



Tryg – Q3 2015 results
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Transcript

Presentation

Lars Møller, Head of IR

Good morning everybody – here is Lars Møller, Head of Investor Relations at Tryg. We are here to present our Q3 results and with me today I have our CEO, Morten Hübbe, and our CFO, Tor Lønnum, so with this short introduction, over to you Morten.

Morten Hübbe, CEO

Thank you Lars and if we start on slide 3 we show the key focus areas where we have a very strong focus on executing our efficiency programme of DKK 750 million and improving our customer experience as we know that that also contributes to customer life time and bottom line. We have seen in this quarter a positive top line of 0.6% for the first time in 3 years, mainly driven by existing customers but we also see an increase in customer satisfaction. We see some areas where the current claims inflation is higher than the current price development. We see for instance in Travel and Property insurance that that is the case and we are of course taking the necessary steps to mitigate and ensure that price development is higher than claims inflation. We are also in the process of converting a number of old products to new products and we expect that process also to contribute positively to improving profitability and margin. Then of course, we focus on the acquisition we have made of children's insurance in Sweden from Skandia, which is an acquisition, which will support our ROE target of 21 % within 3 years. It is also a positive add-on to our total products coverage and the process of broadening the product coverage per customer because we know that Motor will become slightly smaller and we know that more products will broaden and extend the customer lifetime and earnings.

If we turn to slide no. 4, we show the financial highlights of the quarter. We see a satisfactory technical result with a combined ratio of 87.1% including 2.6% one-off restructuring charge to make sure that we deliver our DKK 750 million savings so an

83.5% combined ratio before restructuring. As planned and communicated we have done this restructuring charge and as I mentioned it is DKK 120 million and that is to cater for all of the restructuring between now and 2017 and the full DKK 750 million efficiency programme. As I mentioned we see that our customer focus supports the premium development. We see an improvement in the 3+ customers, so the product coverage, and we see an improvement in retention rates both of which are developing positively in Denmark where they are somewhat more challenged in Norway. Then we see a negative investment return, mainly due to equity markets in the quarter and of course that has a negative impact on our return on equity but it is very important to communicate that we stay 100% committed to delivering a dividend despite that, which is nominally stable to slightly growing and we find that more important than any payout percentage.

If we turn to slide no. 5, we show a bit of customer highlights whereas I mentioned customer satisfaction and NPS is increasing and is now 20% we see that the number of customers buying more products is increasing and also the customer retention rate is improving. We see that as positive drivers because basically we see that the strongest combination of customer focus and bottom line is when our existing customers stay longer, buy more products and that they are more satisfied because that is where we drive the highest – also – bottom line value and the highest and most positive development with our customers – and over to you, Tor.

Tor Magne Lønnum, CFO

Thank you Morten and good morning everyone. If we move to slide no. 7, I think it is first and foremost important to highlight the positive aspect in the report, i.e. that we actually have a positive top line development this quarter in fixed currency. Now, of course, you are all aware of what has been going on in terms of the Norwegian krone so of course it does not sort of reflect the reported top line but in fixed currency as I said it is a positive development and it is fair to say that that is the first time in more than 2 years so of course we are pleased with that development. There is a positive development in all business areas except Sweden. Going forward there is no doubt that we expect the top line to continue to be under pressure, particularly because as we have talked about before there is a slightly weaker development in Commercial Norway

and we also see from competition in terms of Danish private lines. We do expect Sweden to develop more favourably going into 2016 albeit it will not be sort of a straight top line growth line, it will be volatile.

If we move to the next slide and talk about the average premiums there is a continued positive average premium development in Norway. A small positive development in Motor in particular. You see that there is a continued negative development in average prices in Denmark. Motor is driven by a combination of competition and mix changes. You see that there is also a small decrease in average prices in Housing, primarily driven by business mix changes. As Morten highlighted, then initially, of course, we are looking into price increases in conjunction with portfolio conversion going forward so we do think that we will be able to mitigate the impact of slightly lower prices.

