentage point and a somewhat more negative development in Norway. Retention rates are broadly stable despite the price changes carried out so far this year.

If we jump to slide no. 7, we show that premiums are down 0.6 % in local currency compared to -1.4 % in the same quarter last year. Private and Commercial lines are up in terms of top line and Corporate is down. We see particularly Private lines as being important and positive considering that average prices in Motor and House in Denmark are down slightly although stabilising. If you look at Denmark as a total across all three business areas top line is up 1.7 %, which is positive while Norway is down 3.5 % in local currency, mainly driven by a reduction in the Norwegian Corporate premiums.

If we turn to slide 8, as mentioned the technical result of DKK 770 million is impacted by the DKK 35 million from currencies. We see that the Corporate technical result is significantly better but bear in mind that that is impacted by a single very large claim in the second quarter last year. And when we look at Sweden, clearly a significant impact this quarter by a profit-sharing agreement.

If we turn to slide 9, we still see that average price development is significantly different from Denmark to Norway where average prices are slightly down in Denmark both on Car and Houses, but if you look at the graphs you can see some stabilisation in the two whereas we see slightly upwards pricing in Norway. In Denmark, carrying out the price increases as we have done since 1 January is starting to offset the high property claims inflation but as mentioned we will see a more meaningful impact of that towards the end of this year and the full impact in 2017. The fact that we see Norwegian prices up for instance in Cars still reflects a somewhat different car fleet with bigger and more powerful cars in Norway.

On slide 10, we reiterate a bit on the retention rates that as mentioned are broadly stable. Worth mentioning is Private Denmark at 90.0 %. The same as last quarter but the highest in three years despite carrying out price changes and of course on the longer-term journey we expect the membership bonus also to support this KPI. And over to you Christian.

Christian Baltzer, CFO

Thank you Morten and good morning everybody. So as Morten mentioned in the beginning of this presentation we have seen an underlying group level that is slightly higher than we saw in the same quarter last year. And we are now on page 12. It is important when we look at the underlying loss ratios that we focus predominantly on Private since there is a lot of volatility both in the Commercial and the Corporate and the Swedish segment. If you look at the Private lines we actually see the deterioration of 70 basis points, which is an improvement of the deterioration from Q1 this year. We still reiterate our 3 % price increases that as Morten mentioned will flow through the portfolio throughout the year and will improve our underlying loss ratio by the end of the year and the beginning of next year.

Turning to slide 13, we actually try to bring an illustration of some details in some of our Motor insurance claims. I think we can all agree that the frequency of bodily injury is decreasing in the Motor segment, which is very positive in general that less people are getting killed on the roads. However, the safety features and the techniques that we put into the vehicles are actually getting more expensive for us to repair. We have here highlighted two areas that we see where some of the technical advancements are increasing our claims cost. One is on wind shields, where we actually see around roughly 20 % improvement if you compare apples to apples from 2011 to now. We also – the way that we have tried to mitigate that is that instead of replacing the wind shields actually to repair the wind shields. However, we do see this trend continuing. And the bumpers. To replace a bumper that has a radar compared to a bumper that is more old-fashioned we actually see a 2-3 times more cost to do that kind of replacement. So bear in mind our illustration here is predominantly to kind of put a little bit more colours on the picture of the Motor portfolio to understand that it is not only that risk is going down on the bodily injury we can all agree on, but there are also trends in other areas that are increasing.

Turning to slide 14, where we illustrate the large claim in the weather claims. You can say it has been a benign quarter compared to last quarter where both large claims and weather claims are somewhat at the level that we would expect or same as last quarter, the weather claims are actually a little bit lower than expected. The run-off gains of 6.4 are higher than last quarter. However, it is still in line with our overall guidance for the 2015-2017 period.

Turning to slide 15, I think overall in general for Tryg it is important for us to keep our competitive advantage and the efficiency programme set forward here a couple of years with the DKK 750 million in savings over a three-year period is going to reinforce our position as a competitive company. We are in line with the efficiency programme, on track with all our savings. In the second quarter, we cashed in 51 million in achievements whereas 36 of it is from the claims side, and 15 is from the cost side. On the claims side, we have actually very different kinds of improvements, everything from helping injured persons in personal accidents coming back to work faster, minimising our claims to actually re-selling, reporting cars so that they can get sold out instead of totalled.

