Q2 2012 Earnings Call

Company Participants

- Catharina Hellerud, CFO
- Helge Leiro Baastad, CEO
- Janne Flessum, Head of IR

Other Participants

- Matti Ahokas, Analyst
- Per Gronborg, Analyst
- Peter Eliot, Analyst
- Will Hardcastle, Analyst

Presentation

Janne Flessum {BIO 19368607 <GO>}

Welcome to this presentation of the first half year and the Second Quarter results for Gjensidige. My name is Janne Flessum and I'm Head of IR. This time our CEO, Helge Leiro Baastad, will start with presenting headlines for the Second Quarter, before our CFO, Catharina Hellerud gives you some more details on the financials for the first half year and the Second Quarter. Then we'll follow up by a Q&A session.

Before we start I would like to remind you that the presentation can be downloaded from our website, gjensidige.com and then I'll leave the word to CEO, Helge Leiro Baastad.

Helge Leiro Baastad {BIO 5865247 <GO>}

Thank you, Janne. Before I will comment on the Second Quarter figures I would start to tell you that in the webcast presentation today we showed some (difference) in the Norwegian market now and it was advertising related to the company-specific and unique customer dividend concept. So we are really glad that our main shareholder, Gjensidige Foundation is investing a substantial amount in this year's dividend campaign. The investment will continue after the summer and hopefully it will continue in the next years to come as well. And of course, from our perspective this is extremely important for our future competitiveness in the Norwegian market.

Then I will take you through some comments on page three in the presentation. The profit before tax in the Second Quarter was NOK1,218m, and this is first and foremost driven by another historically strong underwriting result of NOK719m. The combined ratio was 83.9% and compared to last year it was 86.1%. This is especially strong taking the higher proportion of large losses into consideration; that affected our combined ratio 3.4percentage points more than the Second Quarter last year.

It's also satisfying underlying premium growth. We reported a premium growth of 0.9% but if we adjust for the Norwegian motor association agreement we had several years with NAF and currency in the Danish kroner towards Norwegian kroner, the underlying premium growth was 3%.

And it's also interesting to see that we had strong development once again in the Baltics. As you'll remember, before the financial turmoil it was more than 50% total market growth and this Second Quarter we had almost 50% premium growth in the Baltics.

We had a strong loss ratio of 68.5% despite then more large losses compared to last year as commented, and also despite more large losses than expected this year.

We continue with strong cost discipline, 15.4% cost ratio and if we compare those cost ratios, last year was 15.9% -- 15.8%, yes, but we had a number of cost reduction and we continue as I said with strong cost discipline.

The Retail Bank and Pension and Saving businesses showed a solid improvement with a total increase in profits of more than 8% Second Quarter compared to last year.

And finally also comment, the investment income, the return on the investment portfolio was NOK494m, obviously affected to a certain extent by the unrest in the financial markets we have seen during the quarter with the return of 0.9%.

So this gives annual return on equity so far this year of 22.8% before tax expense which we comment as a very satisfactory return on equity.

On page four I'll give you some comments related to the segments. Adjusted for the NAF agreement, the Private segment reported good growth in earned premiums, up to 2.5% in the Second Quarter, and it's not so many years since we had loss ratios (on a par with) the combined ratio of 76.1% that the Private segment delivers this quarter.

We have been working systematically, as you know, on customer and risk selection for a long time which has resulted in good quality in the customer portfolio and excellent profitability.

Customer retention is priority number one for us and we had a trend shift in the Second Quarter, net customer growth for the first time in several years, I think we have to go back to 2006 to see a positive development in net customers as we have seen in the Second Quarter. This is actually a main takeaway from this presentation, the trend shift in the Private line in Norway.

The combined ratio of 76.1% in the Second Quarter is also very strong, so the combination of underlying premium growth of 2.5% with a combined ratio of 76.1% and we shouldn't go many years back to find loss ratios at this level. And if you combine this with this trend shift we have a very solid position within the Private segment.

On the Commercial side, the Commercial segment is working on professionalism in the multi-channel model. A good year after implementation we have succeeded in turning the decline in portfolio premiums into growth. We have a Corporate Center that serves more customers than before with 18% fewer employees within the same service parameters. The cost ratio was a sound 11.8% in the quarter.

The goal of profitability over growth remains unchanged and in the Second Quarter this has resulted in us letting two big agreements go, one with accounting effect from the Second Quarter and one with accounting effect from the Third Quarter. Despite the loss of some large customers, the company's competitiveness is regarded as good in the large customer segment and there is high activity in terms of new subscriptions.

