Tryg – Q2 2012 result
Conference call 14 August 2012 at 7 p.m.
Q&A transcript

Morten Hübbe, CEO
Welcome to Tryg's second quarter conference call. Speaking is Morten Hübbe and together with me in the room is Investor Relations and Tor Lønnum, our CFO, and we have done a pre-recorded webcast which you may hear and see when it suits you so I will just present a very, very brief introduction on the results and then we can move straight on to Q&A.

We are pleased to see that the second quarter shows the strongest quarterly combined ratio in five years of 84.7, which means an increase in the technical result of 65%, an increase in the pre-tax result of 45%, which shows that our insurance business is on the right track to meet the target we have set from the third quarter next year and onwards.

Clearly it is important to notice that we have had significant help or tail wind in terms of having fewer weather claims, fewer large claims, positive net income from reinsurance, which also rubs off on the run-off numbers.

On the negative side, the continued decrease in interest rates has had a negative impact on the combined ratio and if we move on briefly to investments, clearly equity markets have been negative in the quarter but more specifically there is some significant positive impact from the new FSA yield curve largely designed to help the Danish life and pension sector and on the other hand a significant negative impact from the fact that we have written down the value of our Danish domicile premises so across these facts we do see it as a strong quarter that continues our right direction towards our goal for the third quarter next year. It does not change those goals and we always know that the second and third quarters are seasonally the best quarters in a year and of course luck and tail wind will not influence all quarters and we try our best to separate it for you to be able to see which of it is our doing and which is a helping hand. I think with those few words we will hand it over to your questions and will give some answers to that. Thank you.

Håkon Fure – DnB Markets
Yeah, good evening guys, this is Håkon Fure from DnB Markets. Three questions if I may. Firstly on the new discount curve in Denmark. It seems that has lowered the interest rate sensitivity on your reserves. What changes have you or are you planning to do to your matching portfolio? Are you seizing the opportunity to increase the share of floaters in your portfolio? Secondly on the run-off gains seeing as the new discount curve obviously has lowered the net present value of your long-tail reserves is the relatively high run-off gains in the quarter also driven by the new discount curve in Denmark or is there another explanation besides the sideway reinsurance? And thirdly on the property write-downs, am I getting this right when I - if I say that the Danish write-downs have been booked in the P&L while the positive adjustment in Norway is booked directly to the equity? Thank you.

Tor Magne Lønnum, CFO
Yes, it is Tor Lønnum here. Hi, Håkon. You have three questions, one if there is going to be any changes in terms of the investment portfolio related to the changes in the discount curve and at least sort of in the short run it is not going to be any significant changes. And question no. two is in terms of the run-off gains there is no effect from the discount curve changes in the run-off gains. We have shown and we show that there is a positive effect from the sideway covers as you said but there is also some other positive effects from the reinsurance side which help the positive run-off gains net of reinsurance. To question no. three in terms of property you have read it correctly. Any increase in positive value on the domicile will be taken directly to the equity whereas any write-down is taken to the P&L.

Vinit Malhotra – Goldman Sachs
Hi, thanks very much – just on the slide 14 of the investor pack I notice there is a 5% benefit from profitability initiatives between last year second quarter and this year second quarter and I think probably because from my point of view even excluding these reserves and even excluding the luck from the weather I think you beat my number by around 4% and this I don't understand this profitability initiative could you peg it down and quantify it because you have mentioned 20 million of claims but then the 5% is a very big number. Thank you.

