



Conference call transcript

First half 2009 results

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Presentation – H1 2009 highlights

Ole Sæberg – TrygVesta, Head of IR

Good morning and welcome to TrygVesta's second quarter 2009 webcast presentation. In the studio today, it's Stine Bosse, CEO; Morten Hübbe, CFO, and myself, Ole Sæberg, from Investor Relations.

Before we start, I'd like to mention that we on 1 September host a Capital Markets Day in London; and if you wish to participate, please contact Investor Relations.

With this short introduction, I'll hand over to Stine.

Stine Bosse – TrygVesta, CEO

Thank you very much, Ole, and good morning to all of you. First of all, TrygVesta saw premium growth in the first half of 8.6. Now this is in local currency and includes the acquisition of Moderna. If we take out Moderna, we saw growth of 5.4%, which is as we see it quite a solid growth in the four existing markets. Now for both Finland and Sweden, we've seen growth of respectively 28 and 52% up till now. Now the underlying claims ratio was unchanged compared to the same time last year. We have seen an increase in the actual claims ratio, very much carried by lower interest rates, more large claims and weather related claims, and also slightly less run-off gains compared to last year. That of course is not something that we are satisfied with; and as we have talked about earlier, premium increases are taking place, and there will also be further premium increases following for the rest of this year and also into next year. That also combined with the efficiency programmes that we are looking into and that we have running now will of course take our combined ratio back into the level of 90/91 as we have talked about earlier. Now Moderna and the acquisition of Moderna has up to now shown very good results. The synergies that are around about 50m on an annual basis are running in nicely, and all the areas that we have now fully implemented have shown either exactly the results that we have planned or even exceeded our expectations. The investment returns of 3.3%

are definitely better than the same time last year; and on a total, the investment results are up with just above 1bn compared to last year. Morten will come into the details of that later. Now we do upgrade our expectations for the full year on this background from 1.4bn to 1.7bn.

If we look into slide no. 4, you can see the key figures here; and apart from what I have mentioned, the only thing I would like to highlight here is on the cost side, namely that the cost ratio now of 17.2 is of course affected by the acquisition of Moderna by 0.2. So if you look away from that, the cost ratio is at the same level as last year; and of course as we have also mentioned earlier on, we continuously work with our cost ratio, and you should also expect the cost ratio to take downwards in the years to come when we look away from the acquisition of Moderna.

If we compare us in the Nordic market, and we try and do that on slide no. 5, you can see that the gross premium growth that TrygVesta shows is the strongest in the Nordics, and that is even if we do not include Moderna. If we include Moderna, it is far the strongest growth picture; and if we don't, it is still much above our competitors. If we look into the same on the combined ratio side, and I think Morten will also comment on that later, we still see ourselves performing strong in that area, even though we see that Codan are also picking up and doing well on the earnings side.

And with that remark, over to you, Morten.

Morten Hübbe – TrygVesta, CFO

Thank you, Stine. And if we turn to slide no. 7, we see the main reason why, as Stine mentioned, our claims ratio has increased in Q2 this year. In this quarter, we've seen large claims of 240m compared to 100m in the same quarter last year and 125m in an ordinary quarter. We've also seen weather related claims, mainly heavy rain showers in the Danish market. There's 65m in this second quarter compared to 25m in the second quarter last year. We've seen run-offs of some 80m below last year; and as Stine mentioned, we've seen lower interest rates with the impact that our discounting has changed 2 percentage points to the combined ratio compared to last

year. And as you see, that really means that the reported increase in the claims ratio is more or less explained by these rather external factors.

If you turn to slide no. 8, we see an increase in the pre-tax results of 65% due to the increase in investment income. The post-tax result of just above 1bn, is 93% up compared to last year; and we've seen a benefit on the tax side of roughly 105m, half of that roughly is due to the inclusion of Moderna and a more efficient utilisation of our tax losses carried forward and the other half is due to the tax free investment gains on equities. Now also bear in mind that our longer-term tax rate will be reduced from roughly 27% to roughly 26% due to a now more permanent, more efficient tax position in Sweden.