If we move on to slide no. 9 and look at customer retention there is a very positive development in Danish both Private and Commercial lines and we are actually getting close now to 90% retention in Private lines in Denmark, which is very positive. It is also worth highlighting I think the fact that Commercial Denmark has actually improved 1.4 percentage points over the last 12 months, which I think is relatively strong. You see that there is a slightly weaker development in Norway, primarily driven by challenges in Commercial as they have highlighted but also a slightly weaker development in the Norwegian Private portfolio and to a certain extent driven by the car dealership insurance but also by competition.

If we move on to slide no. 10 there is an underlying improvement or a slightly flattish development in terms of the combined ratio. You have noted in the report that we have an improvement in terms of cost and a slightly weaker underlying in terms of claims. If you look the business areas, we do have an underlying improvement in Corporate and Sweden and there is a slightly weaker development in Private and Commercial. The development in the latter as Morten mentioned initially is primarily driven by some increased claims inflation in Property and that is across Private and Commercial and also an increase in terms of travel expense claims.

If we move to slide no. 11 and look at the efficiency programme, we added savings of DKK 45 million in Q3 and we are at DKK 180 million year-to-date. The savings continue

to be versatile in terms of cost savings as I am sure you have noted in terms of development in the cost ratio. The claims saving is less visible as I have discussed in the last slide primarily due to what is going on in terms of claims inflation.

If we move to slide no. 12 and look at the expenses and the expense ratio you do see that we have a nominal expense reduction in all business areas. You can also see that there continues to be a favourable development in terms of FTEs and there is a drop of almost 74 FTEs just since the end of Q2. Outsourcing in Group Finance is starting now to be visible in the numbers and something that we have highlighted before.

If we move to slide no. 14, in term of the underlying claims ratio as I mentioned you do see a slight increase in the underlying claims ratio and primarily, as I said, driven by a development in Property and Travel Expense claims in Private and Commercial.

If we move to slide no. 15, you see that we have had a higher impact of large claims in the quarter, 4.3%. It is slightly higher than expected year-to-date but we do not consider it to be a trend so more what you would call normal volatility and keep in mind that the 550 expected for the full year of course is a budget and I think we have said before that there will be natural variations around such a number. Weather claims are lower than last year despite flooding and heavy rain showers in Norway. Year-to-date we are slightly higher than last year.

If we move to the last part, there is a slightly higher run-off level in Q3, at 8.8%, which of course is driven by a strong and favourable development in the long-term reserves related to Workers' Compensation and Motor TPO. It is in line with the guidance, but a slightly higher level of run-off releases than what you have seen in some of the former years. We do not expect the level to be at the 7 % level run rate but we have had – as I have said – a relatively good development in terms of reserves and thus high run-off this quarter.

If we move to slide no. 17, I think Morten highlighted on the overall level what is going on in terms of the investment return - a relatively large loss, DKK 383 million for the quarter, 2.6% down, equity is in particular down by 10.3%, which is weaker than the MSCI World that is our benchmark as well and it means that we have had for most of

the former quarter we have had slightly better performance than MSCI World. This quarter we had a slightly weaker performance. High yield in Emerging Market debt performed better than benchmark but gave negative yields. In terms of the mismatch, you see that it is slightly slower than DKK 50 million negative but still a relatively high amount and in particular, I am sure you have all noticed that there has been large market movements in terms of credit spreads through the period.

