Tryg – Q2 and H1 results 2013
Webcast and Q&A on 10 July 2013

Presentation

Speaker – Lars Møller

Good morning, everyone, and welcome to this presentation of Q2 results here and the half-year results of Tryg. With me today, I have our CEO, Morten Hubbe, and our CFO, Tor Lonnum. After the presentation, we will, of course, have a bit of time for Q&A, both from people participating here inside and from people listening to the conference call. So with these words, I will hand over to Morten. Please, Morten?

Morten Hübbe

Thanks to all of you for joining us for this live webcast, which is roughly a month earlier than the usual schedule, so people have been running a bit faster this quarter and I guess we can say that we are reporting a strong result for the quarter with a pre-tax of just below 700 million for the second quarter and just above 1.4 billion for the first six months. Despite the second reporting the highest level of large claims in four years, totalling for weather and large claims is some 185 million higher in the claims than in the second quarter last year. We report a combined rate of 86.7%, clearly with a very strong positive impact from our efficiency measure programme which has totalled almost DKK100 million in positive impact in the second quarter and actually shaving off almost 1 percentage point of the cost ratio to 15.6% for the second quarter, despite actually a lower top line premium.

Now clearly a huge proportion of our focus currently is on ensuring our efficiency measure programme which is on track and we have now reached roughly a third of the DKK1 billion planned efficiency measures by 2015, and we are very much on track. We are also spending some time on new customer concepts, one of them to ensure and enhance the incentive of our customers to secure their houses against both flooding, fires and burglaries. We have done a new customer concept in Sweden to enhance the cross-selling process in the Swedish market, and in general these new concepts is of course to support and further enhance our customer loyalty, but as you may recall we have also talked about a huge focus on enhancing our pricing differentiation and risk selection and in that process we have now offered four new products in the second quarter, all of which have more pricing parameters and a clearer pricing differentiation. We have also added a new customer scoring concept in our Norwegian portfolio in the second quarter, something that we will enhance and develop further and really in the coming three years we expect to enhance and improve all of our pricing and tariffs and further improve our risk selection.

If we look at the four business segments, we see that our Swedish and our private lines business have an improved combined ratio year on year, whereas our commercial and corporate business has a slightly higher combined ratio due to the larger claims. In private lines we report a combined ratio of 84.9%, despite floodings in Norway particularly, and our underlying claims ratio hs improved by a bit a more than 2 percentage points. If we look at the commercial business, we report a combined ratio of 89.9%, which is heavily impacted by one Danish large claim which contributed some 8 percentage points to the combined ratio of commercial, but very important to see that one of our focus areas of commercial has been to reduce the cost ratio and we are shaving off 2.2 percentage points in the commercial cost ratio in the quarter. – corporate despite a 6% increase in large claims report a combined ratio below 85%, and also here we have shaven off almost 1 percentage point on the cost ratio.

Now if we continue to this slide, clearly we feel that we are on track and are delivering strong results from our savings programme. Roughly 95 million of savings measurement in the second quarter, totalling now 160 million year-to-date, and if you look since the beginning of the programme last summer we have now totalled 335 million or roughly a third of the targeted 1 billion in impact by 2015, so we will very much keep our focus on this area also for the remaining two year period to make sure that we reach the full 1 billion programme. On the claims procurement side, clearly motor has been the area with the biggest achievements. We are now starting to see achievements also in the house content area, and in the coming year the building and house area, as such will contribute more to savings. We have in the last quarter made customer surveys with the new solutions on motor and new solutions on content, showing very positively that we both have significant savings, but also our customer satisfaction within these two areas have actually improved. Clearly a significant impact on the cost side from the savings programme.

As I have mentioned we have reduced the expense ratio to 0.9 percentage points year on year in the quarter to now 15.6%, and worth mentioning, clearly is that our nominal expenses are actually down 57 million with the drop in the three largest business segments and you see from the lower left hand graph that in the last year and a half we have reduced the number of full time employees by roughly 260 people, so clearly a strong improvement in a period where the top line doesn't grow.