If we turn to slide no. 9, we see the list of price initiatives that we have carried out; and as Stine mentioned also, we are at the moment looking into carrying out more price increases. So far this year, we've seen an earned impact which gives us an increase in house prices of 6% in Denmark and Norway, which is clearly higher than the current claims inflation in house insurance, but not yet enough to compensate for the high claims inflation during last year. When you look at car insurance, we've seen an increase of 2% in Norway, and we've seen a drop of 2% in the Danish portfolio mainly due to a larger group agreement being re-underwritten, but also due to the fact that customers buy smaller cars with which on average have less insurance premium. Now we expect these price increases to gradually improve our combined ratio during the next 24 months; and as Stine mentioned, we are also looking into further price increases.

Turning to slide 10, we elaborate on one of the issues that could potentially be negative from the current economic crisis, and that is the impact that increasing unemployment will have on workers' comp insurance. And as you can see from this slide, mainly in Denmark, we do see a rapid increase in unemployment, although from a low level, and of course we're starting to see how that impacts the demand for workers' comp insurance mainly in the Danish industrial portfolio.

On the other hand, on slide 11, you might be worried that the significant drop in new car sales would impact a portfolio such as ours. But what you see is even though new car sales have dropped between 25 and 40% in the first half, actually the total portfolio of cars is unchanged. And if you look at TrygVesta's portfolio, we have actually increased our volume of cars, of course in Sweden and Finland more predominately. But also in Norway, we have grown our portfolio of cars more than the market, whereas in Denmark, we're marginally below.

If you turn to slide 12, we show the frequency in average claims development. On the positive side, we see a drop of 3% in the frequency of cars in Denmark. We see a drop in car fires by 30%. We see a drop in bodily injury claims by roughly 20%. But also it's positive to see a drop of around 9% in car frequency in Norway from first quarter to second quarter, of course after a first quarter which was significantly hit by high frequency winter claims. We're also pleased to see that generally the increases in average claims are very small; and even in Denmark, we've seen in the Q2 a drop of 4% in the average claims on house. On the negative side, we still see too high claims frequency on house insurance both in Denmark and Norway, both of which have increased more than 5% in the second quarter. And in June alone, we saw more than 400 water related claims in the Danish house insurance.

Now on slide 13, we elaborate on large claims and weather related claims. And as you may see, there is an increase in large claims from first half last year to first half this year, but the impact is really more skewed development from a low impact in Q1 and then a high impact in the second quarter. And of course, the 240m of large claims in one quarter is roughly double what we would expect.

If we turn to slide 14, we show the development in the insurance technical provisions. In total, they have increased by roughly 5% comparing first half to first half last year, and of course that is mainly due to the inclusion of Moderna insurance, but also increases in the technical provisions in Denmark and Norway. Run-offs of roughly 345m or some 3.9% to combined ratio, which is of course slightly short of what we saw last

year, but then again more in line with a sustainable long-term impact to the combined ratio of around 3% plus.

If we turn to slide 15, we are very pleased to have the first quarter with breakeven in Sweden. The inclusion of Moderna brings premium of around 320m in the second quarter; and with a combined ratio of 92% in Moderna, that of course gives scale and brings our total Swedish business to a combined ratio of 101 in the second quarter. Now Moderna as such, as Stine mentioned, grew 10%, which is actually very satisfactory, but also our Vesta insurance grew by almost 60,000 new policies in this first half.

Turning to slide 16, we are starting to harvest the benefits of the inclusion of Moderna. As I mentioned, we in second quarter saw the benefits of pre-tax or tax efficiency, but also we have now turned the Moderna reinsurance programme into our TrygVesta programme, which means that we've been able to cancel reinsurance giving 40m lower reinsurance premium and almost 20m to the P&L on a positive basis on a 12-month account.

Now turning to slide 17 on the investment side, Stine mentioned a result of 3.3% or 6.7% annualised, and of course we've seen a very significant narrowing of the spreads between Danish mortgage bonds and government bonds, and that has given a significant positive development, and we've seen a positive performance to benchmark by roughly 200m in the bond portfolio. And of course equities yielding more than 10% in this period has helped earnings as well bringing the investment income to a total of 1bn above last year.