If we move to slide no. 18 and the capital buffer, it is worth highlighting that there is a relatively large movement in capital buffer this quarter. Two things I primarily will highlight: the fact that there is natural seasonality in the capital buffer as we will build up for the Q4 dividend but there are also two relatively large movements. One is currency movements due to the weakening of the Norwegian krone and the other is related to a reduced equity exposure as a consequence of the drop in equity markets in the quarter. It is worth highlighting that any share buy back as you know which is extraordinary, it is something that we will announce in conjunction with the Q4 reporting. Previously we have said something about that already in December but we will do that in conjunction with the Q4 reporting. I would also highlight for this page that there is no impact of the acquisition of the Skandia child insurance portfolio at this point in time because we have not been given the regulatory approval. That is something that we expect somewhere in the first half. Now we have highlighted that that will have a DKK 400 million impact in terms of capital so that is worth noting. There are, as you know, still elements of uncertainty in terms of capital. There is the model improvement, there is the natural perils pool, some elements related to deferred tax and future profits and there is also a discount curve change that will be implemented in Q1 2016. The last thing that I would highlight on the capital slide is the fact that – as Morten highlighted – there is no doubt that when we established our dividend policy that was established for exactly the situations that you see in this quarter. I think we were relatively transparent in saying that there will be periods where you can have an impact on insurance operations, for instance harsh winters like you saw in 2010 or periods where you see significant drops in equity markets like what you have seen in this quarter and the dividend policy was defined to meet exactly situations like this and that is why we said that there will be a 60-90 % range based on the profit after tax. I think it is very important for us to state, as Morten said initially, that there is no doubt that we will defend the nominal is stable and slightly growing dividend and that will be a very



important priority in terms of our targets and that is, as I said, exactly why we have designed the dividend policy the way we did.

If we move to slide no. 19 it is also worth mentioning the fact that we since we did this acquisition of the child insurance portfolio in Sweden from Skandia that actually moves our market share in Sweden on child insurance products to 10% so there is no doubt that there is a very nice fit, a very good strategic fit with our existing business. We do know that such a portfolio will contribute to very high retention levels and has a very strong profitability, which means that in our mind this acquisition will contribute to the overall ROE target of 21 % within 3 years. As you can see there on the bottom left, we have just tried to show you what kind of capital impact the various business lines will have in terms of capital and it is just a reminder. I am sure you are all very well aware of that but it is just to tell you that this is the reason why you see a relatively high capital impact from such a portfolio because it is a combination of the capital charge related to the business and the goodwill but, as I said, there is no doubt in our mind that this portfolio will contribute to the overall ROE target of 21 % within 3 years. And I guess with that I will leave it back to you, Morten.

Morten Hübbe, CEO

Thank you, Tor. If we turn to slide 20 for some concluding remarks, I think first of all it is extremely important that we have a very strong focus on improving our efficiency and delivering our efficiency programme of DKK 750 million because we know that that will benefit both our shareholders and our value creation but also our customers and our competitors' position and we are quite pleased that in this quarter before the restructuring charge we improved our cost ratio by 0.5%. We are initiating a minor price change just to make sure that we manage inflation, particularly in the areas where current inflation is slightly higher than current price changes and we are continuing to improve our price differentiation, as we know that that is gradually improving our risk selection and our margin. We have reiterated our financial targets for 2017 with a target of an ROE at or above 21%, a combined ratio at or below 87%, and an expense ratio at or below 14% in 2017 and then of course our customer targets also for 2017 to improve the NPS, the customer retention and the broadness of the product coverage. We continue to work with smaller acquisitions in the case that we can see that they can

support our ROE target of 21% within 3 years so that they create value for our shareholders and also we would like to see that they can add to our product coverage because we know that when we add product coverage to existing customers they stay longer, they are more satisfied and they contribute with a stronger bottom line. And then finally, as Tor mentioned, we remain 100% committed to nominal stable and slightly growing dividend regardless of what happens to equity markets and regardless of the payout in per cent. Thank you.

Questions and answers

Jakob Brink – ABG

Thank you. Sorry, I know you stressed it three times but I would still like to go back to the dividend policy so I mean the way I read it and the way you put it on page 20 you have a payout ratio target and then you are aiming or you are writing on your website you have an aspiration for an increase in dividend. I mean how should I read this? Should I read it the way that you will do everything you can to basically increase the profit so that 90 % will also lead to an increase in dividend or could we actually see you going to above 90 and in that case then how far above 100 could we see you going? Or 90, sorry. That is the first question and then secondly could you please update us on Solvency II – I, at least, have forgotten the impact of the changed discounting curve in Q1 and then also did you get any sort of more details on how you will treat for example the 200-year event tax asset and also maybe any news on potential 81 issues. Thank you.