Another main takeaway is actually the profitability development in the Nordics. We have long been working on portfolio adjustments and price measures in the Nordic segments, work that is still ongoing, and this work precedes good results in the First Quarter and the figures for the Second Quarter confirm that we now have a good grip on the Nordic operations which delivered a combined ratio of 85.2%. What we have done actually is to implement more or less the Gjensidige way also in the Nordic segment.

Going forward, it's absolutely more to do, to implement new tariffs both in the Commercial segment and in the Nordic segment, we have commented that before, that the combined ratio in the Private line in Norway, with the strong combined ratio of 76.1% is, one significant explanation for that is the new tariff implementation in Norway.

And finally Pension and Savings. As you know there were many players who wanted to earn money on defined contribution unit-linked pensions when the new law on mandatory occupational pensions entered into force in 2006. And as you also know, players have slowly but surely dropped out while Gjensidige has achieved an increasingly strong position in this market. And as you can see on page four, we have a market share of 8.3% measured by Assets under Management. In other words, we have a strong position in an exciting, growing market.

I'll comment the bank loan commissions finally today but going forward we are positive to the second proposition from the bank loan provision. We do not have any challenging history within our Pension and Savings business, we have a cost effective model and it's a scalable model, so going forward we can see Gjensidige taking a broader position within future pensions by our own Pensions and Savings business.

The next page, page five, is also an important and main takeaway from our presentation today, it's just to remind you of our overall combined ratio target, and over time our goal is to have an annual combined ratio in the corridor between 90 and 93. That said, you are well aware that the Nordic General Insurance is very much about weather and the weather is the most important single factor that can move the combined ratio outside this target level, both on the down side and upside. But we believe that an annual combined ratio target of 90 to 93 over time is ambitious. So this year, of course, we report 83.9% combined ratio Second Quarter and our combined ratio year to date is 86.1%. So surely we are significantly under the corridor of 90 to 93, but it is important for me to, once again, say that over time our goal is to have this annual combined ratio in the corridor of 90 to 93.

Within General Insurance it takes time before implemented measures are reflected in the figures. The combined ratio level, as you can see in the figure on a rolling annual basis has shown a downward trend in recent years and this is the result of many different measures, such as the risk pricing and selection, cost control programs, increased automation and centralization. In combination with the combined ratio in the corridor between 90 and 93 and our expectation that more of our competitors will have to increase their prices more than us, this means that we expect to increase our competitiveness in the time ahead. And you saw the trend shift in the Private segment in Norway in the Second Quarter.

And finally, on this page, it's important to point out that we still have to be disciplined and take on risk at the right price. Our premium increases are currently in line with expected claims inflation which is in Norway for motor and house and contents between 4% and 5%.

At the same time as we are adapting our prices to the market to some extent in attractive segments our best customers will pay lower increases in premiums. We believe that we have been ahead of, as I said, our competitors in implementing necessary price increases and making adaptions and that we now are in a strong position to offer the right customers a competitive price in addition to the competitive terms they have always had.

So what I'm actually saying here, to sum up, over time the annual combined ratio should be in the corridor between 90 and 93. Weather can be the most important single factor that can moved combined ratio outside this target level which we have seen so far this year. We have started with price increases early and we have implemented more or less in all the Private segments in Norway new tariffs, we are going to implement more in the Private segments, we are going to implement more in the Commercial segment and even also into the Nordic segment. So in sum this also means that we can increase our competitiveness in the quarters going forward.

And that was my actually introduction and I pointed out some main takeaways which I hope you take with you. So Catharina, please.

Catharina Hellerud {BIO 17276650 <GO>}

Thank you. We are, in this quarter, as well, very pleased with the results of our operations, both Insurance operations as well as Banking and Pensions and Savings, and also what we regard as an acceptable return on our investments portfolio.

As you can see on slide seven, all segments show an improvement in financial performance in relation to the corresponding period last year, both for the first half year and for the Second Quarter seen in isolation.

The insurance results for the quarter ended at a solid NOK719m, up by NOK104 million compared with the corresponding quarter last year. While the business areas, Pensions and Savings and Banking, in total increased their profit before tax expenses by 86% in the quarter. This in addition to an acceptable return of the investment portfolio gave our profit before tax expense of NOK1.2 billion for the quarter and NOK2.6 billion for the first half year.

Turning to page eight you can see that earned premiums increased by 0.9%i in the quarter with good underlying growth in all segments.