And if you look at the exposure on slide 18, we continue to have a very conservative bond portfolio. We have during Q2 reduced our exposure to long tailed mortgage bonds and increased very slightly our exposure to corporate bonds. And of course, we continue to have no structured products in our portfolio.

And finally on capital, we have of course seen the increasing capital base due to earnings in the second quarter and we now have capital of roughly 1.7bn or 21% above the A rating requirement. Of course that leaves us in a

comfortable position, although that is of course also in a situation with low equity exposure. And of course shortly we announce the cancellation of the shares that we've bought back during our buy back programme.

And over to you, Stine.

Stine Bosse – TrygVesta, CEO

Thank you, Morten. Finally just into the outlook for 2009 on slide 20. First of all, we remain with high growth expectations of these 8% that is of course including Moderna. We have lowered the expectations for the technical results and thereby also for the combined ratio to now 92, and for the technical results after run-off 1.6bn for the full year due to the reasons that Morten has gone through in detail. And please let me remind you again that we still aim to go down below 92 on the medium-term expectations for TrygVesta. The investment results on the other hand we have taken up to now 700m for the full year, and that all in all takes up the expectations for the full year for TrygVesta at a net income from earlier on 1.4m to now 1.7m, and of course that raises the outlook for the full year.

Let me just round up. Still a solid growth also here expected for the full year. The insurance results is lower than we expected ourselves. We are implementing full scale premium increases and decreases of the costs. Efficiency programmes are running through. Price increases are being implemented. The strong investment results are definitely as we see them due to the equity markets and of course also narrowing the spreads of bond, as Morten went through in some detail. But I will not look away from that we have always highlighted the features of strong insurance results versus investment results. We hadn't gone away from that. We're still focusing very much on the insurance results and eager to take them back to a position stronger than just now.

I think that is concluding our remarks, and we would like to take your questions. Thank you.

Jakob Brink – Handelsbanken

Hi. It's Jacob from Handelsbanken in Copenhagen. I have two questions. First of

all, can you maybe give us an update, a bit more detail on how the recession is impacting TrygVesta? I mean you talk about unemployment increasing in Denmark and Norway, but it seems like your premium growth is still quite solid, whereas can see it again Sampo reported somewhat declining premium growth, especially in the corporate segment where it seems like it's hitting you on the claim side and also I mean, Stine, you said that right now you're facing some problems but you're hoping that that would correct. How exactly is that you think if it's going to correct given that the recession is impacting your claims this way? Maybe also my second question on Norway, can you maybe give us a bit of insights what's going on in Norway. Are you seeing any improvements or is it still as bad as you've said at the end of last year? Thank you.

Stine Bosse – TrygVesta, CEO

Okay. I think let me try and give some comments around all this, and Morten can comment as well. Now the recession impact, yes, it looks as if from just looking at the results, it looks as if it's hitting us harder on the claims side than on the growth side. I don't think that it's a question of recession that really is hitting us on the claim side. We don't see any signals of stronger fraud or anything. We saw slightly in the first quarter a take up in car fires. That has come down actually to a lower level than last year, so we can't really say that on the claims side, we can't say that that is due to any kind of recession. Morten has gone through in detail what is the difference between '08 results and '09 results; and please remember that in '08, we started to talk about premium increases before it was at all visible in our results on the claim side that that was an issue that we had seen claims inflation and so on. It is coming through our books. I am very sure that we're going to see results picking up and combined ratios again trending towards 90 in the years to come with the premium increases that we have put through and also with the very, very firm and solid underwriting discipline that we have especially in our Corporate lines, and that is also why I think this growth that we're showing is nice and not driven by an over appetite in the Corporate lines. There's nothing easier than to grow rapidly there. So the growth is

coming on in widely and the premium increases that we are implementing and the ones that we have in the plans, I think definitely is going to correct the direction of the claims ratio.

And then finally on Norway, I think that Norway is improving. We can see that they are definitely improving on the claims ratio side. It is not at the level that we want them to go. There is still more that we want them to do; and definitely also when we talk about Norway, in the cost ratio side, we shouldn't look away from that. We have much more on the cost ratio side, probably about between 2 and 3 percentage points to go for in Norway before definitely I would say that I was satisfied.