Morten Hübbe, CEO
Well, I guess overall there is a distinction between two different sorts of time series of initiatives. I think since the autumn of 2011 we have explained that there is a - that there was pricing initiatives and some claims initiatives that would contribute gross roughly DKK 1 billion to 2012 and of course if there were no inflation at all that would improve the combined ratio by 5 percentage points. Those fees are both price changes undertaken in 2012 but also price changes undertaken in 2011, which has a carry-over to 2012 and then of course we have claims inflation in any given year that will typically eat some 3 percentage points which would leave 2 percentage points net to help the combined ratio development. I think the 20 million you are referring to which is important to debate as well is that on the Capital Markets Day in June we described initiatives to reduce both the claims costs and to reduce the costs – administrative costs as such over the coming years and we are now reporting how they are progressing. So you can say one is the 2012 impact from the primarily price increase driven effect and the second is the coming year's impact from working with base procurement and costs, so I think you need to keep those in mind.

Vinit Malhotra – Goldman Sachs
Sure, so there isn't one cure for these. This number would have been – I mean this charge probably was not shown but would this have again been around this mark, 5%?

Morten Hübbe, CEO
Well I can see that 1 billion in a year is roughly 5% and within the different business areas there is uneven distribution on the quarters so if you look at it from a company point of view there is a fairly even distribution of that impact during the quarters. Therefore the 5%.

Vinit Malhotra – Goldman Sachs
Sure, just before I sign off – on the same slide number 14 the Corporate underlying claims ratio is really put down by a similar 5% magnitude roughly. Is there something that you would like to comment on that here, or is it just linked with the same pricing initiative?

Tor Magne Lønnum, CFO
Yes, now you are right in terms of the question. Still, it is a good performance in the Corporate segment I think although it is worth commenting that this is only a quarter and as such of course you will see some natural fluctuations between the quarters. I think the general picture of this is that we do see improvement and possibility across the business areas perhaps with the exception of Commercial in the quarter which is in line with sort of the overall profitability improvement that we expected but also that there is significant tailwind allowance around the numbers.

Morten Hübbe, CEO
You may recall that we recorded some concern about drops in Corporate insurance pricing or rates and I guess we reported that since the January renewal we have been able to turn around that trend and avoid a reduction in rates and rather get pick ups in rates. That is starting to help results and we have also reduced the exposure risk-wise in some segments but I completely agree with Tor. We will still see fluctuation in the Corporate area but it would be a more positive trend than last year and the year before.

Vinit Malhotra – Goldman Sachs
Sure so there is some a bit of acquisitional losses outside the large claim which were lower, probably, to explain apart from pricing – that is what I…

Morten Hübbe, CEO
Yes.

Hans Pluijgers – Cheuvreux
Yes good evening gentlemen. Four questions from my side. First looking at the run-off gains you explained the reinsurance the sideway reinsurance contract which as I understood you also said there were some other reinsurance gains. Could you maybe quantify that in respect to the run-off gains more in let's say which product groups did you still have good run-off gains again mainly on workers compensation. Is that the case? And how is that experienced there going. And what do you expect let us say for run-off gains going forward? Could you give us some feeling what you expect for let us say – for Q2, Q3 and Q4. Secondly on pricing in principle you have been cleaning up the books with respect to let's say – yeah, getting rid of some more clients. How is that progressing so far? Do you still have some cleaning up to do? Could you give us some feeling how far you are into that process? Thirdly, on investment return you also mentioned an impact - a negative impact from the Norwegian hedge on the interest swaps. Could you quantify that impact on the interest rate return? And lastly, just to get clarity if I read it right, the claims initiative has about DKK 20 million impact so far. Do you mean that on an analysed basis and the same for the cost initiatives DKK 25 million that is on an analysed based – not an impact you already saw in Q3. Is that correct?