On the expense ratio, if you can go to the next slide, which would be slide 16, there is more detail on the development of the expense ratio. We are down 0.2 percentage point from Q2 last year. Our efficiency programme is still on track towards our 14 or below in 2017. I think it is important to look at the numbers and the proof is in the numbers here with both our FT and our nominal cost actually trending downwards. We have this last couple of months announced some layoffs in Norway with about 60 jobs, which is more of a structural change in Norway versus where a lot of the FT redundancies or reductions here have been more optimising. It is important to understand that these numbers – the 60 jobs – will not flow in until 2017.

If we move towards the investment income on slide 18, as Morten highlighted the turmoil in the investment market has had a lot of investors move towards a safe haven and our result of DKK 181 million predominantly comes from the fact that our match portfolio is up. I think it is important to understand here that when we talk about the match and our regulatory deviation that in Q1 we actually had a negative regulatory deviation and the year-to-date is DKK 30 million on the regulatory deviation. In general, in the free portfolio we have taken off some risk, which also is highlighted. You can see that we have reduced our equities from 6.3 to 5.9 and in general a lot of the – about 40 % of our earnings on the free portfolio come from our bonds and deposits, which you can see on the 0.84 % return on that area.

I think that if you go to the Solvency II ratio on page 19, as Morten mentioned, we have a strong solvency ratio of 206 or 193 if you readjust for the Skandia portfolio. The SCR is predominantly – compared to last quarter – flat. However, you see the movements on our own funds where you can hear, as Morten highlighted, that the own funds include both the cash dividend and the share buyback of DKK 1 billion and the dividend of 753 we also have our subordinated debt into our own funds. In general you can say that we have a 345 million drop in our own funds from the first quarter to the second quarter.

The next slide, which will be slide 20, we actually brought this predominantly to illustrate for you guys that our Tier 2 capital has now been exhausted and with the use of subordinated debt you will see that in our Tier 1, our Tier 1 percentage has reduced predominantly due to the dividend and the buyback. We still guide no range for the solvency ratio and just highlight that the FSA will be more interested in us as a company if we drop below 1.25 but bear in mind that for us the ROE of 21 actually means that we need to have a very disciplined way of working with our capital in general.

On slide 21, which would be the last for me, is just again illustrating the stability in our capital position where we here try to use different kinds of risk and see what actually happens with our ratios and as you can see the spread risk is the one that has the most impact on our capital ratio. So back to you, Morten.

Morten Hübbe, CEO
Thank you, Christian, and on slide 22 we basically just reiterate our financial targets for 2017 which is an ROE ≥ 21 %, a combined ratio ≤ 87 % and an expense ratio ≤ 14 %. We have as discussed worked with price adjustments throughout this first six months to mitigate the fact that claims inflation was higher than expected last year and that that underlying trend has continued this year the same as Travel and we expect as mentioned still that we will see a more meaningful impact of that towards the end of

this year and then the full impact in 2017. We will clearly, as Christian mentioned, continue a very high focus on our efficiency programme, both on sourcing, digitalisation etc. and clearly the 60 FTEs in Norway taken out this quarter will help also our cost development going forward and into 2017. We continue to expect top line growth between 0 and 2 % based mainly on the pricing initiatives. We reiterate that we expect to be towards the lower end of that range but we will have a bit of help in the autumn from the Skandia child insurance and I guess longer-term the membership bonus in Denmark will improve that number going forward.

And then on slide 23, our favoured quote from John D. Rockefeller on the importance of dividends and I guess with the DKK 2.60 after this half-year we have increased our dividend slightly by some 4 % which I think is important but bear in mind that the half-year dividend is approximately 40 % of the expected total annual dividend. So with that I think we are ready to move on to questions.

Questions and answers

Jakob Brink – ABG

Yes, hi, it is Jakob from ABG. I have a few questions, please. The first two, I guess, are one combined about premium growth. I notice in Denmark as you highlighted as well you had quite strong growth of 1.7 %, then minus was it 3.5 % in Norway. Could you try and give us a bit more details on what should we expect for Denmark and Norway, respectively, for the second half of the year, i.e. how far are you actually with the re-pricing in Denmark and what kind of macro slowdown are you expecting for the second half of the year? And then finally, how does this all combine into your guidance of between 0 and 2 %. Then my second question is more detailed, I guess. I don't know if you could, given what has happened with your curves and also the your issue of subordinated debt. Could you give us some kind of indication of what investment income we should actually be looking for in sort of a more normalised scenario annually? And then finally the third question is about your 60 employees in Norway. Have you already taken the restructuring cost for those layoffs last year or is this something that will be booked gradually when people actually stop? Thank you.