Over to you Tor.

Tor Magne Lønnum

Good morning. If we move onto the technical results, clearly you see that the technical result is down by 150 million in the quarter, however as Morten mentioned initially, when you look into the fact that we have had large claims and weather related claims for 185 million in the same period, in my mind it is a relatively strong performance related to the technical result. If you look at the private segment isolated, you can see that we actually have an improvement of the technical result of 4%, despite the fact that they had Norwegian floods in the quarter which I think is quite good, of course it is a lower technical result in commercial and in corporate, but again due to the large claims this quarter.

If you look at the top line development, clearly you see that there is a drop in the top line, however if you look at the private segment, you can see that it is almost a flattish development, if you correct for the profit sharing agreements that has had an impact of about 40 million this quarter.

If we move onto the customer retention, it is a positive development in private Norway, it is a positive development in commercial, both in Denmark and Norway, and it is a slightly weaker development in private Denmark. The small drop that we see here is due to the competitive pressure that we see in the Danish market. however if you look at the retention rate in private Norway, it has actually strengthened quite nicely and it is up about 0.7 percentage points   this quarter.

If you look at the development in terms of the average premiums, it is a healthy development; it is a positive development in both Denmark and Norway, in the main products. I think it is important to note that when you look at the average premium in house insurance in Norway, it is up 3.2% which is good, however we also look at and monitor very closely the situation related to claims inflation as we have talked about before, and one of the measures that we have introduced here is actually a new housing product in Norway in June with a more granular pricing which we think will actually improve our competitive situation in the market.

If you look at the development in Sweden, you see that there is a drop in the retention level here in the last quarter, which is due to the termination of the Nordea agreement which has had some impact, however as we mentioned last quarter we have introduced new customer retention programmes, customer loyalty programmes in Sweden which we think will have an effect, it will just take some time. I think it is important to actually bring forward the profit improvement that they have seen in the Swedish segment.

If we move onto the claims side, there is a strengthening in the underlying claims ratio of about 2.4 percentage points which is quite good to 72.2. I think it is important to note also that we do see improvement in terms of the underlying claims ratio for commercial which is up 3.3%.

If you look at the 2.4 percentage point improvement in underlying claims ratio on the top level, of course it is heavily impacted by the 75 million in savings from our procurement efficiency programme, which was mentioned initially. Finally if you look at the bottom graph there, you can see there that the net claims ratio is in this quarter lower than the growth and of course is influenced by the fact that we have had some significant large claims in the quarter.

If we look at the large claims development, we have had an impact of 4.2 percentage points this quarter, which is also slightly higher than our estimates, you do know that we have an annual estimate of 450 million in terms of large claims, in terms of weather related claims, of course it is impacted by the Norway floods, however it is only 1.3 percentage points in the quarter which is not really that significant.

If you look at the reserve situation, you can see that we have reserve releases of 5.2 percentage points this quarter, which is significantly down from the same quarter last year, 1.7 percentage points, but of course it is due to the fact that we had some gain on our sideways cover in the same quarter last year. The 5.2 percentage points run off gain on a standalone basis really reflects a healthy level of reserve.

If we look at the weather claims and I know that the weather claims…it has been some discussion about the weather related claims this quarter, in particular due to the fact that we had this flooding in Norway, and of course as you can see from the graph there is an increasing trend in terms of weather related claims. We have seen isolated in this quarter both the flooding in Norway and also the fact that we had some [unclear] in Oslo in the same period. However as you can see from the numbers the total impact on Tryg is relatively low. I think it is important to state the fact that of course it creates some debate both in Norway and at earlier stage in Denmark as well about the impact of weather related events, and one of the debates that you have actually got in Norway is the fact that when people will have to relocate due to the flooding exposure, it has become a discussion as to whether the insurance companies will have to cover for relocation of policy holders, not only rebuilding their houses and this is a part of the on-going debate related to the weather related claims.