Morten Hübbe – TrygVesta, CFO

I might just add, Jacob, that when you look at the recession discussion in terms of premium volume, I think it's fair to say that we expect to see slightly lower growth in the Corporate segment, for instance, in the second half than we've seen in the first half because we do see that on a rolling 12-month basis, we start to see the impact from workers' comp, and that means that we are seeing a slightly downwards trend on the volume side, and particularly Corporate Denmark, which you cannot really see yet in reported premium numbers for first half.

And in terms of Norway, very much agree that we do see an improvement. On the reported side, we saw a combined ratio in Private & Commercial Norway in Q1 of 107, in the second quarter it was 92, which is of course still slightly too high but of course significant drop. And when you compare second quarter to second quarter on Private & Commercial Norway and if you had used the same interest rate labels for discounting, the underlying claims development in Norway is actually down 3.5%. So we do start to see an improvement in Norway, and that improvement needs to continue.

Claus Jensen – ABG Sundal Collier

Yes, good morning. Just a few quick questions. One is actually just a quick follow-up on what you just said/discussed. Could you specify out

for us please what your premium growth was in the workers' compensation when adjusting for currency? That was the first question. Then the second question is when I look through your numbers, it seems that the bulk of your run-off gains fall in the Corporate segment. Is this still mainly related to workers' compensation? And now that yourself highlight the growth in the unemployment in Denmark, do you think these might come down a bit in the second going forward? And then thirdly, jumping to the frequency in motor, it still seems to be flattening at least from the graphs you highlight. But you mentioned several numbers that have fallen frequency on motor accidents, and I think that's a trend we can see across the Nordics and maybe the rest of Europe as well. Could you please specify what pulls the frequency up, what frequencies are actually increasing in motor now that we see fewer accidents, et cetera? Thank you.

Morten Hübbe – TrygVesta, CFO

When you look at the development, we don't specify the growth of any one single line. But I think it's fair to say that if we had specified the growth on workers' comp alone, it would clearly be negative. So it's clearly below zero, and that has to do with the fact that less employees requires less workers' comp insurance and that results in negative growth. And we will see that continue in the remaining of this year and will see it continue into 2010 as well.

If you look at the run-off gains, they are split between Denmark and Norway quite nicely, but there's an overweight of personal lines related lines in that number, and we see the predominant part of our run-off gains coming from workers' comp in both Denmark and Norway, in Norway also on other personal lines, related lines. We see positive now again positive run-off gains on cars in Denmark by roughly 60m. We also see lines like property and liability in Norway with positive run-off gains. On the negative side, it's clearly that the lines of business that have seen the highest claims inflation during last year like private house, private content, et cetera, we've actually seen run-off losses of 100m this year, so that gives a sort of more varied picture. We've now built in more specific recession buffers into our total claims reserves for

personal lines, so we think we are well equipped to handle the recession. But it's clear that if you have reserves sort of marginally too little in personal lines and we're looking at recession, then you would be headed for problems.

In terms of the frequency on cars, I think what we mentioned was that we actually see a drop in the car frequency, a drop of 3% in Denmark, which is both due to the fact that people drive less miles, but also due to the fact that we've seen less bodily injury and, as Stine mentioned, less car fires. In Norway, we also, as I mentioned, saw a clear drop in the second quarter of around 9%, although we particularly on commercial cars are not satisfied with the claims results as they are.

Claus Jensen – ABG Sundal Collier

Could you clarify, did you say it built in extra buffers now into your provisions to be able to withstand the recession so that you can probably maintain the run-off level at the current levels, or is that just the same buffers as you've always had?

Morten Hübbe – TrygVesta, CFO

I think, we already mentioned on the first quarter that we're building explicit recession buffers on personal lines. That will be enough to make sure that we have positive margin on workers' comp, also in the future. I think we are not likely to have as high run-off gains on workers' comp as we've had for the previous year; and of course particularly in Denmark, we have seen that new legislation has increased claims reserves. I think what you should expect is a sort of more longer-term sustainable run-off gains for the total portfolio in the region of 3% plus to the combined ratio, but that will always vary from period-to-period between which lines of businesses contribute to that in which way.