Morten Hübbe, CEO

Good morning, Jakob. If I take the first and the last question. You are right on the premium growth that the 1.7 % positive on Denmark is actually slightly higher than expected and positive. I think Private lines Denmark – this is roughly an underlying trend that is continuing in a positive way and where the premium increases will gradually improve that further. I think Commercial lines Denmark are helped by the fact that the premium in Q2 last year was a bit unusually low so I think actually Commercial lines Denmark are probably the last ones to succeed in the Danish market, but 1.7 % as a total is positive and we can see that Corporate Danish customers are receiving the membership bonus well. I think for Norway clearly the 3.5 % is a slightly high number. You can see that Corporate Norway is down almost 10 % so that is where the big driver comes from and then Commercial Norway as well. I think, to be honest, that the negative macro will continue. I think sort of -9-10 % on Corporate Norway is unusually high and shows a few larger accounts that have left us. And then not really a picture of macro going forward but we do have the attitude that if we need to let go of a few Norwegian Corporate customers because of pricing then we will do that. So I think if you take the rest of the year as you asked and next year we will continue to see a continued improved development in Denmark. We will continue to see a negative development in Norway but a less negative development than what we saw this quarter and particularly Corporate Norway will be less negative but we reiterate that we expect to be at the low end of this 0 to 2 % range including the Skandia in the autumn. As far as employees are concerned and the 60 people generally we made a provision for redundancy last year so we have the provisioning in place. Depending on how structural the layoff is and some of it is very structural then we use the redundancy provision and for others we let them work until they either leave the company or move into another position. But generally you should not expect a negative impact from that but you should start to see a positive impact.

Christian Baltzer, CFO

Yes, hi Jakob, I will try to answer your second question here. All in all you can say on our match portfolio we actually don't expect too much of a return from that. If you look in our report, you can actually see the split-up between the regulatory deviation and the performance deviation and as you might have seen there the regulatory deviation about

69 million is something that we will expect to flow back as the spread increases between the Euro swap and the Danish swap. Generally, on our free portfolio we would expect about DKK 200 million returns on an annual basis and then depending on performance in market that will fluctuate. With respect to your question about the subordinated debt we will also see that is about 200 negative on the other financial income and expenses so I hope that answers your question.

Morten Hübbe, CEO
I guess that all ties into sort of a normal expected investment income at the moment of DKK 160 million per year but I guess it is hard to talk about normal investment income in these quarters.

Jakob Brink – ABG
Okay thank you very much.

Paul De'Ath – RBC Capital
Yes hi there, a couple of questions from me please. Just on the price increases that you are putting through and obviously the impact of that is I think you are now saying towards the end of this year rather than necessarily Q3 so a question of clarification, do you expect to see any boost in Q3 from the price increases? And then secondly on that really is the extra disclosure you have given on slide 13 around the Car costs or Motor insurance costs increasing in certain areas is that to give us some indication that perhaps price increases will be above inflation but not very much above inflation or what – that is going to be a fairly mixed message that you are saying that you definitely going to be pricing above inflation but we should be careful because actually that is part of the business but the inflation is probably higher than we might have thought so I guess a bit more around the thinking that would be great, thanks.

Christian Baltzer, CFO

Hi Paul, I will answer your first question and have Morten take the latter one. The price increases that we are talking about here and the improvements that we expect to see was when we went from the 90 basis point deterioration in Q1 and 7 in Q2 we expect basically that to be the improvements of deterioration so to speak. I think it is important to understand that this underlying and the projections are something that we look at every single quarter and we re-establish our outlook for the performance of the portfolio and there we expect right now the improvement to come at the end of the year.

Morten Hübbe, CEO

I think it is important to say Paul that if you just look at the underlying dynamics when we start price increases on 1 January it takes twelve months to hit the renewal date of all customers. Then it takes from that renewal date twelve months to earn the premium from all customers. So yes, we will see an impact in Q3 but you just should not expect all of a sudden a big boost in Q3 so you will see a slight impact in Q3, you will see some impact in Q4 and then you will see the full impact in 2017. So that is the sort of twelve + twelve months dynamics every time you make a price change. So hopefully that is understandable. When it comes to the car cost you are right that these are slightly mixed messages and I guess the jury is still out when it comes to the net impact of these drivers. I guess what we are trying to say is mainly that in a scenario where everyone is very concerned and focused on the fact that bodily injury drops, liability claims drop and what does that mean for the future of car insurance? What we are basically trying to illustrate is that we think there is a significant opposite driver which everyone seems to be underestimating a little bit in the dialogue which is that the price of these improved safety measures is significantly higher than the price of the similar spare parts previously so what we are basically just trying to say is that there are two drivers moving in different or opposite directions and we will monitor both to make sure that we carry out the right price increases for the spare parts that become more expensive and then over time become cleverer and cleverer on the net impact of the two drivers and as I have said the jury is probably still out on that but see that as an important input into the total development of cars into the future dialogue.

