Capitalisation

5 May 2008

Developments in the first quarter of 2008

- TrygVesta's equity capital increased in the first quarter of 2008 with DKK 47m compared to the net result for the period of DKK 178m. The main reason for the lower development in equity is the acquisition of own shares to hedge the stock options program for management and employees of DKK 139m in the first quarter of 2008.

- The investment mix regarding equities in the investment portfolio fell to approximately 5% of total invested assets and 4% including derivatives. TrygVesta expects to increase the proportion of equities to a mid-term level of 8-10 % and retains the capital required for this mid-term level in order to avoid unnecessary fluctuations in pay-outs. According to the capital model, the capital required in addition to the first quarter of 2008 balance sheet values is approximately DKK 400m – 650m.

Capital strategy

TrygVesta follows an active capital strategy and coordinates the capital planning with risk management by using the same, internal ALM framework in the long term planning of the capital level. The capital structure is continuously optimised while maintaining the necessary security for the stakeholders in TrygVesta and room for growth and development in the Group.

TrygVesta is rated once a year by Standard & Poor's and Moody's. This rating is the basis for the capital target. The targeted rating is to sustain a minimum rating of "A-" and A3 respectively.

This target reflects a level of capital that satisfy the demand for security by the corporate customers and broker sales channel as well as reducing the risk of fluctuations in the capital affecting TrygVesta's ability to continue the business and service our debtors. On the other hand, TrygVesta does not wish to accumulate capital that exceeds the need for a continuation of the business and realisation of the Group strategy.

The dividend policy reflects TrygVesta's long term profitability and cash generation under a sustainable capital level as well as a flexible and attractive way of distribution the dividends. TrygVesta pays out a minimum of 50% of the results as a cash dividend and will return any excess capital to the shareholders as share buy-backs.

The ratings from Standard & Poor's and Moody's are given as part of an interactive rating process. Standard & Poor's uses a capital model, however only as one of several criteria and parameters on which TrygVesta is examined. Other criteria may be risk profile, strategy, management, current profitability and potential profitability. Moody's does not use an explicit capital model.
Standard & Poor's new capital model measures a target capital required per rating class ('AAA', 'AA', 'A' and 'BBB') in a methodology that reflects a non-linear approach to risk

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comparable to different confidence levels in a risk distribution. The capital model is a multi factor model with a required capital based on insurance related risks (Liability Risk) and investment and credit risk (Asset Risk) including diversification effects between the asset and liability risks, however, with a 50 % hair-cut of the effect.

The available capital is based on the equity position adjusted for different accounting measures and hybrid equity. In the capital model, TrygVesta's targeted rating of 'A-' corresponds to the minimum required capital for an 'A' level. To avoid adverse changes to the rating, the capital target is set at 5 % above the minimum level by building a smaller buffer to the 'A' target. The target capital of 'A-' is translated into equity plus hybrid capital less dividend of 52% - 56% of the net premiums. This capital to premium target is dependent on the current business mix and investment profile.

On this page, a simplified version of the new capital model is disclosed with explanation of the elements and difference in results to the full, internal capital model that is not disclosed in public. The alphabetic reference is to capital model below.

Target capital

The target capital for TrygVesta consists of 3 parts:

- Requirement for asset risk
- Requirement for liability risk
- Reduction for diversification

Asset risk

The required capital for asset risk (E) is calculated in the full model by multiplying different factors to the amounts invested per asset class, a charge for reinsurance credit risk and a general asset risk charge for all other assets. Following components are charged:

- Credit rating of bond portfolio
- Duration of bond portfolio
- Land of origin of shares in portfolio
- Real estate portfolio
- Receivables and outstanding reserves by reinsures' credit rating
- A general credit risk adjustment of 6,6% on assets not otherwise in the model

Especially the charges for equity risk have changed in the new model, but in general this risk charge is very dependent on the actual investment mix. In the simplified model, this is in average 6.5% of the total assets (D) given the current investment mix. This results in a charge of DKK 2,781m in 2006 and DKK 2,849m in 2007. Due to changes in the investment mix in the first quarter of 2008 this has been reduced to an average of 4.7% of the total assets (D). This results in a charge of DKK 2,087m in the first quarter of 2008.

Liability risk

The required capital for liability risk is comprised of 5 different components.

The premium risk (F) is calculated in the full model by multiplying different factors to the net written premium per lines of business. These factors range from 13% to 30% depending on line of business. In the simplified model, this is in average 20% of the net earned premium (A) given the current business mix. The premium for the first quarter of 2008 is DKK 16.135m giving a capital required of DKK 3,227m compared to DKK 3,178m in 2007.

The required capital for reserve risk (G) is calculated in the full model by multiplying different factors to the net discounted reserve for losses per line of business. These factors range from 9% to 26% depending on the line of business. In the simplified model, this is in average 18% of the booked net reserve for losses (B) less the reserves annuities (C) given the current reserve mix. In 2007 this was DKK 3,236m and in the first quarter of 2008 DKK 3,245m.