Tor Magne Lønnum, CFO

Yes, I think Morten is pointing to me to those questions, Jakob, so I will start with first and foremost yes, there is no doubt that we are willing to go above 90 % in order to defend the nominal cash dividend. Is there a limit in terms of how high? I do not really think that that is an issue, to be frank we have not discussed any threshold in that respect. The ambition is to defend the cash dividend.

Jakob Brink – ABG

If I can just, if I look at your net profit over the past 10 years I know that a lot of things have happened in Tryg both, I mean, the higher underwriting profitability, etc. but if I look at the 10-year average net profit, it has been around 1.8 billion, which I think consensus if you just put in the negative deviation today for 2015 will be at around 1.8 billion so basically it is not sort of an exceptionally weak year – I do recognise that it is slightly weaker, underwriting, but having improved since the past 10 years but still, so why is it that you can go above your own target – won't that hit you at some point?

Tor Magne Lønnum, CFO

I am not sure if I follow your question, Jakob, I mean if you sort of calculate the 1.8 billion after tax profit on average for a 10-year period that should be sufficient to support the dividend, shouldn't it?

Jakob Brink - ABG

I just mean if you do that then take 90% then you will end up at around 5.8 so – which is not an increasing dividend so that is why I am asking so if you increase the pay-out now then you can do that this year, yes, but if you do that then it is kind of saying that next year you expect the profit to do somewhat better.

Morten Hübbe, CEO

I guess the motivation for having the debate is the negative results on the investment income in Q3 and I guess what we are basically saying is that we see that we will defend and deliver a nominal, stable to slightly growing dividend regardless that we have losses on the investment book and I guess that ultimately what we are saying is 1. that that is very important for us, it is very important for our shareholders and basically, we are running a portfolio where we are confident that we are continuously developing our insurance operations and earnings in a positive direction. And the fact that we have volatility from quarter to quarter in the investment book should not change our commitment to the nominal dividend. And as Tor said if that means going outside the

60-90% payout in terms of range then we are comfortable with doing that so I guess that is the clear signal.

Tor Magne Lønnum, CFO

Now in terms of the question related to Solvency II, it is fair to say that the discount curve that you asked about is one among several elements that will have an impact when we move over to Solvency II so, you know, there will be positive elements and there will be some negative elements and as I mentioned this is one of them. In terms of the positive elements, the tax asset is one that has been highlighted. There is no doubt that part of our deferred tax asset – we will be able to use that for Solvency II but as I mentioned before this - there is still some uncertainty around how that will develop.

Jakob Brink - ABG

Can you say anything if we would exclude any debt issuance then all those new impacts, positives and negatives, what should we be looking at on a net effect – sort of a range maybe?

Tor Magne Lønnum, CFO

No, I am not going to do that, Jakob, but what I can say is that – and that is really why I highlighted it because if you look into just for this quarter you see that there is a relatively significant drop in terms of capital requirement and I mentioned there are two elements. One is the weakening of the Norwegian krone and the other is related to the capital charge based on equities and the way that they have dropped so that is why I think it is fair to say that the transparency in terms of what will happen related to the capital in Q1 is still not fantastic so to speak and that is why it is fair to say that again – as I mentioned earlier – there will be some positive elements, there will be some negative elements. You see that the capital buffer at this point in time at least is significantly higher than what you see – what you saw for instance in the previous quarter so that is why I think it is fair to say that there will be some – that it won't be the same level of disability, at least not yet.

In-Yong Hwang – Goldman Sachs

Good morning, actually two questions from me, firstly on the price increases that you are planning on in Travel and Property – is that something that – is that a need that the market is recognising as well or is that something trick or sort of a leading on? And secondly just on the buy back expectation you guided to DKK 400 million capital earning from the Skandia acquisition so I don't know if that means we should look for DKK 400 million off our product estimate so you know your individual solvency ratio still looks fairly solid and you have still got a potential for further leverage so I just would be interested to hear what your thinking is around the buy back and what kind of strength you see. Is there any aside from the solvency internal model and buffer? Thank you.