Paul De'Ath – RBC Capital
Okay, great, thanks.

In-Yong Hwang – Goldman Sachs
Good morning, thanks for taking my question and I have got two. Firstly, on the run-offs, I think on slide 30, there seems to be a 33 million negative development on the Commercial Fire & Property so I was just wondering what is driving that? And my second question is on the Norwegian business, a little bit more detail. I think you mentioned that the Corporate Norway segment is down about 9-10 % so it would be helpful to know how much if any of this is at all oil-related companies or clients and kind of linked to Norway parts. I was under the impression that the Commercial business in Norway might turn a difficult corner but your comment seems to say otherwise so just a bit more on the Commercial side as well in Norway. Thank you.

Christian Baltzer, CFO
Hi In-Yong. Well, Morten, I will try to answer the first one with the property run-off. You can say run-off in general is not that it is always going to be coming from one specific product line. I think right now as you are mentioning on the property side we have seen some run-offs here in the second quarter. I don't take that as this is what is going to happen going forward also. I think the run-off is a view of where we believe that the level of reserves are high enough. And we actually do believe that we did have one hotel that is one single claim called Randers Hotel that actually had a run-off loss on and that one which also then flows through the numbers so you cannot... it is important to understand where the run-offs come from but again the slight 30 is more of an illustration of how it is put together but you will see fluctuation from quarter to quarter where it comes from.

Morten Hübbe, CEO
And it is fair to say that in the Commercial and Corporate single large claims can play a role. We see this hotel this quarter. We have also seen in other quarters that changes to

large claims can drive run-offs but fundamentally these are small volatilities around a generally high and stable predicted run-off gain. When it comes to Norway, In-Yong, you are right that on Corporate Norway I would say that it is not directly oil but some of it is related. You might remember we talked about a large customer in seismic water surface investigations that went bankrupt and you know some of these customers pay 40-50 million in premium so you do not have to have a lot of these to change before you move the numbers around and then I guess there has been a couple of larger workers' comp. accounts where our view is that the ROE on workers' comp. is always the most challenging so if we find larger accounts where pricing is not right then we will rather not have that customer and then free up the capital and improve the ROE but as I said at the current pace of Corporate Norway is actually more positive than what we have seen in the earned premium numbers so I think the 9-10 % is unusually high and not something you should expect going forward. As far as Commercial Norway having turned a corner, I think that is too early to assume, to be honest. I think that of our business in Norway clearly targeting Corporate is structurally the strongest where Commercial SME is structurally the weakest. We are doing a lot of right things. We have taken out a significant proportion of the 60 people we are taking out in Norway comes from Commercial Norway so we have become a lot more efficient. At the same time, we during a number of structural initiatives on pricing, segmentation, distribution etc. all of which will make Commercial SME Norway stronger but we have not turned that corner yet in Commercial Norway. That would be too early to assume.

In-Yong Hwang – Goldman Sachs
What the premium development in the Norway Commercial was? Just a very rough number…

Morten Hübbe, CEO
What that number was? I don't think we have published that. So you can see the total Commercial Nordic number but there is not a dramatic deviation like the Corporate number. That is why we mentioned Corporate Norway.

In-Yong Hwang – Goldman Sachs
Okay, okay that is clear. Thank you.

Vinit Malhotra – Mediobanca
Yes, thank you so just only I think that on the investment side I noticed the comment, Morten, that you said there was some de-risking done on the free portfolio. Were you referring to something you have done both the quarters or will you just guide us to what were you trying to suggest that or which areas and secondly I was just noticing the retention rates in Denmark Commercial and apologies if this was addressed in an earlier question, I might have missed that, but isn't the effect of the customer dividend or shouldn't it have already led to some kind of retention stabilisation if you like in the Danish Commercial space. Thank you.