Tor Magne Lønnum, CFO
Hi Hans, I can start off with answering the question on run-off gains. We have not quantified the effect in total simply because I think it would be difficult to give too much detail, but what I can say is that the claims around or the sort of the positive gains on the run-off side are primarily driven by the sideway cover probably that was mentioned but it was also related with some clauses related to natural perils so it is a combination of effects. Then you have the question about what are our expectations going forward in terms of other or sort of the total various business lines and I think what we said on the Capital Markets Day was that the development in terms of workers compensation looks positive and I think that still stands and as such, of course, you should expect the positive trend in terms of the run-off gains to continue

Morten Hübbe, CEO
Then I guess on the clean-up side you can say that one area of clean-up has been the large claims exposed segment in Corporate where we have been cleaning up our exposure to energy – the factories and companies in Norway and some municipals in the Danish segment. That work has been almost completed. There are a few energy companies where there is a longer contract where we will be in 2013 before we completely reduce the risk but that is largely done. I would say that in the Commercial segment we are still very much working on changing the price segmentation and the risk assessment of customers and we are still really not very far in that process. And I expect that still to have a negative impact on the top line in Commercial in the coming period but on the other hand it is quite clear from our data that customers that we take out of the portfolio in Commercial have a significantly higher claims ratio and therefore it helps to improve the bottom line and then of course we have to sacrifice to some extent the development of top line in Commercial so that development will continue for a while still. In Private lines the clean-up, so to speak, is more on a product basis per customer. It is typically either in the content area or in the house area whereas other products typically are profitable for those customers so I would expect that to have less of an impact on the numbers you see.

Tor Magne Lønnum, CFO
In terms of the question related to the investment return and the impact on the net on the mismatch so to speak there is as we mentioned a significant effect from or mismatch effect in this quarter and it is related to the Norwegian government bond being pushed even further down and you have seen that effect related to the pension obligation as well and I think it is stated in the quarterly report numbers in terms of so you can actually sort of make the calculation related to the effects of the mismatch, if you look up under the investment chapter.

To the question number four it is a quarterly effect, it is not annualised.

Hans Pluijgers – Cheuvreux
So you have 20 million positive impact in Q2 from claims initiatives and 25 from cost.

Tor Magne Lønnum, CFO
Yes. And you can see – we are trying to show in the numbers as well the reduction in number of FTE's so it should be possible to actually…

Hans Pluijgers – Cheuvreux
So that would imply that let us say from the 100 million claims initiative for 2012 you already have let us say 75 million already in the book because you should take 25 million – sorry 20 million, should we say 60 million already in the book because you take 20 million in Q2 you could argue that likely also continue into Q3, Q4 and you will leave 60 million in the book or that is what I.. is that correct.

Tor Magne Lønnum, CFO
Yeah, I am not going to give you the guidance on this´. Of course when we state the targets we are quite anxious that we can make sure that we reach them.

Hans Pluijgers – Cheuvreux
Yeah, yeah I understand that but more or less I have to interpret this number so on the analysed basis for the cost savings you have already 100 million analysed, or what have you realised? 25 million on a quarterly basis is 100 million on an annual basis, is that correct?

Tor Magne Lønnum, CFO
Yes, it is correct if you take 25 times four but clearly it is important to state that it is not likely the effects started in Q2 so you must make your calculation from…

Hans Pluijgers – Cheuvreux
Yeah, okay, okay until.. I see, I see yeah and are there any expected cost initiatives, any additional restructuring costs or lay-off costs yet to take into Q2 in the material?

Tor Magne Lønnum, CFO
No. No but we will get back to that I think for the Q3 numbers.

Claus Grøn Therp – SEB Enskilda
Yes good afternoon and congratulations with a very strong result. A couple of questions on the Commercial expenses and the cost ratio on Commercial, I think we have discussed it on various investor presentations how come that your cost ratio is a little bit higher than some of your peers and it is actually increasing in the second quarter compared to the first quarter. Could you elaborate whether there is any one-off cost in this or whether it is because you have not started to take some cost reductions also based on the earlier comments, you said that there may be decreasing premiums in the Commercial lines which could just exaggerate the issue with the expense ratios in that division and the second question goes towards Sweden. Can we see any positive impact on the pricing initiative or is it because of the weather and fewer large claims that Sweden is doing much better in the second quarter compared to in the

first quarter and the last question is regarding your dividend policy. At the end of your Capital Markets Day you discussed that or touched upon the discussion whether you would change your dividend policy and you said that there were discussions between the management group and Tryg's board. Could you maybe elaborate to what extent there is any news there? That is all.