Private shows a decrease in earned premiums of 1.2% in the quarter; however, adjusted for the agreement with NAF concerning breakdown insurance which amounted to NOK75 million in the Second Quarter last year, earned premiums increased by 2.5% in the quarter. The negative trend in relation to the number of customers have been reversed and we have net growth in customers in the Private segment in the quarter.

And also the positive development in earned premiums continued in Commercial in the quarter with an increase of 0.5%.

The Nordic segment had a growth of 1% in earned premiums in the quarter and this is a good result given that restructuring and re-pricing of the portfolio is still ongoing, particularly in the Swedish Commercial market and these this has resulted in the loss of customers. In addition, there is a negative exchange rate effect of NOK16 million for the quarter. Adjusted for the exchange rate effect, the growth in earned premiums in Nordic was 2.8% in the quarter.

And also the positive development of the Baltic insurance market contributed to a substantial growth in earned premiums in the quarter with a growth of 14.7%.

Turning to page nine, the combined ratio for the quarter ended at a strong 83.9%. Of this figure, the cost ratio was 15.4% and the loss ratio was 68.5%. Better customer selection and more precise re-pricing is contributing to a good underlying development. In addition, we still have a favorable frequency development for the most important claim types within motor insurance and the same applies also to the property products.

On the other hand, the loss ratio was negatively affected by a large proposition of large losses this quarter than in the corresponding quarter last year.

If you turn to page 10 you can see that the large losses in the quarter have an effect on the combined ratio of 6.4percentage points compared with the expected 4.6percentage points. The large losses mainly occurred in the Commercial Norway segment. When claims are higher than NOK30 million the exact amount is charged to the Corporate

Center which therefore also had higher large losses this quarter than the corresponding period last year.

For the first half, on the other hand, large losses had an effect on the combined ratio of 4.2percentage points, somewhat lower than the expected value of 4.7.

If you turn to page 11 you can see that we had run-off gains for the quarter that are more or less in line with the run-off gains in the corresponding period last year, with a positive effect on the combined ratio of 2.3percentage points compared with the 2.4percentage points in 2011. Developments in the Norwegian Accident and Health products are still positive and the Occupational Injury portfolio in the Nordic segment is also showing a positive development, in addition to a few large losses being adjusted down.

On page 12 you can see that the cost ratio was 15.4% in the quarter. The positive development in nominal operating expenses continued in the quarter with a reduction of NOK55m; however, a substantial part of the positive development is due to adjusted calculation of indirect claims customer costs as from the Fourth Quarter 2011. This effect amounts to NOK41 million on the Group's -- or equates to 0.9% on the Group's cost ratio in this quarter. Adjusted for this, there is still an underlying reduction in the nominal expenses, also the slight increase accruals for bonuses in the period, which you know accrue more evenly through the year.

On page 13 you see the illustration showing how much capital is allocated to the operational segments. The allocation to the General Insurance segment is based on calculations carried out in Gjensidige's internal model. The total capital allocated to the operational activities is unchanged in the quarter; it amounts to NOK7.4 billion at the end of the quarter.

Turning to page 14, the asset risk has been reduced from NOK4.3 billion at the end of the First Quarter to NOK3.8 billion at the end of the Second Quarter and this reduction is largely due to the reduction in the market value of (inaudible) and (FM) Bank. In addition, also to some smaller investment portfolio now that the dividend for 2011 has been paid.

In this quarter, it is still the rating requirement from the S&P the A rating, that it's the most binding of the three capital requirements. Taking account of these capital requirements, this (technical difficulty) capital amounts to NOK3.3b, a reduction of NOK1.4 billion from the previous quarter.

Following discussions with S&P, we have made two changes in relation to previous practices when we're calculating the capital requirements in the S&P model. The most important change concerns the treatment of associated companies. Previously, they were adjusted from book value to market value when calculating available capital and the capital requirement of 75% so any excess value over and above book value was calculated. This has now been changed; when calculating available capital, an adjustment is still made of any excess or shortfall value in addition to the (inaudible). But in addition, available capital is reduced by a capital requirement corresponding to 27% of the total market value and this to have a negative effect on excess capita) in the quarter.

The other change concerns the treatment of Norwegian unrated fixed income securities. They often have an official rating from Norwegian brokerage firms or similar and we have now gained acceptance for using this rating for Norwegian fixed income securities instead of having to classify them as unrated investments in the model. This has had a positive effect on excess capital, as it to some degree compensated part of the first effect that I commented on. Independent of these changes, the negative development in the market value of the associated companies have, of course, considerably reduced the excess capital in relation to the situation at the end of the First Quarter.