Rodney Alfven – Cheuvreux

Yes, good morning. I have three questions. First when it comes your investment dedication, I see that you have even lower ratio equities. Do you plan to change that in the course of the year? Then secondly, if I

read your guidance, it seems like you expect the tax rate of 23% for the second half of '09. Is that the level we should expect going forward as well? And then if you please can elaborate a little bit about your capital distribution policy in a way or there and what did you expect going forward? Thank you.

Stine Bosse – TrygVesta, CEO

Okay, let me take the first one, and Morten will take the other two. I mean on equity, we haven't touched our equity positions since we took it down quite dramatically in the beginning of 2008. So what has happened with the equity portfolio regarding how much it is of the total is just due to the markets and the way the market has turned out. Looking into the future, we have said, and we stay with that position, that this year we are seeing sort of where the market is going. We want to see things become sustainable and we want to sort of see the long-term trend on the equity market and then we will take decisions on where we want to go, also taking into account how much capital is being acquired for us to load in in our models, and it can go up and it can go down. So we haven't finally decided where our equity position is going to sort of settle more long-term.

Morten Hübbe – TrygVesta, CFO

And when it comes to your second question, Rodney, about the tax rate, you're correct that we have adjusted the expected tax rate for this year to 23%. Longer-term our expectation is a tax rate of around 26%, which is slightly lower than what we've guided previously due to the fact that we can now utilise what would otherwise have been a negative annual result in Sweden in the combined larger new business in Sweden.

When it comes to the capital distribution policy, I think, hopefully, you appreciate that we publish on a quarterly basis our capital position, and that we have the attitude that we'll pay 50% of our current year's earnings in dividend, and the rest of what is not required as capital as buy backs, there's really no change to that. What you can say is of course that at the year-end of 2008, we were in a position where clearly the financial crisis called for more caution on the capital base and also

the fact that we had a low equity exposure of around 3% called for the same caution; and at the same time, I guess we've shown that Moderna was an example of how new opportunities could arise under such circumstances. But generally and longer-term, there's no change to our overall distribution policy.

Per Grønberg – Danske Markets

Yes, good morning. Per Grønberg from Danske. Questions in two areas. The first one related to your investment income, you mentioned that you have benefited from the contracting split between Danish mortgage bonds and the government bond. Can you give some indication on to what extent your long mortgage bond versus your discounted rate that now has a significant portion of the mortgage bonds return in corporate into it? The second question is related to the Danish P&C segment. We saw in the first quarter a cost ratio being very low at 14.6, a material jump upwards in the second quarters. Can you just give us some indication of what's happening q-on-q? Secondly on the overall claims ratio for Danish P&C that is up some 5 percentage point, is it correct that this deviation can be fully explained by your prior business and weather related claims that the actual underlying trend is that positive or negative? Thank you.

Morten Hübbe – TrygVesta, CFO

I'll take your first question, Per. You can say that during this first half we have been long on mortgage bonds relative to the discounting. That has given us a significant pick up in terms of investment income and also positive performance to benchmark, but we have during this summer significantly lowered our exposure to Danish mortgage bonds in the long end. So I would now say that we are closer to neutral, even slightly short, compared to the first half.

When you look at the Danish P&C business, you're correct that we had a jump from first quarter cost ratio compared to second quarter. But when you compare the second quarter this year to second quarter the two years before, you see a stable to declining level, and the 14.6 that we reported in the first quarter is not

sort of in line with the general average in any one quarter. So this is sort of a continuation of the same development as we've seen historically.

And I'm not sure I got your third question.

Per Grønberg – Danske Markets

On the claims ratio for the Danish P&C that is up some 5 percentage point, on the thing is I can see it looks like the key explanation is that your prior year run-off gains is almost zero and your weather related claims are clearly up. What is your number for placing the report addressing your underlying claims ratio, your underlying combined ratio, how do you see that for the Danish P&C segment?