Morten Hübbe, CEO
I guess if we start with the cost debate on Commercial I think you are pointing to the challenge on your own. There is a structural challenge that our cost ratio in Commercial is too high and there is the additional current challenge that we are reducing our top line so the challenge is to reduce the costs further than the top line is requiring and I guess some of that is being managed to lower salaries in the distribution line but we also have to restructure more significantly the mix of our distribution, which takes several years. We have started the process. We are also making a number of processes that are manual currently in Commercial and when we choose head counts in that area but that again will also take a significant period of time but I guess it is – we started the work, but the development in the top line of course is not helping the process and I guess it is fair to say that the structural efficiency measures we have taken in Private we still have a fair bit of way towards before we have a similar process within Commercial so we are starting to see reductions in the cost ratios, we are starting to see reductions in the costs but the challenge from the top line is sort of pushing the process a bit. I think on pricing initiatives in Sweden that the main challenge has been our Private business on particularly car insurance in Sweden but to some extent also house insurance. We are starting to see improvements in the claims ratio of car insurance. For the third time we have actually seen a period where car insurance had a lower claims ratio than expected, but clearly still not to a future targeted level but we are starting to see a positive development in Private. It does not really change the fact that if you take away the three profitable segments and look at Private lines only in Sweden it is still not profitable but it is starting to move so it is not weather alone. And I guess on the dividend policy the only thing that has really happened since we met you in June is that there has been a summer holiday roughly so we debated that topic with the board again today displaying for them also how keen a focus there was on this topic on the Capital Markets Day and we are continuing to work with different scenarios for the dividend policy and as we said on the Capital Markets Day we will come back to the market during the autumn when we have news on this.

Gianandrea Roberti - Carnegie
Yes good evening from me as well. I have three quick questions. I appreciate the around 84 million if I understood it correctly run-off gain that you have let us call it one-off in the quarter and then obviously one can look up in your report and see how much you were lucky if I can call it like this in terms of both weather claims and large claims were better than expected. When I do this readjustment I land on a comparison around 89.5 in the quarter - maybe I should add a few bits for the additional reinsurance one-off that Tor mentioned before but so I see it at 89.5 – 90 already in Q2 2012 and I would just like to see how, I mean, if this is how you see it as well and if so that seems already a pretty decent level. Quite a bit on bonds what most of us were expecting, let us put it like this. That is the first question. The second question is related to a comment you have in the Private lines section there, which I thought was quite interesting is the fact that you mention that there is a trend among Danish clients to sell big cars and buy small ones which is not surprising but also to drop the comprehensive motor insurance only with a remaining with TPL, with the mandatory one and I am just wondering how important this is. I mean if you mention it in the report, there must be some relevance. It is just quite interesting. The last question is on the pension liabilities once again. I actually realised only recently that some of your peers have decided them as an off-balance sheet item. It is not headed in their shareholders equity and I am just trying to understand how come that you and also Gjensidige and some other companies book it like that and some other have it off-balance sheet. This is driven by Danish accounting as a posh way for that so why is that? Thanks

Tor Magne Lønnum, CFO
Yeah, hi Gianandrea, I think to the third question, that was not really a question, I think it was more a statement and I guess it is – well it is not – it seems like you have made an okay calculation I think it is fair to say that – and you know that as well as me that clearly there is seasonality in the numbers and clearly Q2 should be a good quarter granted that seasonality so I think what we try to say is that we continue to improve profitability-wise towards the below 90 on a sustainable basis from Q3 2013. I think in terms of your question number two related to the Private lines and the cars here in Denmark clearly that is an issue and I think we have talked about that before it is a natural trend when you look at what is going on in the economy. And so I think when you look at sort of what happens to the average premium in motor that is also the effect that you see

Morten Hübbe, CEO
I don't think we have those specific numbers on ... not ready at hand how many cars we are actually talking about but it reduces the average premium of private cars in the Danish portfolio by a bit and less than a per cent so there is an impact.