You should also bear in mind that the interim profits are not included in the S&P model when calculating available capital. This means that the comprehensive income of NOK1.8 billion after tax expenses for the first half of 2012 has not been taken into account in the excess capital.

Turning to page 15, the investment portfolio totaled NOK54.5 billion at the end of the quarter and it's divided into three separate portfolios. The match portfolio totaled NOK31.8 billion at the end of the quarter and it largely corresponds to the Group's (external) provisions.

In geographical terms, most of the exposure, around 80%, is in Norway, Sweden, Denmark and the Baltic countries. There is still a small exposure in relation to the PIIGS countries. At the end of the quarter, the amount is NOK191 million and the amount has been reduced during the quarter as a result of ordinary payments received on maturity.

The free portfolio totaled NOK18 billion and the portfolio mainly consists of interest-bearing instruments, equities and properties. The money market portfolio included in the interest-bearing instrument portfolio has been considerably reduced during the quarter largely as a result of the payment of dividends for 2011.

There is a somewhat increase in the property exposure due to a couple of new properties that have been purchased during the quarter. The associated companies have a book value of NOK4.8 billion at the end of the quarter.

If you turn to page 16, you can see that the total return for the total portfolio was NOK494 million in the quarter, corresponding to a return of 0.9%. For the year to date, the return on financial assets was NOK1.4b, a return of 2.5%.

The match portfolio made a stable contribution with a return of 1% for the quarter. Included in this item is the effect of the Danish authorities' change of discounting rate in Denmark relating to workers' comp on June 12. We estimated approximately one-time effect that day of approximately 7 million (sic; see press release "NOK70").

The profit from associated companies was NOK86m, corresponding to a return of 1.9% in the quarter and partially this is due to property estimate deviation for (inaudible) from the First Quarter.

The free portfolio yielded a return of 0.4% during the quarter. Here, in particular, the short-term shareholding that contributed to reduce the return for the quarter with a negative return of NOK129m. That's, all in all, an acceptable return on the investment portfolio, 0.1% for the quarter and 2.1% for the year to date.

Helge Leiro Baastad {BIO 5865247 <GO>}

Then the last page is some comments regarding the outlook and priorities. First, some comments regarding international economic situation. Of course, there is still great uncertainty and several key economies are expecting, or experiencing, financial challenges. And this, of course, creates uncertainty for Gjensidige as well. But it's important to, once again, say that we have a robust investment strategy, at the same time as the Group has considerable financial strength. And you also have to take into consideration that we have a high proportion of our business in the Norwegian and German insurance market.

The macro situation for the Norwegian and German insurance operations is still deemed to be good, while the economic situation in Denmark is weak. An improvement in the Danish housing market, in particular, should have a positive impact on the development of the Company's earned premiums. As you know, we have a significant part of the distribution model related to (inaudible) and real estate chains in the Danish market.

The Baltic economies are developing positively and there is reason to expect a continued positive development in the premiums in this market, going forward.

A second point is that there's still uncertainty attached to the changed regulatory conditions for the financial sector in Norway and internationally. The EU is continuing its work on the Solvency II regulations and we still continue planning and working for implementation from January 1, 2014, despite speculation about further delays.

Moving to Norway, the Banking Law Commissions Report and proposal for a new law on group occupational pension insurance in Norway, was submitted at the end of June and it is expected to enter into force in 2014. The scheme is primarily intended to replace the current defined benefit schemes.

In Phase III, as you know, the Commission will consider transitional arrangements from today's defined benefit schemes as well as changes to the act relating to defined contribution pensions and other acts. It's expected to report in the winter of 2013. And of course, from other perspective, we are really looking forward to this clarification from the Norwegian government.

For Gjensidige, the new pension products can open up new opportunities, as I commented, to compete in the former BB market. With good transitional arrangements, this could prove to be an attractive market for us to focus on. And once again, we have no challenging history. We have a cost effective model and the model we have is scalable.

In connection with a revised national budget, the government proposed a new state agency for the handling of occupational injury claims. Gjensidige has yet to adopt a position on the proposal but we believe there is a risk that a state agency could lead to more bureaucracy and longer processing time for our customers without there being corresponding benefits.