Morten Hübbe, CEO

Good morning to you as well I think I will take the first question and then Tor can lead on. In terms of the Travel and Property, I think furthermore they fall into two rather different categories – on the Travel insurance in Denmark what we see is that the scope of travel insurance has changed rather significantly. Previously, the Danish society would typically pay for the accidents and illnesses you would have abroad and only to a lesser extent the private insurance would pay. Now we are into a new regime where society will pay a lot less and the private insurance will pay a lot more and that has basically changed the vision of responsibility between society and insurance so the challenge that that increases travel claims more than anticipated is one that I expect to be a challenge for all of the insurance companies. I think they will probably choose different strategies in terms of timing and increase in per cent, etc. but it is basically a challenge and a new role that covers the whole of the market. When it comes to Property insurance I think first of all we are talking about significantly smaller numbers and we are talking about smaller, more gradual increases in inflation which could probably vary from company to company but here we are talking about smaller price adjustments to make sure that we handle the slightly higher inflation in a gradual tempo and not sort of in bigger hikes so hopefully that sheds some more light on that.

Tor Magne Lønnum, CFO

Good morning to you as well – in terms of the question about the buy backs, first and foremost it is important to say that – and it goes back to the dividend policy what we are truly committed to is to maintain a nominally stable and growing dividend. The buy backs are extraordinary distribution of capital so going back to your question there is no doubt that if we do an acquisition like we did with the child insurance portfolio all other things equal that will have an impact in terms of buy back – all other things equal that will have an impact. Now as you indicate there are other moving parts in terms of the capital once you move into 2016 and we have talked about some of the elements earlier. We have also as you indicate highlighted the fact that there is a potential for some increase in terms of leverage if we have that visibility in terms of the natural perils fund. Now you know that the Norwegian government has proposed changes in the act that will support a tier two attribution of the capital from that fund and as such of course that will support a potential increased leverage in the balance sheet. That is really why I said earlier that it is natural for us to discuss the capital elements in the Q4 reporting, i.e. in Q1 2016 because then we have better visibility.

Christian Hede – Nordea Markets

Yes, good morning, this is Christian from Nordea, a couple of questions, I am afraid I have to go back to part of your voicing – it seems like you are much more defensive if you can say it so in your voicing now so I was just wondering why has that changed dramatically since Q2? Is that only due to the drop in equity markets because I guess, that can happen and it does not really necessarily change the underlying case so that is one thing and another thing is on your growth ambitions for 2016 or your target of growth of around GDP including acquisitions – should we expect you to do more acquisitions is that kind of part of your plan or will you be able to reach GDP growth as you see it now with the acquisitions you have already mentioned and possibly – I guess that is mostly for you, Tor – maybe you could run us through how you see the impact from a weakened Norwegian economy on such books. Thank you.

Morten Hübbe, CEO

Good morning Christian, well I guess on the voicing question that is the first time we have a question like that but I guess it is relevant – you know the way we see it when we have a pre-tax which is down DKK 538 million year-on-year in the quarter then clearly we shouldn't be cheerful and happy in terms of voicing but as you rightly point out when the majority of that – and almost DKK -400 million on investments and DKK 120 million on the restructuring charge then of course, as we see it, underlying we have an improvement in the cost ratio, that is great, we have a slight, slight deterioration in the underlying claims ratio which we actually wanted to improve slightly. That is why we need to make sure that we capture these few areas where claims inflation is slightly higher than the current pricing development and we are doing so, so you are completely right in the underlying case there is really nothing much that has changed but on the other hand you know DKK 538 million is DKK 538 million so if we don't sound very cheerful you can probably attach DKK 538 million which is more or less investment market and a choice to do a restructuring charge as planned and which will allow us to deliver the DKK 750 million – yes, hopefully that is slightly clearer.