Morten Hübbe – TrygVesta, CFO

When you look at it on a first half year basis and you try to compare without being confused about the differences in interest rates and also as you mentioned the weather related claims in June, what we see on a half year basis is that underlying the claims ratio in Danish P&C is exactly unchanged; whereas when you look at the second quarter, it's actually slightly improved, but only slightly, compared to second quarter last year. So that is very much a stable development and stable scenario. But of course, as Stine mentioned, also here we're waiting for the price increases that we have carried out to start to compensate again for some of the loss of earnings we saw during the claims inflation of last year. But there's really no sort of new worsen trend in the second quarter, not at all.

Stine Bosse – TrygVesta, CEO

And I think we need to underline that, yes, the results of '08 were very strong, but we also there highlighted the fact that we did not have very many large claims. We did not have very many weather related claims. That was why we actually started to talk about premium increases even with very strong results in the claims area. So I mean unchanged patterns, slightly relief on the underlying trends on the claims ratios, but not necessarily enough; and that is why we are continuously talking about premium increases also in other areas, that the ones we have coming through just now.

Per Grønberg – Danske Markets

Okay perfect. Can I add another small question? On the weather related claims, my impression was that the heavy rainfalls mainly came in July and not in June. Can you give any comments on what have the costs been in July or and what have the weather related claims been in the second quarter?

Stine Bosse – TrygVesta, CEO

I mean on the weather related claims in second quarter, I mean they were quite substantial. We had a lot of weather related claims in June in Denmark, and I was talking about this to a journalist early on, it depends on where in Denmark you were because I mean the weather was nice in many areas and then you had these very sudden severe rainfalls, and that is the changing pattern of our climate. And if you look in the book like TrygVesta's and you look sort of in the years back, as we do quite a lot, there you can see of course that we used to have very heavy winters, and the winter was sort of settling the whole result for an insurance company and the summer was sort of plain sailing. Now that has changed completely where we see now the winter actually being more stable. We have these green winters with not a lot of snow, but we have these very, very significant rainfalls in some summers, most of them, but not last year, but this year it's back to normal, the new normal.

Morten Hübbe – TrygVesta, CFO

I mean 65m for water related claims in the second quarter compared to more normal second quarter of 25m, that's 1 percentage point up to the total group claims ratio and of course much more than that if you just look at the Danish P&C business. So it is significant.

Torsten Bech – LD Invest Markets

Yes, hello. It's Torsten Bech from LD Invest Markets. A few questions. First, could you give an update on the competitive situation both within industrial segment and also P&C Norway? I believe we previously talked about especially one competitor within the industrial segment and are you seeing any change

pattern in this area? And on Norway, there's some, what should we call them, new providers. Do you see any change pattern in the competitive situation? And finally, also on run-offs, I believe there was, should we call it a court ruling in April on workers' comp. Morten, you've previously said it would be significantly below 100m. Could we get the number what it was in Q2? Yeah, that was pretty much it. Thank you.

Stine Bosse – TrygVesta, CEO

Okay. Morten, you finalise this. But on the competition side for Denmark, I mean we were very much alone when we started last year to talk about premium increases, and of course it's nice to know now we're not alone anymore. A lot of our competitors are doing exactly the same, increasing premiums and also in the same products. I think what we have seen is that some of them have even gone further. They've also increased premiums in the content insurance, familieforsikring. So a lot have even gone further than what we did. That is of course probably why we're still talking about areas where we do need to increase premiums. Also the smaller companies, they are always a bit later on seeing the effects of course because of scale and statistic, sort of the level of the statistics, but they are also now coming through with premium increases, and I guess some of them really need them quite desperately.

If we go to Norway, also a picture of a lot of the competitors realising the premium increases are we needed; and we have to be very honest with you here, I think in Norway probably we came one-year later than some of our competitors on the premium increases. We have done premium increases last year. We will do that of course also this year and of course also travelling into next year. Now the new provider, or providers in Norway, many of them have been sort of more funder than actually really action. The one that we're looking more carefully into is DnB NOR because of the significance of their distribution power. The sort of the final impact of their initiatives we haven't seen. We're not quite as worried as we were in the beginning, but of course we're following that carefully. And I think the one competitor you were pointing out to was a very large American company in some

trouble and we have seen them being extremely aggressive and this is where we have told our underwriters to stay put and not go into that kind of competition. So that is how we handle it, and we haven't seen it go completely away. Some of the burden is taking off or is taking off somewhat in Denmark, but we still do see very, very bad underwriting from time-to-time and of course it's a worry point. But as just mentioned, we don't participate. So from that point of view, we're not too worried.