And finally, in relation to the uncertainty we see around us, Gjensidige has a strong position, both financially and operationally. Our day-to-day focus is on becoming the most customer-oriented general insurance company in the Nordic countries. We believe we are well equipped for this competition and we expect to increase our competitiveness, as I commented during my first part of the presentation, in the time ahead. That said, it's still the principle of profitability overall that governs how we act in the market.

Questions And Answers

A - Janne Flessum {BIO 19368607 <GO>}

We are then ready to open up for the Q&A and we kindly ask you to ask only one question at a time. Thank you.

Operator

(Operator Instructions) First.

Q - Peter Eliot {BIO 7556214 <GO>}

Peter Eliot, Berenberg Bank.

Operator

Go ahead, please.

A - Janne Flessum {BIO 19368607 <GO>}

Hi, Peter?

Q - Peter Eliot {BIO 7556214 <GO>}

Sorry, hi. Sorry, I had my phone on mute. Thanks a lot. If I'm restricted to one perhaps I could just come back on Helge's comment at the very start of the presentation where you were talking about the investment by the Foundation, and I just wanted to clarify when you said ongoing for many years. Were you referring to just the dividend model being sustainable for many years in terms of the Foundation returning back its dividend to policyholders or were you perhaps envisaging whether it would be investing further in spreading the message? And perhaps you'd just touch on how that message has been spread at the moment or advertized in terms of what policyholders can expect.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Yes. Peter, as I understood the Foundation, it's to spread their message further. Of course, in their (inaudible) policy they have been clear that they want to further distribute their dividend to their members, which is our Norwegian non-life customers, so that's given, actually. And what they have decided now is to invest in communication to spread this message in the Norwegian market for this year. And they have also, when they decided that, said that they hopefully will continue with that in the next years to come, as well.

Q - Peter Eliot {BIO 7556214 <GO>}

Thank you very much, Helge.

Operator

Next.

Q - Will Hardcastle {BIO 16346311 <GO>}

Will Hardcastle, Bank of America Merrill Lynch.

Operator

Go ahead, please.

Q - Will Hardcastle {BIO 16346311 <GO>}

Hi there, guys. Could you please describe that S&P classification calculation? I missed some of those numbers, if that's possible.

A - Catharina Hellerud {BIO 17276650 <GO>}

Yes. I'm not quite sure what you meant by the number but I can explain once more about the change in the model. That's what I talked about on the slide on page 14. So it's two changes that have been done. One is concerning the treatment of associated companies and it's about how we calculate the available capital. Previously, what we did was that we adjusted the available capital based on the market value. Either it was an addition based on excess value or a reduction based on shortfall value. Then if it was excess value we had -- there was a capital requirement of 75% of that excess value when you calculate available capital under the S&P model.

This has now been changed, as I commented. What we do now when we calculate available capital in the S&P model, is still to adjust for any excess or shortfall value in relation to book value, but then we also have to reduce the available capital by an amount corresponding to 27% of the total market value of the holdings S&P -- sorry, the (inaudible) bank holdings. I hope that was clearer.

Q - Will Hardcastle {BIO 16346311 <GO>}

Yes. Thank you.

Operator

Next.

Q - Matti Ahokas {BIO 2037723 <GO>}

Matti Ahokas, Handelsbanken.

Operator

Go ahead, please.

Q - Matti Ahokas {BIO 2037723 <GO>}

Yes. Good afternoon. Helge pointed out, actually quite frequently in the presentation, that the weather has a very significant impact on the combined ratio and, of course, in the first two quarters it's been actually quite positive, but now it seems like this has changed and I'd like to hear some comments about how the weather in the Third Quarter, so far, has been quite changed. Has that had any impact and should we read this more caution regarding the weather to the events we've seen especially in Sweden and partly in Norway in the Third Quarter, as well?

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Yes, Matti. It's sun today, actually, in Norway and it's really nice here. Third quarter so far, start with Sweden, as you know, we have a very small position in the Swedish market. It's first and foremost related to the Stockholm area and it's much (smaller) in that figures.

We have had some heavy rains in Norway -- the northern part of Norway. It was actually early this week or -- yes, early this week. What we said during the presentation today is that it's limited, actually, insurance damages in that area. It's more, for the government, related to roads and infrastructure, actually, so I do not think we will see that in our figures in a significant way, at all.

Q - Matti Ahokas {BIO 2037723 <GO>}

Great. Thanks.

Operator

Next.

Q - Per Gronborg {BIO 15910340 <GO>}

Per Gronborg, Danske Markets.

Operator

Go ahead, please.