If we move onto the investment side, we have an investment result of 13 million in the quarter. We had a significant negative result the same quarter last year. The most important difference is of course related to the write down of our domicile in Copenhagen of 150 million last year. If you look at this quarter isolated, we have seen some movements in the interest rates, we have seen some increased interest rates, and that has led to a negative return on the bond portfolio. We have had a very nice development on the equity side, and we have had returns on the real estate in line with our expectations. We do see that there is a small negative mismatch in the period which is due to some differences between the development in the swap curve and the discount curve.

If we move onto the capital structure, we have had a healthy development in terms of the capital. The buffer to the minimum requirements on individual solvency increased by 11 percentage points this quarter and is up 67%, and in principle you can say it underpins the stable capital situation. We have performed buybacks in the quarter of about 240 million and that will continue for the rest of the year as you know.

With that I hand it back to you Martin.

Morten Hübbe
First to summarise, we are very pleased with the combined ratio of 86.7% in the quarter where we have the highest level of large claims in four years. This shows that we have achieved by now a level of robustness in our quarterly earnings that allows us to capture significant degree of headwind and still deliver strong results. I think progress of almost 100% of our efficiency measures in the quarter alone is very strong and enhances the results, but clearly as we still have two thirds of our total programme of DKK 1 billion of efficiency measures outstanding we clearly have our work cut out for us in the remaining period until 2015, and as you have seen we also continue to work on improving our price differentiation and our customer selection, so clearly all in all we are very confident that we will reach our financial target which is to be at or below combined rate of 90%, to be below a cost ratio of 15% by 2015 to continuously achieve an ROE of more than 20% post tax.

I think that finalises our side and we are ready to take your questions.

Questions and Answers

Vinit Malhotra - *Goldman Sachs*

Thanks. Hi, Vinit from Goldman. Just -- I noticed slide number 10 very carefully because last year's first quarter was literally the trough for the retention levels, and now you've seen -- so any comments on why the retention levels could have improved? And further to that, the question is also the large claims, the [listed] building you mentioned in your report, is there some -- because one of the things that we always hear is that when you retain more and you end up having large claims in that line of business, then did you retain the wrong people or -- I think that is the key question in this sake?

Morten Hübbe

Well I guess it was positive to see that we have done enough to secure that the customer loyalty has increased. Again this winter there was an external survey in both Denmark and Norway on costs and satisfaction across the industry and Tryg came out as having the highest customer satisfaction amongst the bigger players in both Denmark and Norway and while we have done the majority of the needed price adjustments in 2011 and 2012, clearly our customer loyalty starts to increase in 2013, where the main gains to the results are through our own efficiency measures. I guess you may have seen also significant outward attempt towards our customers on concepts and products etc. which I guess from an analytical point of view seems small [unclear] but we have done what was called [unclear] which is a customer concept, where for instance we introduce Tryg Housing which makes it very easy to get fire alarms, water alarms, burglary alarms into your house. We introduced what we called Tryg ID Theft, because we see a lot of private individuals getting their ID stolen on the internet and finding nowhere to get help, we are helping them with that and we have introduced what we call Tryg in life, which is a lifeline support that you can contact when you are struggling individually. I guess a lot of softer customer oriented initiatives which all in all together with very high quality claims enhances the customer loyalty, so I think that is very important, and I guess on the large claims and the [unclear] it is something where you always need to be careful about the quality and the risk. It is not our view that we are above our market share in older buildings and we have spent a significant amount of time for instance helping farmers and [unclear] checking out their electrical systems, because that is more often what causes the large claims, but one of the biggest large claims we had in this quarter was actually a big estate, several hundred years old where they were rebuilding one of the five buildings and they had a steel construction outside the building which was struck by lightning and then the whole building caught fire, , so really it had very little to do with the conditions of the house as such but clearly it is an area where you continuously have to monitor the quality and the risk, but we believe we have enough risk to diversify it and manage it.