Morten Hübbe – TrygVesta, CFO

As you might ask sort of from an overall point of view, the competition is less tough in Corporate Norway at the moment than in Corporate Denmark, and of course that is very positive because we have previously seen the opposite picture, and those are some of the advantages of being in more geographies that we're not as sensitive to any one or two changes in the competitive landscape.

Stine Bosse – TrygVesta, CEO

And actually this is not very strange because the fact that some of the corporate businesses in Denmark are heavily impacted by a recession and therefore more price vulnerable and sensitive; whereas in Norway, the recession is not in any way the same, and of course it has an impact on sort of the whole position talking about pricing.

Morten Hübbe – TrygVesta, CFO

And your second question, Torsten, about the run-offs, how they're impacted by this new court ruling. You're correct that that was mentioned already on the first quarter. We've now had a chance to investigate that in more detail. Our assessment is actually that for TrygVesta the historic impact on claims reserves is actually slightly more than 100m but just around 100m, and more importantly the ongoing future impact is expected to be one percentage point increase to the ongoing claims ratio of workers' comp in Denmark. More we've made sure of causes that now we have taken care of those 100m in our claims reserving on the balance sheet.

Simon Christensen – SEB Enskilda

Yes, good morning. Just a few detailed questions. Could you please, now we can see the lower discounting virtue of combined by 1.9 percentage points compared to the second quarter of '08. Could you please state what that effect is on P&C Denmark/Norway and the Corporate division please? And also I think Per also asked about this. How is the, well, weather related claims impacted you here, perhaps in the third quarter from where I sit, it has been a bit wet. If you look at, and that's the third question, on the technical interest in the Corporate division of zero, could you please explain that? That were three little questions from my side.

Morten Hübbe – TrygVesta, CFO

I'll comment on the first question. You're correct that what we've said is that the total group discounting has impacted the combined ratio negatively by 1.9 percentage points. And it's actually quite important to say that in our outlook for the full year, we've assumed that the impact from discounting is a further 0.3 percentage points down to the impact of the second quarter. If you look at the distribution between the different areas, we see that the Private & Commercial Denmark and Norway is just short of that impact, around 1.6/1.7% impact, and that the Corporate discounting impact is changed by more than 2%.

When it comes to the technical interest, the numbers become very small because we are seeing a declining interest rate scenario where for the first half we've seen a drop in interest, technical interest of 170m in the second quarter alone, a drop of 107m, and really the sort of net technical interest will be very, very small in the interest rate scenario we see now, and we can see some areas like Corporate where we have zero net technical interest.

And then what was the last question?

Stine Bosse – TrygVesta, CEO

The wet weather.

Third quarter's wet weather. Well I guess we can't say anything specifically, but it is true

that there has also been some impact. It is in line with what we're guiding; and of course, as you know, we guide with some weather related claims already from the beginning of the year and large claims, so you should not expect anything completely out of that place, and definitely it's included in our guidance.

Jan Eric Gjerland – ABG

Hi. It's Jan Eric from ABG in Oslo. I just have two quick questions on the investment return, and the first one is your assumption you had on the real estate; 6% seems a little bit stretched these days when as returns on the commercial real estate is rather on the way down rather than on the way up, so just to explain that a little bit would be interesting. And secondly, Per touched up on the mortgage bonds that you have been long so far and maybe you are rather short you said. But should we expect some kind of mortgage spread scenario being gain again ahead or is that just to be expected to be around zero? Thank you.

Morten Hübbe – TrygVesta, CFO

Well actually, I think the first question on the real estate is quite important. There's no doubt that the real estate market has seen difficult times; and particularly in Norway, we've gone from a sort of very hype investment real estate market to somewhat the opposite. What we did was that we had external value assessors in both Denmark and Norway going through our real estate portfolio before the summer holidays to get sort of a firm grip of that discussion and we're quite pleased to see that the result came out in line with our own value assessments and therefore we feel comfortable that the 6% result assumption or yield assumption is realistic, and I guess not many companies have external assessment of their real estate values very often, so we're quite pleased that that has been carried out.