Tor Magne Lønnum, CFO

Now to the other two questions. In terms of the growth ambition, I think we said already after Q2 Christian that in order to reach growth nearer 1-2% in 2016 that would have to be dependent on whether or not we would be able to realise an acquisition. Now, we knew of course when we said that in Q2 that we would be able to realise an acquisition of the Skandia child insurance portfolio and as such that will have an impact and that will contribute to the growth ambitions for 2016. The challenge of course is that – as I mentioned earlier – this is based on regulatory approvals and since this is considered to be a life product under Danish regulation there is some uncertainty as to how fast that process will progress and that is why we have said we don't expect closing to take place before sort of somewhere in the first half 2016 and as I am sure you can appreciate that of course will have an impact on the overall growth. Now I think I highlighted earlier as well that we will have the positive quarter in terms of growth no doubt in fixed currency. There will be volatility going forward as well but based on the acquisition that we have made and based on what is going on in the portfolio we should

be able to get at least not too far off in terms of the growth ambition mentioned so to your question it does not mean that it will be dependent upon further acquisitions. That does not mean that we will stop looking for portfolios because we will constantly be looking for small bolt-on portfolios that will contribute to our earnings and we do think that we can take up synergies from such portfolios. The last question that you raised was what is the impact in terms of a weaker Norwegian economy and I think it is fair to say that we have already highlighted that the Commercial area in Norway is not looking as good and that is particularly due to the fact that you have seen a declining trend for smaller and medium-sized Commercial on the western part of Norway. If you continue to see a deterioration in terms of the economy I do think that that will have some spill-over effect on the Private lines as well and it is probably fair to do a comparison to what you have looked into in terms of the Danish economy over the last few years so there is no doubt that the bleak prospects in terms of the Norwegian economy will to a certain extent have some impact but keep in mind that insurance is relatively stable in the sense that people will always need to cover their basic insurance needs and as such typically also in a down term you will see less impact in a business like ours.

Per Grønberg – *Danske Markets*

Yes good morning, a couple of questions from my side as well also very much related to Norway – first of all to clarify what you just addressed as to Norway and the impact on the macro economy – I assume it was premium you talked about and not the underwriting environment. Do you see any impact on the underwriting environment from the situation in Norway? Then overall on Norway when I look at your Norwegian country segment I don't know, I know you don't favour to talk about the country segments but still it looks like a lot of your volatility is coming from Norway – pretty bad Q1, impressive Q2, a Q3 that solely was aided by use of prior year gains. Why is your Norwegian business it seems to be much more volatile than other players operating in Norway. In that context, is it fair to assume that large claims are very much centered around Norway? I get that impression from looking at the result of your ceded business. Thank you.

Tor Magne Lønnum, CFO

Yes, good morning Per, you are quite right the comment I made in terms of macro was top line based, in terms of claims environment it is fair to say that we haven't really seen any particular trend, any particular impact yet and I – you know, from time to time you see that people are trying to make the correlation between sort of economic output and claims inflation or claims frequency, for instance, and I think it is fair to say that we think it is difficult to establish that kind of correlation so the only thing that I think I would highlight in that sense is the fact that if you continue to see a weaker economy that will of course have an impact on the claims inflation that should put a lid on the pressure I think of the Norwegian economy but you know as well as me, Per, that that kind of development – it will really take some time before it flows into the numbers

Per Grønborg – Danske Markets

I guess you have thought on the other side that potentially could increase in a weaker financial economy?

Tor Magne Lønnum, CFO

Yes, absolutely.

Morten Hübbe, CEO

and I guess if we try to be very detailed Per of course you can find this historical marginal positive on the claims development when the economy slows down and of course it makes us slightly, slightly less worried about claims inflation in Norway but we are talking about marginal numbers and as you mentioned on the other hand there is a slightly slightly bigger risk of fraud and policyholders being under water but I think to be honest what we are saying is that both factors are rather small.