Tor Magne Lønnum

I think I'd just add two comments to what Morten is saying and one is I think it's very clear that there is no sort of particular trend in any direction related to the large claims. On the contrary you can say that when we have commented on the large claims in previous periods, clearly there is no normal distribution of large claims and as such it will hit you hard sometimes and less at other points in time, so I think that's really important and as Morten says, when we look at the large claims we don't see any significant trend in any direction. Then I'd just add to the retention that in particular when you look at both the commercial and the private development, clearly there is an increased focus in the sales organisation about broadening the number of products per customer, which I think is really important when you look at the loyalty and retention levels.

Morten Hübbe

I guess you can actually see in the headcount numbers that we're further down in the staff function, so we actually added some more sales staff to do cross sales and add-on sales to existing customers.

Vinit Malhotra – *Goldman Sachs*

Perhaps my second question on the interest rate impact on the combined ratio, one of the questions we have been thinking about this morning with investors as well is whether the very strong result today had any uplift already from the June uptake in yield. I guess not but I just wanted to hear it from you.

Tor Magne Lønnum

No, as you probably will recall, we had an interest rate drop through 2012, so if you compare quarter-on-quarter it's actually slightly lower than the same quarter last year. I think it's about 0.4 percentage points related to the interest rate actually.

Morten Hübbe

Actually a slight negative rather than slight positive yet.

Daniel Do-Thoi – *J.P. Morgan*

Just two questions. One, Tor, you mentioned the competitive situation in Denmark, where briefly could you just elaborate on that, premiums are obviously down? What part of that is due to improved risk segmentation, what part of it is due to competitive pressure? Secondly on capital, you've shown a strong growth in your surplus capital. Going forward and with the developments in Denmark, what kind of level would you be comfortable with, what kind of solvency ratio are you targeting?

Tor Magne Lønnum

I can start with the latter and then we can join forces on the first. I guess in terms of the capital it's fair to say that when we introduced the new divided policy in December last year, we clearly said that what you gain here is more transparency on the dividend, that it will be between 60-90% of the result and I think it will be that we will aim for a stable on-going nominal dividend. What you will lose is transparency on the capital, so in principle what we're saying here is really that yes we do have a stable capital situation. We are at the moment building a capital base, as you can see, and what we can offer to the investors is really confidence that we will look at the capital situation very thoroughly in light of our 20% post ROE target, so that's really the quality cocktail that you get in terms of capital from us.

Morten Hübbe

I guess on the first question the mix between the top line development and composition particularly in private lines, first of all it's important to remember that year-to-date 2013 our profit sharing is almost 80 million and for the quarter alone it's around 40 million, which actually means that our…which is great, because we're making money, so that's sort of the backbone of that, but it also means that the actual top line development and private lines adjusting for that is rather flat. Then if you look at the competition, which you asked, I guess it's fair to say that we saw in the autumn of 2012 that our sales were too low and we see now in both the first and second quarters this year that our sales are picking up slightly, but of course the reported premium is mainly a result of the sales last year, but we also see that perhaps we have pushed down the number of headcount in sales slightly too far and that is why we have added some sales staff, particularly for cross selling and add-on sales to existing customers and to our bank customers in Denmark and Norway. I guess we do see that also because of the economy in Denmark and the better results in private lines, we do see that sales, it's a bit higher with some of our competitors and that competition is slightly higher than it was in the same period a year ago and nothing of significant changes, but a slight move to slightly bigger emphasis on sales at reasonable prices.

Per Grønborg – *Danske Equities*

I have a couple of questions. The first one, the DKK 65 million you have in weather-related claims, how much of that was related to the flooding in Norway? Give us a more specific figure on that one? My second one is to your four new initiatives to retain clients, one of them being the burglary alarm. Will this be a discounted product? Will this in anyway, be a product where you will get the Tryg [unclear] to co-fund the initiatives towards [lives]. I guess this is something that really could improve your retention that already is very high. It probably could improve it further. And my final question is related to the interview that was in the Danish newspaper last week with the new Chairman of the Board, indicating that medium-term, which basically could be in a year or two, that his view is that your company should re-enter the acquisitive growth strategy that the Company was pursuing on until two years ago. What is your views on that? Has it been strongly [unclear] or how should we look at this potential development of Tryg? Thank you.