When it comes to the bond results, I think that you should not in the coming period expect any more significant gains from bond yields narrowing. This was an extraordinary event that they widened significantly during the autumn of last year and now they have narrowed significantly again during the spring of this year. But of course it's still being

debated very much what it is the actual underlying deterioration of house prices and how does that influence this type of bonds. So expect rather more stable bond yields going forward, but of course at a lower level because we now see lower interest rate levels, and that again points to the underlying technical result that really needs to perform, also in the coming period.

Gianandrea Roberti – Carnegie

Yes, hi, this is Gianandrea from Carnegie. I just want to ask three very, very small and quick questions. The first one is on the guidance. Now you're seeing a combined ratio for the full year on 92, excluding run-off gains. I guess if I take a conservative view of this when I'm seeing 3.5 for the full year, that should land about 88.5, but you had a age one combined ratio in '92, which automatically would imply sort of age two combined ratio at 85. It's considered in the level over the last few quarters have not been aggressive. I'm not sure if I missing something in the guidance, but if you can just add some flavour that would be great. The second question is on Finland. I think your combined ratio is travelling up significantly in the second quarter and I just want to go back to something that we discussed previously about your target for Finland and where the business is growing and if there's something that has affected the number in Q2 heavily. When I look at Pohjola and Sampo, they had pretty good numbers in Finland. I know that the size is very, very different, but if you could add some flavour that would be great. And finally, Stine, you mentioned that a premium increase in Norway, you've probably been a bit behind competitors. The other day we also heard Sampo, it hasn't done much in terms of a premiums hike in Norwegian market. I'm just wondering if there is a bit too much of a market share changing in that market and now probably this is going to end and some of the largest player, a hike in premium more substantially. Thanks a lot.

Morten Hübbe – TrygVesta, CFO

If I take your first question, Gianandrea, on the guidance of 92%, of course you're completely right that there's likely to be some run-off gains in the second quarter. I think maybe the fault in your methodology was that

discussing run-off gains of 3.5% was, I would assume, a full year assumption. And of course what we say is that the guidance is without potential run-off gains for the second half. So to take 3.5% out of the 92, I think would be far, far too aggressive. It sounds to me as if you're taking a full year run-off gain, taking that out of the guidance which is given after six months which has already included the first six months of run-off gains. So I think you need to lower your adjustment for second half run-offs.

Stine Bosse – TrygVesta, CEO

Just about Finland, yes, I agree very much that if I was to point out any single area that we should be more worried about than others, it is Finland. And therefore we have made a special plan for Finland. The plan is, as I was saying, on my desk, meaning that I will follow it personally to make sure that we come back on the right track for Finland. Now to give them sort of what they should have, there have been special things just this quarter for Finland, heavy loading on the claims ratio and also some on the cost ratio for the last two quarters. That is not going to go on forward. But having said that, even if we take that out, the more sort of run-off situations, even if we take that out, they're not following the direction that we thought they would and therefore of course we are giving them special attention and we're looking into making sure that also Finland will be also given their size in the years to come will be in line with the larger business areas talking about combined ratios travelling down seriously below a hundred. So, yes, Finland is definitely an area for special attention.

And about the premium increases in Norway, I think that what we've picked up and it could be different signals, but what we've picked up Sampo/If are also talking about definitely the need for a better performance in the Norwegian market, and we have the same attitude in Norway as we have in all other areas. We're not going for market share. I will though add that the change in the organisation that we presented finally end of last year has also changed the, you could call it the "hands on" that we could have with the Norwegian market and that is for the better. There are not a lot of layers of decisions. We can decide and

we are deciding on sort of the executive committee level what the targets for Norway are, and that is probably taking some more serious actions into the Norwegian market on our behalf.

Ole Sæberg – TrygVesta, CEO

Okay. Thank you, everybody, for listening in and for your questions. If there are further questions, the IR guys will be available all day, and then we look forward to seeing you on the road in the few weeks. Thank you.

Stine Bosse – TrygVesta, CEO

Thank you very much.