Tor Magne Lønnum, CFO
This is the last question about the pension liability, Gianandrea, I think it is kind of difficult to answer what the peers are doing but when you talk about an off-balance effect it may be that some Norwegian companies have chosen to postpone to take the liability into their balance sheet, which was the previous option, so it may be that actually there has been a bit, the option they have chosen to use but the way that we treat the pension obligation under IFRS I would assume would be the same for both Norwegian, Danish and also other European companies. If you would like, that is a discussion which I think perhaps is better to take offline after the call.

Giulia Raffo - Autonomous
Thank you very much. Good afternoon, a few questions. One just a follow-up on the topic of run-off. I was just wondering if you can give us a sense of how much of the releases are actually coming from releasing the exceptional conservative view you took on areas like workers compensation primarily in the last two years or how much, let us say, taking aside the reinsurance kick-backs, how much let us say we can generally ascribe to you re-correcting an overly conservative view taken in the last two years in relation to workers compensation and then my second question is on investment income going forward. We continue to see further compression at the short end of the curve. If I am doing my numbers I get to a normalised investment income after technical interest of no more than DKK 200 million for next year. I was wondering whether the calculation pretty much met your simulation of this and finally just one question on dividend. I understand you are still in the process of discussing the policy with the board but if I look at the excess over your targeted surplus at the end of June you were roughly at DKK 850 million so that would really put you in a position where you can pay considering that the first half of the year has been better than normal it already puts you in a position to pay 50% payout over the full year earnings power, you know should we expect you to consider to exceed the 50% payout already in 2012? Or do you think the discussion with the board will take extra time and therefore is something that should have more of an impact in 2013? Thank you very much.

Tor Magne Lønnum, CFO
I think if we start with the last question I think as Morten said we sort of expect to reach a conclusion sort of by the end of Q4. Of course it will primarily have an impact on 2013. On the other hand of course it would be difficult to sort of take a totally different view on the 2012 numbers but it is kind of difficult to speculate too much I think what you should expect is that sort of the result will,–I think we have said before that our ambition is that when we look at lower growth on the top line it should be high cash conversion in terms of the numbers.

Morten Hübbe, CEO
We do expect as you say to reach a conclusion with the board this year. We don't expect a sort of two or three step story.

Tor Magne Lønnum, CFO
In terms of the investment income and the simulation that you have made I think clearly you are right I mean when you look at what has happened on the short-term interest rates – we have not given any new expectations in terms of interest that you should expect on the free portfolio so we have not really given any new set of calculation numbers, but you can make the same observation yourself in terms of the short-term interest rate level and the related…

Giulia Raffo - Autonomous
And excuse me can I just cut off here. Can you give us a sense of where your new money owed is at the moment with regard to the pull of assets that make up your free portfolio?

Tor Magne Lønnum, CFO
I think perhaps it will be better then that we would try to give you an update for the Q3 numbers in terms of expectations.

Giulia Raffo - Autonomous
Okay, but you cannot give us a sort of sense of the cash for your assets in the last two months, let us say, on the bond side which is backing the free surplus what kind of new money yield have you locked in there

Morten Hübbe, CEO
But Giulia, why are you concerned about the different distinctions between new money and old money? I mean what I understand of it is yield and coupons but when you mark to markets the pricing and value of the bond anyway there is no difference in the yield you get from old money and new money as long as you calculate their yield at the same point in time.

Giulia Raffo - Autonomous
Yes, that is correct but I was trying to have a sense of clearly if you think about the freeze-up has been volatile in the last few quarters we have had several swings you know factors in terms of your property you had the .. in a few quarters there were some derivative fluctuations so I was trying to have a sense of what the new normal is for the investment yield environment.