Tor Magne Lønnum, CFO

I think to the last question in terms of volatility in the Norwegian business it is important to say that it may be perceived to be volatile but as you correctly highlight that will be highly dependent upon the impact of large claims and I think when you have

looked into the country segments before you have seen that Sweden from time to time is moving into negative territory for instance and of course this is one of the good things about being a larger Scandinavian group – it is the fact that you can align such large claims across the portfolio that to be precise we have had a very significant claim in Norway this quarter – it was a storage – this large storage building that burnt and was completely destroyed so that had a significant impact and you also know that although weather as I mentioned is not that – or is better than last quarter this particular quarter, there is no doubt that the all material part of the weather claims are actually coming out of Norway so of course that is what you perceive to be the volatility related to the Norwegian business.

Per Grønberg – Danske Markets

Going forward, could you help us a bit not to ask these basically stupid questions on Norway if you started to give us the weather impact and the large claims impact also for the two country segments – just a wish.

Tor Magne Lønnum, CFO

It is duly noted, Per.

Steven Haywood - HSBC

And good morning guys, as regards your 20% ROE target for this year considering what happened in the third quarter with the investment result how challenging is this stringent ROE target to achieve in 2015? And do you think this achievement of this target will have any impact on current or future share buy backs? And then a second question – it is related to Per's questions with regard to the discount changes coming in the first quarter can you quantify any impact here for us, please? Thank you.

Morten Hübbe, CEO

Well, I can start, I guess, Steven, that if you look at the ROE target I think we have been at or above that ROE target in a number of quarters – I think our year-to-date ROE this year is around the 17% mark – I think around in this quarter well around 6 and clearly the drop in investment income in Q3 has of course put a negative impact on

that and I guess you know we don't want to try to guess what happens on the Q4 investment income we can see that investment markets have been slightly more positive in the beginning of Q4 but there is a rather long period of Q4 still out there so clearly what we are saying is that the ROE for the full year will be largely dependent upon the volatility of the investment income of Q4. If that continues to be volatile or negative we won't reach our ROE target, if we have a more positive development we will, but on the other hand we actually focus on our insurance operational contribution to the ROE target and there we remain very confident that we will deliver as planned mainly with our DKK 750 million programme and I guess as we have said, we are completely committed to delivering the nominal stable to growing dividend – you ask about the buy backs – of course if we have more negative developments on the investment side of course that will have a negative impact on the buy back potential so clearly there is a correlation there but we would not want to speculate on what happens with investments in Q4 but I guess we are quite pleased that our investment portfolio in general is fairly conservative because otherwise this debate could be a lot more difficult.

Tor Magne Lønnum, CFO

And just a couple of more comments from me I think – in terms of when you look into achieving the 20% ROE target there is no doubt that the material driver in terms of delivering that return is the insurance profits and I think Morten has highlighted a couple of times, there is a strong underlying insurance result, insurance profit, technical result albeit it is slightly weaker underlying so in our mind the stability of insurance business and that is really what we have been focusing on over the last few years that is the main driver in terms of the profitability and that will continue to contribute. Now the reason for highlighting the fact that the ROE may be an issue for this year's target is of course that the equity markets at the moment are very volatile and I am sure you have observed that only since the end of the quarter and up until this point in time we have seen a very positive development and to me that only goes to highlight the fact that at the moment at least it is relatively volatile. There is nothing new in that but perhaps it is more volatile at this point in time than what you have seen in the previous quarters and years and that is why we think it is okay to highlight the fact that that may be an issue for the 20% ROE target this year.



Now to the other question in terms of the discount curve, what we will do is that we will give you a description of the elements related to the Q4 report so we will get more clarity when we publish our Q4 report.

Lars Møller, Head of IR

Yes, thank you very much to all of you for participating in this call this morning here and thank you to Morten and Tor. We will be around here roadshowing today in Copenhagen and Monday in London and then the coming week after in the US market so we are looking forward to meeting you all around there and have a nice day and weekend. Thank you.