Q - Per Gronborg {BIO 15910340 <GO>}

Yes. Good afternoon. Per Gronborg from Danske. A single question; in the (inaudible) what you addressed life and the new potential revaluation on the Norwegian life quite a number of times, it seems like your appetite on life -- that you indicate that your appetite on life is going up. How should we read that? And in this context, of course, it's difficult not to put focus on your stake in Storebrand if you are able to give me any comments related to that one.

A - Janne Flessum {BIO 19368607 <GO>}

As far as we understand your question, it's about the appetite on life insurance business, right?

Q - Per Gronborg {BIO 15910340 <GO>}

Yes, yes.

A - Janne Flessum {BIO 19368607 <GO>}

In relation to the regulations.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Yes. Per, is it related to Gjensidige pension and savings appetite or appetite in general including Storebrand?

Q - Per Gronborg {BIO 15910340 <GO>}

Both.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Both. The last question I do not have any question -- answer actually to that.

To the first question, as I said, we haven't seen yet the margin picture for the new products. We have to look more closely into this. But of course, as I said finally in my presentation, that can open up new opportunities and, as you saw, we have an 8.3% market share of the defined contribution market now in Norway. We have a very strong brand name originally in that the life brand name. We have a scalable model and a good ICT system and we know that some of our major competitors, they have some ICT problems due to actually they are struggling with lots of systems. We have one system and it's scalable, so it can open up.

And of course, if we can see profitability opportunities and good margins and okay margins, going forward, within this new area, it will also, of course, affect our appetite to take a bigger stake in the pension market, going forward. We'll come back to the market with more detailed information regarding eventually if we are going to increase our appetite within this area.

Q - Per Gronborg {BIO 15910340 <GO>}

It seems like you're talking very (inaudible) or your talk is so (inaudible) contribution and not defined benefit at all.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

No. I'm not talking about defined benefit at all because that's history now. In 2013/14, it will be history. So what we then will take part in as actually the new pension products defined by the Bank Law Commission now in June and that's a hybrid. We do not have the same interest guarantee product. It's -- and the future pension market in Norway, it will be a combination of asset management, I think, and risk products. It will be different compared to previously.

And I also think that you will see different life companies in the future with a completely different cost base to actually -- and some of the two will also drive the cost base in the life companies down. But we can see that we have a brand name, we have a distribution; we have competent organization and a scalable model and system. And we can take part within this area. And I'm not talking about defined benefit because that's history; interest guarantees is history. We will take part, eventually, in the new products, going forward.

Q - Per Gronborg {BIO 15910340 <GO>}

Okay. Thank you.

Operator

(Operator Instructions) Next.

Q - Will Hardcastle {BIO 16346311 <GO>}

Will Hardcastle, Bank of America Merrill Lynch.

Operator

Go ahead, please.

Q - Will Hardcastle {BIO 16346311 <GO>}

Sorry, guys, second one. On the Corporate Center large losses, are these largely commercial relating to this quarter, and did they in the same quarter in the prior year, just so I can try and get a match up in my underline?

A - Catharina Hellerud {BIO 17276650 <GO>}

It's correct that it's related to the commercial segment in this quarter, that's correct. (multiple speakers) in excess of NOK30m, the amount excess over NOK30 million is then moved into the Corporate Center segment.

Q - Will Hardcastle {BIO 16346311 <GO>}

So say a loss was NOK40m, just so I'm clear, it would just be NOK10 million that's moved into the Corporate Center or would it be the NOK40m?

A - Catharina Hellerud {BIO 17276650 <GO>}

No. If the loss is NOK40 million it's NOK10 million that is going into the Corporate Center.

Q - Will Hardcastle {BIO 16346311 <GO>}

Okay, very clear. Thank you.

Operator

Next.

Q - Will Hardcastle {BIO 16346311 <GO>}

Will Hardcastle, Bank of America Merrill Lynch.

Operator

Go ahead, please.

A - Janne Flessum {BIO 19368607 <GO>}

Did you have one more, Will? I guess we can go to the next one, then.

Operator

At this time, no further questions.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Okay.

A - Janne Flessum {BIO 19368607 <GO>}

No further questions, okay.

A - Helge Leiro Baastad {BIO 5865247 <GO>}

Okay.

A - Janne Flessum {BIO 19368607 <GO>}

Then we thank you for participating and, hopefully, we see some of you at the lunch presentation in London tomorrow. For those of you who we don't see, have a really nice summer. Thank you.