Morten Hübbe, CEO
If we take away a request which I think makes perfect sense that we should do something to update the more overall predictability of our investment income but then you knew that more as a total rather than trying to make some distinction between old money and new money.

But I think that is relevant input and we will try to do that.

Giulia Raffo - Autonomous
Well because I think you should look at one line where often the consensus number tends to be rather wide, let us say.

Tor Magne Lønnum, CFO
Yes I agree, I agree to that Giulia but then again I think sort of it is important that when you look at the numbers this is fairly impacted by again relatively heavy inflow of money to perhaps in particular sort of the Norwegian market and Norwegian government bonds and I think we cannot really start to give you guidance on what is going to happen under extraordinary circumstances. Clearly as Morten said what we can do is that we can try to

update sort of the expectations on the various parts of the portfolio but clearly we have not changed the expectation in terms of the real estate and in terms of the equity so it will only be in terms of the bond part of the portfolio.

The final question, in terms of the run-off gains, the referred releases I think in fact is what you should think is that we have set run-off gains in the area of 2.5 to 3% and that is also what you should expect for the full year.

Per Grønborg – Danske Markets
Yes, hello, it is Per from Danske. I have three questions. The first one once again related to your one-off gains. When I look at your figures, it looks like you have 112 in gains on a gross level, 349 on a net level – a difference of 237. You have only really explained where the 80 of those are coming from. Is this the way I can look at the figures and in that case where are the other two thirds coming from? My second question is on the pension charge on the equity. The charge you have taken, how much are you now up to date with current interest rate levels or might there be more to come if you could just tell us at which interest rate level you have adjusted your obligations and finally the cost of unwinding your discounted reserves seems to be coming down pretty slowly. Are there any reasons why it is not coming more dramatically down in line with your lower discounting rate? To me it seems it has only come down some 10 million quarter over quarter. Those were my three questions, thank you.

Tor Magne Lønnum, CFO
Yes, I think we start off with the one-off gains Per, as mentioned yes, clearly there is as I mentioned an effect from the sideway covers which has been discussed and there are effects related to the Norwegian natural perils pool and also some other minor effects I guess you made the comment that there was a difference or an additional income of 234 between the gross and the net run-off gains and I guess that said something about the level. In terms of the pension charge you know there is a 0.6 percentage point drop in interest rates and I think what we have used in this quarter is 2.4%. And bear in mind that if we take developments in terms of the interest rate changes for the third part we have also - and I think you mentioned that – in Q1 we had changed the life expectancy in the pension charge so there is also an effect there in Q1.

Per Grønborg – Danske Markets
But your figure said there was 0.6 effect in the second quarter and currently there will be another 0.4% - was that correctly understood?

The effect you booked in the second quarter was primarily from – if I understood you correctly it was from 0.6 per cent drop in the interest rate.

Tor Magne Lønnum, CFO
Yes

Per Grønborg – Danske Markets
And there seems to be – did you say there was another 0.4 down to current levels?

Tor Magne Lønnum, CFO
No, no I just made the comment that if you look at the development in terms of the long-term Norwegian interest rates there was an increase from 31.12 to Q1.

That positive effect was offset against an increase in life expectancy in the obligation.

Per Grønborg – Danske Markets
So basically what you have as provision is now based on the end of June interest rate levels?

Tor Magne Lønnum, CFO
Yes. And then the final question you have was about the unwinding effect.

Per Grønborg – Danske Markets
Yes. To me it seems like in the first quarter that cost you 132 in the same quarter – it has cost you 123, the fourth quarter last year it was 142 so the figure is moving very, very slowly taking into account how fast interest rate is dropping.

Tor Magne Lønnum, CFO
Yes, I think that is a question where we will have to get back to you if that is okay.