Morten Hübbe

If I take your second and third question, and Tor can take your first one, clearly the new plan on alarms for burglary and for water and for fire in housing is something we are funding as a corporation between us and [unclear] which is a very strong brand in the region, which ensures that we use our customer sales and expertise to deliver a very, very competitive alarm function to our customers, and they then get a potential 10% discount on that content insurance because of the lower risk, so there is actually no funding expense on our side at all. That is one of the advantages of having a big customer database.

On your third question, yes it is fair to say that there was an article with our chairman on the M&A front and you can always get confused by the headline chosen by the journalist, but not be confused by the content of the article, and the content of the article was very clear. We are in a market that does not grow, so we do not believe that we will be able to obtain organic growth, neither short-term nor longer term. What was also said was that if you look at the history of Tryg, our Swedish business was bought a couple of years ago, our Norwegian business was bought 14 years ago, our Danish business is part of a big merger between two players in the Danish market almost 20 years ago. Clearly a big part of what we are today has been happening through mergers and acquisitions. What we have said is that there is a good likelihood that that would happen in the future as well. Clearly if you look at the market, Sweden is the market where we are smaller than we would like to be and therefore clearly the market where we survey potential acquisitions than most, but having said that, there is no doubt that Plan A is to improve earnings through our efficiency measures and then of course we survey potential acquisitions, not organic growth, but potential acquisitions. We have done that for many, many years and our 60% shareholder has been holding capital in reserve to support that, but we would never do an acquisition if we did not strongly have evidence that it would enhance earnings per share for shareholders, so in reality I see very little new in that argument.

Per Grønborg - *Danske Equities*
May I add one thing to that question, you say enhancing EPS, at the same time you are now building up capital, which of course is mainly due to your new stable dividend policy, but you are still building up capital on your own balance sheet. Do you see that acquisition will be a very cheap funding way if you look at EPS calculations? I think the market would be more comfortable if you were not building up that capital and actually would be market funding your acquisitions. What hurdle rate would you use for acquisition these days?

Tor Magne Lønnum
I think that just to clarify that it is important to say that on the short to medium-term, as Morten said relatively explicitly, we are not sort of aggressive M&A player in the market. I think it is fair to say that we are focusing on fixing on the [unclear] as we have said before, and the plan runs up until 2015. However I think we have said all along that that does not exclude us from saying that we will look at things if someone says to us that there is something that they would like to sell. I think it is important to stress again that the core strategy is about fixing the engine room and that is sort of the route that we are pursuing at the moment.

I guess to your comment about the capital situation, it is fair to say that as you indicate yourself, it is less transparency on the capital, however the control mechanism that you have got in place for this week is 20% post tax ROE, and that is really important for me to stress again.

Morten Hübbe

A 20% post tax ROE target with the current interest rate environment really rules out the likelihood of building up a war chest to do acquisitions quite efficiently and it should be like that, because clearly if we do a transaction at some point we would have to approach the market for that and that would install the necessary [unclear], which is all parties' interests.

Tor Magne Lønnum

I think to the question about the weather related claims of 65 million, as you mentioned Per, I think I would like to answer it by saying that there haven't been any major weather related events in Denmark through the period, however I think it is important to note that if you take the 65 million and do the math for the entire Norwegian market, you will find some differences, because not all the claims are filed through the natural [unclear], so at least you need to use some caution if you are going to apply this number for the entire Norwegian market.

Håkon Fure – *DnBNor*

Firstly on the motor claims frequency in Denmark, the market data seems to indicate that the claims frequency picked up quite significantly in Q2. Did you see this in your portfolio as well and if so, what were the offsetting factors? secondly, on IAS19 from your report there doesn't seem to be any significant capital impact this quarter despite the rising yields we're seeing at the end of Q2, is this a fair observation, and why is that? Thanks.