Reserves for annuities in Danish workers compensation insurance is separated and treated as a life insurance risk in the new model. This is due to the fixed annuity scheme that only incurs risks similar to a life insurance. The capital required for life reserve risk (H) is equal to 0.9 % of annuity reserves (C). In 2006 this was DKK 14m and in 2007 DKKK15m

A capital requirement related to catastrophe risk was added for testing to the previous capital model in 2007 and this has become a permanent component of the new capital model. The calculation includes the net exposure for the 1-in-250 year scenario for property risk. TrygVestas reinsurance program covers the 1-in-250 year event on an occurrence basis with a retainment of DKK 100m. The 1-in-250 year net exposure is DKK 241m pre-tax, the post-tax amount of DKK 174m has been added to the required capital (I).

The required capital for insurance bond portfolio (J) is approximately DKK 115m. This is the result of taking the historically largest loss in one year related to the gross exposure and then multiplying this to the current exposure. Only proportional reinsurance is credited though TrygVesta Garanti only has a self retention of DKK 30m per risk.

Target capital and diversification

In total the target capital for “A” range (K) was DKK 9,567m in 2007 compared to DKK 8.863m in the first quarter of 2008. Diversification is estimated at 8 % of the target capital, bringing the Diversified Target Capital (M) to DKK 8,802m in 2007 and DKK 8,101m in the first quarter of 2008. The diversification estimate has increased to 8.6% for the target capital in the first quarter of 2008.

Total available capital (TAC)

The equity (O) is adjusted for several accounting issues:

Hybrid / Subordinated Capital (P)	Add to capital of up to 25% of the capital base for “A” rated companies. The hybrid capital is DKK 1,101m per the first quarter of 2008.
Expected pay-out (Q)	Deduct current dividend and expected share buy-back from capital. The dividend for 2006 was DKK 33 per share equaling to DKK 2,244m. The expected pay-out on the 2007 results is DKK 2.561m of which DKK 1,156m is cash dividend to be paid out following the general assembly. The remaining DKK 1.405m will be a buy-back of own shares during the following 12 months.
Equalisation reserves (R)	Add to capital. Post-IFRS the equalisation and security reserves are no longer booked in the liabilities but part of the equity position, however, as these funds are not taxed a deferred tax liability is set up and this is added to capital. In 2007, this amount was DKK 1,201 m and in the first quarter of 2008 DKK 969 m.
Intangible assets (S)	Deduct from capital with DKK 335 m in 2007 and for the first quarter of 2008 it is DKK 379m.

Standard & Poor’s applies a model-based discount approach, causing fluctuations relative to TrygVesta’s discounting model. TrygVesta has adapted the capital model in accordance with TrygVesta’s discounting method, which is regulated and approved by the Danish Financial Supervisory Authority. TrygVesta does not regulate the available capital due to discounting when deciding the capital adequacy and pay-out level.

The adjustments results in a total available capital ”TAC” (T) of DKK 9,203m in 2006 and in 2007 it increased to DKK 11,796m pre-pay-out and net of pay-out to DKK 9,235m. In the first quarter of 2008 the total available capital “TAC” (T) net of pay-out amounts to DKK 9.187m.

	Simplified Capital Model	~~2006~~	~~pre pay-out 2007~~	~~2007~~	~~2008 Q1~~	~~Change 07 to 08~~
A	Net premiums	15.293	15.890	15.890	16.135	245
B	Net reserves excl. Annuities	19.034	19.676	19.676	19.671	(5)
C	Annuities	1.558	1.698	1.698	1.645	(53)
D	Total assets	42.783	43.830	43.830	44.409	579
E	**Asset risk (6,5% x D) 4,7% Q1 - 2008)**	**2.781**	**2.849**	**2.849**	**2.087**	**(762)**
F	Premium risk (20% x A)	3.059	3.178	3.178	3.227	49
G	Reserve risk (18% x (B-C))	3.146	3.236	3.236	3.245	9
H	Life reserve risk (0,9% x C)	14	15	15	15	(0)
I	Catastrophe	174	174	174	174	-
J	Bond insurance	100	115	115	115	-
	Liability risk	**6.492**	**6.718**	**6.718**	**6.775**	**57**
K	Target capital "A"	9.273	9.567	9.567	8.863	(705)
L	Diversification (8% x K) 8,6% Q1-2008	(742)	(765)	(765)	(762)	3
M	**Diversified target capital**	**8.531**	**8.802**	**8.802**	**8.101**	**(701)**
O	Equity	9.951	10.010	10.010	10.057	47
P	Hybrid capital	1.099	1.101	1.101	1.101	0
Q	Expected pay-out	(2.244)	-	(2.561)	(2.561)	-
R	Deferred tax	945	1.021	1.021	969	(52)
S	Intangibles	(220)	(335)	(335)	(379)	(44)
	Discounting (only 2006)	(328)	-	-		-
T	**Total Available Capital**	**9.203**	**11.796**	**9.235**	**9.187**	**(48)**
U	Buffer to "A" range	8%	34%	5%	13%	8%
V	Buffer in mDKK	672	2.995	434	1.086	653
	Full Internal Capital Model	498	3.002	441	1.087	646

The simplified model underestimates the buffer with DKK 7m in 2007, and in the first quarter of 2008 it underestimates with DKK 1m.

The simplified model is disclosed to give insight to the capital planning in TrygVesta and will be updated on the Investor Relations website every quarter on the same dates as the financial results. The model is a simplified version of the extensive internal model; however, the results give guidance to the capitalisation of the Group. The results of neither the simplified nor the full model can be viewed as the opinion of either rating agencies.