Matti Ahokas – Handelsbanken
Yeah, good evening, a general question firstly on the premium growth. Now we are seeing a zero flat premium growth, you have talked about the profitability initiatives as an explanation. Could you somehow try to isolate the impact of the kind of bad customer loss and the underlying premium growth you are seeing, preferably in the different business units as well? A second question is regarding your Finnish business obviously or the Finnish and Swedish business a pretty impressive turnaround. Is there something extraordinary behind it and if not does this somehow impact that we see this as a kind of trend change in the business or is it more of a one-off? Thanks.

Morten Hübbe, CEO
If we take, Matti, the premium growth question I guess we should overall expect low growth rates in a scenario where the environment in the countries we work in have a low growth rate but I guess that some of the areas where we see significantly lower growth is of course in the Commercial segment where clearly we see a reduction in the Commercial retention rate. We have introduced significant price increases in Commercial and we are doing significant restructuring of our risk assessment of a number of Commercial customers and that is why of course there is negative growth in the Commercial segment. And we do expect that that negative growth will continue for a while still both throughout 2012 and will also have a negative impact on 2013. Another area of course is Sweden where the restructuring of particularly our motor pricing is very significant. I think we mentioned on the Capital Markets Day that we currently have a retention rate in Swedish motor of around 50%, which I think is the lowest I have had any time in my 20 years in insurance but it basically shows how much we are restructuring the pricing matrix of our motor business in the Swedish market and then of course you may recall that we announced quite clearly prior to year-end 2011 or 1 January 2012 that we would not accept any price reductions in Corporate. And as a result of that of course we say goodbye to some of the brokers' Corporate clients but clearly we monitor that the claims ratio development of these customers is significantly higher than the ones we have remaining in the portfolio so of course it damages the top line but clearly improves the bottom line and that is as far as we have gone. I think on Finland and Sweden, one of the core drivers is that we are fewer employees in Finland, we are selling less in Finland, which means the improvement to the cost price and the FTE but also that we are starting to see improvements in the claims ratios. We see in Sweden that our Private line customers are improving their results, both motor and house, but also that we are now into a quarter where motorcycle insurances have a profitable periods, they are mainly used during the summer period and that is where we mainly the premium income and also the positive net results. It does not change at all our view that we are looking at our future strategy in Finland. I guess we announced that in February this year we said that we would use both month periods to carry out that strategic review and we are in the middle of that as we speak so I don't really see anything changing, but of course it is positive that we are seeing improvements particularly in the Swedish business.

Hans Pluijgers – Cheuvreux

Yeah hello, Hans Pluijgers again, going back on my question on Norwegian hedging and the swap in interest rates. If I calculate it right the impact is relatively big, it is extremely, almost a full negative value adjustment and change in discount rates, is this correct? Or even more than that because in Q1 that value adjustment was still a positive of DKK 62m in Q2 you had a 50 million positive impact from the discount rate in Denmark but a negative impact from the unoccupied.. through your head office in Denmark and my judgment is the rest must come from the Norwegian interest rates or do I miss something there?

Tor Magne Lønnum, CFO
Now you are quite, Hans, what we are trying to say, I think it is on page no. 17 in the report and I guess that is what you are referring to so what we are trying to say is that you have a positive effect of 150 million related to the change in this. That means that you have 110 million negative mismatch in this quarter and yes one other main driver is related to the change in the Norwegian interest rates.

Hans Pluijgers – Cheuvreux
Okay but at the same time you have around 50 million a positive/negative impact also from the write-down on your head office.

Tor Magne Lønnum, CFO
No that does not come into the same line.

Hans Pluijgers – Cheuvreux
Okay that is coming not into the value adjustments?

Tor Magne Lønnum, CFO
It comes into other financial income and expenses. So if you look further down in the table you see that it is a negative of 258 million.

Morten Hübbe, CEO
Then I guess we should thank all of you for listening in on this conference call. Thanks for the questions. Have a good evening. Bye.