Morten Hübbe

Well I guess on the frequency side it is the only area where we have seen a pickup in frequency that is sort of worth mentioning, aside from the large claims, have been the frequency on motor claims in Norway in the second quarter, and actually we do not see any significant pick up in frequency in Denmark or in other products, so we don't recognise an uptick in the frequency numbers, and we monitor that very closely market by market and line by line.

Tor Magne Lønnum

I guess on the capital question, I am not quite sure if I caught your drift there.

Håkon Fure – *DnBNor*

Yes, no, it's on the IAS19, we've historically seen that you've had a negative capital impact from rates coming down, especially so on the pension liabilities in Norway with the up-tick in the yields we saw at the end of Q2.

Tor Magne Lønnum

In terms of the pension, you can say that we had some positive impact in Q1, not significantly so in Q2, but some of it has been offset by an increase in longevity, so you can say that the overall cost of impact for the first half is around 50 million Danish but not really significant.

Jakob Brink - *ABG*

I have three questions please. The first one is regarding what you call the competitive pressure in Denmark, could you maybe try and elaborate a bit on this? We look at the retention levels, it doesn't seem alarming in any way, also the average prices seem pretty healthy. What do you exactly mean with competitive pressure in Denmark? I think this is quite new words from you. Then secondly, Tor, you mentioned, and I quote, healthy level of reserving being the reason for the 5.2% run-off gains, what do you exactly mean with this? Then thirdly on page 20 in the conference call presentation, you have this return on equity, no, sorry, the combined ratio target bridge. Could you maybe try and talk a bit more about this? It seems like -- there's a great likelihood that we could end significantly below the 90% level. That was it, thank you.

Morten Hübbe

Morning to you, I think if I start out with your first question on competition, you shouldn't view any big signs or big alarm bells going off. I think the biggest change we can see is that one of the bigger [unclear] corporations in Denmark between [unclear] and Danske seems to be selling significantly more than a year ago and I guess that is the biggest change in the market and then I guess we have seen [unclear] selling a bit more as well. Clearly we see reasonable pricing and we see strong results and we see pricing developing with inflation, so we don't see any foolish competition, but we have seen a slight step up in the areas I just mentioned.

Tor Magne Lønnum

I think just to add what Morten is saying is of course the fact that you always need to look at this on a relative basis and then principally you can just say that on a relative basis it has increased.

You're quite right in your quotation about the healthy level, as I said on reserves and in principle you can say that yes it reflects that we feel confident in our reserving level and thus we have seen reserve releases slightly higher than perhaps expected at around 5.2% actually for the quarter. I guess that is simply as simple as I said that we feel confident in terms of our reserves.

In terms of the discussion about the bridge in the last slide, I don't know if that is something you want to do.

Morten Hübbe

…since the capital markets day last summer, but I guess we can all do the math that having said that we want to reach below 15% cost ratio by 2015, having said that we want to continuously have a combined at or below 90 and an ROE above 20, then clearly with the current interest rate environment, either the combined rate has to be somewhat below 90, or the capital base has to be significantly smaller, otherwise the numbers do not add up, and I guess you are right in pointing out that that points to a likelihood of the combined ratio being below 90, but as I said we have the capital option as well, and I think you have got us by the balls having those three targeted numbers and that is the way it should be, and we can work both with the combined ratio number and with the capital number. I think you are probably pointing to a reasonable question.

Jakob Brink – *ABG*

I know it's not new in that sense, now we're getting closer and closer to the quarter where you should be below 90, and already this quarter where you're hit by two sort of larger issues, the flooding and the fire, and still you're way below 90 and you're also saying that the healthy reserving level, I guess that could help you going forward as well. We are basically down to below 86 here if you just take the green first bar and the rest of them seems like something you've basically just made up so that it gets closer to 90. It's basically now what we are getting close to Q3; I mean there's nothing that indicates that we should be getting close to 90.