Christian Baltzer, *CFO*
Hi Vinit, I will give it a shot on the first one. The de-risking that I was mentioning there on slide 18 is basically that you can see compared to last quarter we have taken down equities 0.4 percentage point of the full portfolio and you can also see a flow from a high-yield area into investment grade bonds so those are kind of the two initiatives or activities that we have done in order for us to kind of take some risk off the free portfolio so those are kind of the indications that we have highlighted during the walkthrough of the material.

Morten Hübbe, *CEO*
And on your second question, Vinit, if you look at retention Denmark I guess the positive is that retention Private Denmark is up slightly despite the price changes so that is very robust and very positive and I think, to be honest, that the longer-term impact from bonus you should not expect that in the numbers yet. I think for Gjensidige that was sort of a 4-5-year journey. We are sort of a few months into the journey so I think, to be honest, that that is ahead of us. Then you are right that on Commercial Denmark the retention is down a little bit and I guess when we make our sort of price

elasticity analysis we see that there is a slightly higher reaction to the price changes in Commercial and what we see is that particularly that goes for very new customers in the Commercial portfolio so there is less of a link to the actual size of the price change and more of a link to whether that is an older existing customer or a very new customer and all of that flows into the way we work with price changes in the future and I think the positive from retention from the membership bonus that is ahead of us and that is a sort of 2-3 year journey and hopefully a positive journey.

Vinit Malhotra – Mediobanca
Yes and if I can follow up you also said that the NPS calls are likely to be volatile I mean is that also part of your consideration about the effect of the bonus going to take a longer time?

Morten Hübbe, *CEO*
Well, I think that the thing is that most of the KPIs we work with have a very clear financial impact and you can explain and investigate etc. NPS has a lot of more things in there like psychology and what is said in the press and etc. etc. so I think that is why we see this quarter for instance NPS in Norway improves significantly whereas last quarter it was less positive in Norway. That is why we use as a perhaps better indicator our underlying sms or text messaging scores because there we are getting closer to more than half a million responses which is a more stable indicator than NPS which fluctuates more but the general journey is the NPS is increasing and that is positive it is just a more soft parameter from a smaller group of respondents. And that is all you need to bear in mind.

Vinit Malhotra – Mediobanca
Yes, thank you very much.

Jonny Urwin – UBS

Hello, thank you for taking my question. I have just got one left actually. It is around claims inflation. It is still running at an elevated level as you guys have been saying. We have heard a lot about the price increases that you are putting through to counter this but I just wondered if you had any sort of luck in trying to manage those claims trends through enhanced claims management functions and things like that. I remember last quarter you guys said that you know you put in two new heads with the claims management department and they were looking to put through some measures and you gave us some pretty good examples of the sorts of things you are doing so I was just wondering if we could have an update on the progress there, please?

Christian Baltzer, *CFO*

Yes, Jonny this is a question – let me try to dive a little bit into that. I think when we talk about the House claims department we actually have had two areas where we have seen some deterioration, adverse development. One was on the pipes inside the houses and another one was on kind of the pipes flowing out of the house and I think on the pipes inside the houses we have actually through much more enhanced process handling seen a drop, a quite significant drop over the last couple of months so the early indicators that this extra focus on the process is actually working I think the very early indication would be that owners have a 20-30 % drop in the average claims in that process. Now, on the pipes flowing out which will be the sewers that are leading into the house, we are still trying to find the right measures to kind of get a grasp around that claims development so we still see that being at a somewhat elevated level so yes we do have success with at least housing pipes inside.

Morten Hübbe, *CEO*

I guess it is fair to say Jonny that on the House question as Christian pointed to we can do most of the improvement on our own whereas in Travel for instance we see that this has to be solved through pricing because it is hard for us to massage the claims down but clearly it is very positive that the early signals are that the measures we have taken on the pipes are improving.

Jonny Urwin – UBS

Thank you.

Per Grønborg – SEB

Yes, good morning, a couple of questions from me as well. First on the cost side, last year you had clearly lower costs in the second half compared to the first half if we adjust for the special items last year. Is it realistic to see a cost ratio at the level of 14-14.2 for the second half – is that a reasonable level or don't you see the same seasonality as there seems to be in your historical numbers? That was the first one. The second one was on the investments where you now are guiding for a long-term normalised return of DKK 160 million. The other financial items, what is the run-rate on that one you are putting into the DKK 160 million? I am just curious. Finally, it has been touched upon in a number of the previous questions, if I look at the country numbers, Denmark is doing very well both underwriting and volumes. Norway is doing exactly the opposite if we take into account that there was a huge prior-year gain again this quarter. Looking forward, yes, you have some price increases coming through in Norway but you don't have the same tailwind as the client dividend in the Danish business. What is the outlook for Norway? Will you be structurally less profitable compared to what you see in KPI at Gjensidige or how should we look at your Norwegian business a bit longer-term?