Morten Hübbe

I think it is important and Tor can supplement on that, but I guess it is important to say that if you look at the last ten years of history, seasonality pattern is that the second quarter and the third always has stronger combined ratios than the first and fourth quarter, so the below 90 is a consistent year or annual development and not just something we want to achieve in the summer quarters, and clearly as we have said with the lower interest rate environment we have to work with lower combined ratios to achieve the ROE and you will not hear us whining and saying that we cannot achieve the ROE because of the interest rate environment, but we don't want to be very specific on the trade-off between lower than 90 versus working with a capital base, we want to be able to work with both options, which I hope you can appreciate.

Jakob Brink - *ABG*

Actually just one follow-up then, on interest rates there was a question before as well, but, the rates did pick up but only one and a half week before the end of the quarter. What will be the impact of this in Q3 if they stay where they are?

Tor Magne Lønnum

There is a very clear linkage between the interest rate level and the combined ratio, so of course if the interest rate level stays at a high level, that will have an impact basis point by basis point really on the combined ratio, all other things equal.

Jakob Brink - *ABG*

Is it correct that it's around 30, 40 basis points?

Tor Magne Lønnum

Yes, but I don't want to stand here today and sort of do a prognosis on what is going on with the interest rate for the next quarter, I think we will have that discussion after Q3.

Simon Christensen – *Nordea*

If I take your first-half top line and adjust for the profit sharing both in '12 and in '13 we end up at around minus 0.7% premium growth relative to 1.4% down on a reported basis. Practically just what I wanted to hear your thoughts on was -- I mean, what are your thoughts on growth in '14? Is this negative top line development just started, or are we in the middle of this process? Or what do you foresee for the next, let's say, six to 12 months? Thank you.

Morten Hübbe

Well I guess we can say that first of all our priority is and has been to enhance our earnings and not to work with top line growth. In Sweden for instance we had two significant growth drivers in previous years, one was the [unclear] sales and the other was our call centre to new customers in the northern part of Sweden, we have closed down both, because neither of the two actually created any earnings, and that is one of the reasons why our top line is significantly down in Sweden. We are now building up a call centre in southern Sweden which will focus on cross-selling to existing customers, and we are working to find potential new partners in Sweden where we can actually create a profitable business.

If we take Sweden as an example, we actually believe that we will be well into 2014, before we start to see positive top line numbers in the Swedish market. I guess in commercial and private lines in Denmark and Norway, we actually saw that the low point of our sales was at the Autumn of 2012, we actually see that our sales currently is higher than it was in the autumn of last year. That points to an improvement in the top line of those two areas during 2014, whereas the majority of 2013 will be decided upon the sales that happened last year. I guess for Sweden it could actually be slightly worse before it is more positive, which is in ’14. I think for Denmark and Norway we have started to see a pickup of sales that would help us in 2014, but having said that we have also become significantly more strict on which risks we want to attract in the sales process, working more significantly with scoring models, with price differentiation on ensuring that the quality of the risk we take on-board is higher than the quality we have previously taken on board, and working with that needs some calibration, and if that for a period shows slightly weaker top line, we are perfectly willing to work with that.

Don’t expect a better top line in ’13, but expect a gradual improvement in ’14, particularly in the Danish and Norwegian numbers.

Tor Magne Lønnum

To qualify on the latter, I think you should at least look into the second half of 2014 and it will not be any significant changes.

Morten Hübbe

…market that doesn't grow, so also longer term high scale organic growth is not likely or something we target.

Simon Christensen – *Nordea*

Did I interpret you correctly on the previous question on acquisitions that this would only be done in Sweden, but you would not rule out anything in the other markets?

Morten Hübbe

I think the primary distinction was between organic growth which we believe is not realistic and then M&A, where clearly as you see the focus would be on looking at Sweden. If something happened in Denmark or Norway we would of course look at that, but I guess I have been with the company for 13 years and we have done only very few acquisitions in that period, so I guess we have shown that we are not exactly very trigger happy in that sense and as we have discussed before, we are not exactly building a war shed to finance acquisitions, so priority for Sweden and if it was something in Denmark or Norway it would have to be a very strongly positive EPS accretion case for us to look at it.

Gianandrea Roberti – *Carnegie*

Yes, good morning from me as well. Three very quick questions, one on capital. The S&P rating remains the most binding requirement for you, right? I just want to check to clarify any doubts on this.

Tor Magne Lønnum

The answer is yes.

Gianandrea Roberti – *Carnegie*

Okay, thanks, sorry I couldn't hear that. The second question in terms of large claims, can you just add for me, I don't know if it's possible, but could you actually split it out between Denmark and Norway the numbers that you publish for large claims in the second quarter. Did you have a lot in Norway or it's mostly in the Danish part of the business?

Tor Magne Lønnum

It is spread out between Denmark and Norway; if you look at the geographical numbers you will see that there is an impact on large claim calls in Denmark and Norway.

Gianandrea Roberti – *Carnegie*

Okay, thanks. The last question about this interview last week, I may be pushing it a bit too much, but I found it extremely unhelpful, to the point that it almost can come back and harm you. I'm just curious if this interview was actually agreed before or what's going on? It doesn't really seem to me that you're in a pattern that should be diverged from this kind of discussion at this point. I'm just a bit puzzled by that. Thanks.

Morten Hübbe

I think we are puzzled a bit as well, but if you look at the previous articles from the same newspaper, they voice very clearly that our customers were furious and angry and frustrated about [unclear] prices, and at the same time we were able to show that external surveys clearly show that we have the highest general customer satisfaction amongst the big players in Denmark and Norway. You have got millions of customers, you find a couple of furious customers and all of a sudden all of the customers are furious, but the proof is that we have the highest customer satisfaction. In an interview like this where we say M&A has been a part of our past, has been a part of making us who we are and at some point that is likely to happen again. It happened a few years ago in the Swedish market, that is one of the reasons why we are now making money in the Swedish market and it will probably happen again at some point, that creates a headline in the newspaper saying now we are buying the whole world. To me I see a pattern of exaggerating the wording a bit in that newspaper.

Tor Magne Lønnum

I think it is fair to say that clearly of course you're right that you don't want to make too much disturbance in terms of the market, on the other hand you can say that in terms of focus in the Danish press, in the Danish market it is actually helpful, so we actually try to combine both concerns so to speak, but I think the most important to be left behind from this conference call is really that there is no major change in our strategy, on the contrary, we are focusing on fixing the engine room and that is our plan up until 2015. We have said all along of course that if someone comes along and offers a portfolio, it is something that we will look at, but at the moment we are prioritising fixing the engine room and there is no change in that strategy.

Morten Hübbe

I guess the capital buffer that the 60% shareholder keeps in place to support potential acquisitions at some point, that is a capital buffer that they have been keeping in place since 2005, so that is an eight or nine year old story to be honest.

Vergard Eid Medias – *Pareto*

I just have one question just to see if I read your report correctly. You have no further significant re-pricing in the quarter and you have added on people in your sales division. Does this mean that there are sentiment change towards growth, or am I also reading too much Danish newspapers?

Morten Hübbe

I guess it is fair to say that there are two factors impacting the number of customers, one is customer loyalty and the second is sales. If you look at the 2012 development, we reduced headcount by almost 200 people, both in sales and in other business functions and in staff functions. What we saw in the autumn was that our sales level was slightly lower than we planned. What we have done is simply to squeeze the staff functions a bit harder and then to adjust the sales staff as slightly upwards, but only for outbound call centre staff, only during cross-sales to existing customers, not doing any new sales, and also due to the fact that our new bank assurance agreement with Nordea allows us to do cross-sales to the Nordea banking insurance customers, who often would buy a car insurance together with the financing of their car, or a house insurance together with the financing of their house, and thereby is left not fully covered in the full pallet of products from an insurance point of view. Don't read any changed sentiment on top line into that, but I think a healthy adjustment and a healthy focus on cross-selling to the existing customers.

[No further questions]

Morten Hübbe

I guess we should thank all of you for participating.