Christian Baltzer, *CFO*

Right, Per, I will try to answer these first two ones here. On the cost ratio you are right that we are at a somewhat higher level compared to last quarter if you kind of take out the one-off effects. I think it is important to note that second half year, we will have a lower cost ratio. I also think it is important to reiterate here that we have a lot of initiatives here in 2016 that are going to help us push us down to the 14-level in 2017 so you cannot expect a kind of linear line down from 15 to 14 in 2016 so do bear in mind that in these layoff costs and restructuring costs there is a good amount of costs in actually doing so. The run-rate on our other financial income you can say 2015 it was about DKK 240 million. I think it would be around that level in that number that is not the subordinated loan from the Swedish portfolio but I do believe that there are some other initial initiatives so roughly around the DKK 200 million in other financial income and expenses would be the expectations.

Morten Hübbe, CEO
And on your last question, Per, you are completely right that if you look at the quarter in isolation Denmark looks significantly better both on top line and underwriting than we do in Norway and a good question is how does that develop? Well, I guess if you go back a couple of years you could have made the opposite conclusion, that we did better in Norway on both top line and underwriting and I guess that is one of the advantages of being in more countries that they offset each other. If we look into the future I think that top line in Norway will be difficult but better than what we see now. If you look at the -9-10 % top line in Corporate Norway and I look at the current pace of the business I can see that in May and June, for instance, we won more clients than we lost so that will ultimately flow into the premium and I guess that is why we think the -9-10 % in Corporate is not a new run-rate. That will climb closer to 0 and that will help total Norway top line run-rate. When it comes to the bottom line run-rate in Norway, which of course is significantly more important, I think that if you look into the Danish cost ratio numbers versus the Norwegian cost ratio numbers, for instance in Private lines but also in Commercial lines, clearly we are significantly more efficient in Denmark so it is not a coincidence that the 60 headcounts this quarter all come from Norway and clearly the potential to reduce our costs and become more efficient in Norway is greater than in Denmark and that will help the run-rate of results in Norway so I guess you can argue that there is actually more we can do on the efficiency side in Norway internally than in Denmark but we will have less of a helping hand in Norway because of macro economics but also because we don't have the membership bonus. So hopefully that puts a little bit of colour on your question.

Per Grønborg – SEB

It did. Can I come back to a question/answer on the other financial items? You started by saying two fourth then you said 200 in your financial items.

Christian Baltzer, CFO

You are right and I guess I was just mentioning that in 2015 we were at a 238-level. We don't guide on that number specifically and there are a lot different elements in other financials that we don't really guide on so if I were to give you kind of a guesstimate guidance for your spreadsheet I think we would say roughly the DKK 200 million going forward but there will be some fluctuation in there also.

Per Grønborg – SEB

Of course, perfect, thank you.

Christian Hede – Nordea

Yes good morning. It is Christian from Nordea. I only have one question left, it relates to your increase in the share of 3+ customers with more than three products. Is this increase due to you actually getting more clients with 3+ products or is it that you actually are losing clients with less so that your base is less?

Morten Hübbe, CEO

Good morning to you Christian – it is actually both. The number of customers with one product is being reduced and the number of customers with three products is increasing so I guess that helps both sides of the equation. But it is fair to say that I guess this is one of the KPIs that we have been a bit slower to improve than we thought we would, but when we look at the current pace it is increasing well in Private Denmark and it should continue to increase well over the next 18 months and then we are not satisfied with the development of 3+ in Private lines Norway. Particularly we see that our car dealer distribution brand in Norway has too many single-product customers and the development is not positive and that is why in Q2 we have actually integrated the car dealer organisation into the total Private Norway organisation and we are running a number of initiatives to cross sell and improve and broaden the scope of number of products because to reach our group targets on 3+ we need to move the Norwegian Private line numbers and that will be the core initiative.

Christian Hede – Nordea

Perfect. Thank you very much.

Gianandrea Roberti, IR Officer

Yes. Thanks a lot everybody for a very good set of questions. We will be in London tomorrow for the ones of you that will join our analyst presentation. Otherwise we will talk to you after the summer. Have a great summer. Thank you.

Morten Hübbe, CEO

Have a great summer. Thank you.